Before the
UNITED STATES COPYRIGHT ROYALTY JUDGES
Washington, D.C.

In the Matter of MECHANICAL AND DIGITAL PHONORECORD DELIVERY RATE ADJUSTMENT PROCEEDING	)	Docket No. 2006-3 CRB DPRA

CORRECTED REBUTTAL TESTIMONY OF

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RIAA Trial Ex. 78

CORRECTED TESTIMONY OF TERRI M. SANTISI

I. INTRODUCTION AND RELEVANT WORK EXPERIENCE.

I am the President of T. Media Services, International, a strategic consulting firm specializing in all aspects of media and entertainment. I write this report at the request of the RIAA to respond to several of the assertions that have been made by the National Music Publishers Association, Inc. ("NMPA"), the Songwriters Guild of America ("SGA"), and the Nashville Songwriters' Association International ("NSAI") (collectively, the "Publishers") in the current CRB proceeding.

I have spent virtually my entire professional career in the media and entertainment fields and have had extensive experience with both the recorded music and the music publishing sectors of the industry.

I started my career at the accounting firm of Ernst & Young. I was at Ernst & Young for 13 years and as a partner led the Media Industry Group. I also served as the coordinating partner for EMI Music Worldwide, the American Society of Composers and Publishers (ASCAP) and the NMPA. While at Ernst & Young I developed a sophisticated formula for the valuation of music publishing copyrights which enabled potential purchasers of those rights to obtain an appropriate measure of their value. I also led financial due diligence of several music and music-related companies, including SBK Music Publishing (formerly CBS Music Publishing) by Thorn EMI Plc (a roughly $300 million transaction) and led financial due diligence with respect to the sale of Chappell Music Publishing by an investor group to Warner Music (a roughly $200 million transaction).

From 1989 to 1992 I served as the Senior Vice President and Chief Financial Officer for EMI Music Publishing Worldwide/SBK Records. At EMI Music Publishing ("EMI MP") I was responsible for integrating the former CBS Songs, another music publisher, and leading the financial operations of the newly merged company. In that position I was responsible for corporate development (mergers and acquisitions) and all finance operations including royalties, licensing and administration, financial planning and analysis. In addition, I served as the financial partner to the co-Chairmen of the company to assist on all global growth initiatives. I also negotiated several major catalog transactions, including the acquisition of Filmtrax Music and a long-term administration deal for the Jobete Music catalog. In the course of my work I routinely reviewed royalty statements and other licensing documents and became familiar with all aspects of the royalty rate structure of music publishers and songwriters.

From 1992 through 1998 I was the Executive Vice President and General Manager of the EMI-Capitol Music Group, North America. At EMI Music I led strategy development and oversaw day-to-day operations for nine North American record labels, with responsibility for the sales, marketing, and distribution operations as well as the manufacturing organization. I was also responsible for structuring major artist and promotion deals and evaluating the viability of new business opportunities. Among others, I was responsible for the development and management of multimedia marketing campaigns involving artists such as Garth Brooks, Tina Turner and Roxette. I also renegotiated the rights to the Beatles' BBC Tapes and their "Anthology" audio and video series, greatly increasing the revenue-generating potential of those products.

Subsequent to my work with EMI Music, from 1999 through 2005 I was a Partner at KPMG and leader of their Media and Entertainment Practice. During my tenure at KPMG, I led specific client projects in the media industry, including a business transformation and strategic assessment of a major music association, transaction advisory work for several media companies (primarily in the music sector), advising on transactions from $100 million to in excess of $1 billion, and also led the Sarbanes Oxley initiative for one of the major recorded music companies.

After leaving KPMG, I was the Chief Financial Officer for Interpublic Media, a division created in 2006 to consolidate the media planning and buying businesses of The Interpublic Companies. I then served as the Executive Vice President, Chief Financial Officer and Chief Administrative Officer for IMG, a major sports, entertainment and media company. Upon leaving IMG in 2007 I formed T. Media Services, my own consulting firm.

In addition to the above employment, I have also made a number of professional contributions in the area of media and entertainment. I partnered with the World Economic Forum to assist in the annual media governors meeting agenda from 2000-2005, and I remain involved with that organization today. In the course of my work with the World Economic Forum I contributed to their digital ecosystem study and authored papers relating to the impact of private equity firms in the media and entertainment industry, collaboration between information technology, telecommunications and media entertainment, boundaries of global regulation in the media and entertainment industry, and challenges to creating value in media and entertainment. In addition, I have authored position papers on the current issues and future implications of various sectors in media entertainment, including advertising, intellectual property protection, and the consumer in media and entertainment.

I have been a certified public accountant in the State of New Jersey since 1979. A copy of my resume is attached at the Appendix to this report.

II. SUMMARY OF CONCLUSIONS.

Throughout their direct case, the Publishers have repeatedly made a number of inaccurate or misleading statements about the relative contributions made, and risks taken, by music publishers and record companies.

First, music publishers say they have a significant role in creating music and making it available to the listening public.[1] While music publishers do make certain contributions to the creative process, the contributions of the record labels are many times greater. In terms of dollars spent, it is the record labels that provide the vast majority of the investments in the areas of artist & repertoire (A&R), marketing and promotion, recording cost, talent advances, tour support, and the like. The contributions of music publishers in these areas do not even come close.

Second, music publishers say that they take significant risks with their investments in songwriters.[2] As I will show in this report, any risks taken by music publishers are minimal compared to the risks taken by record labels. This is in part simply a function of their lower spending. But it is also because music publishers, unlike record labels, have access to a wide range of revenue streams that insulate them from periodic downturns in one form of licensing or another. Moreover, music catalogs are durable assets that retain their value for many years with a minimum of continued financial expenditure. That is why music catalogs have in recent years become a widely sought-after investment due to their long-term, annuity-like nature.

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[1] CO Trial Ex. 11 (Israelite WDT) ¶¶ 13-19; CO Trial Ex. 3 (Faxon WDT) ¶¶ 9-38; CO Trial Ex. 24 (Firth WDT) ¶¶ 17-52; CO Trial Ex. 8 (Robinson WDT) ¶¶ 27-57; CO Trial Ex. 13 (Peer WDT) ¶¶ 10-46

[2] CO Trial Ex. 11 (Israelite WDT) ¶ 18; CO Trial Ex. 3 (Faxon WDT) ¶ 17; CO Trial Ex. 24 (Firth WDT) ¶ 29; CO Trial Ex. 8 (Robinson WDT) ¶ 51; CO Trial Ex. 13 (Peer WDT) ¶¶ 19-20

Third, music publishers contend that an increase in the mechanical royalty rate is necessary to enable them to make continued investments in music.[3] But, as I will show, this is not so. Mechanical royalty revenues are but one of many streams of income that the music publishers enjoy. Indeed, as my analysis will show, under the RIAA's proposal to reduce the present mechanical royalty rate on most products to a level of 9 percent of wholesale, music publishers would still enjoy healthy profits and margins -- more than enough to cover their overhead and to continue talent advances and carry out other forms of investment. By contrast, adopting the rate increase proposed by the Publishers will simply swell the music publishers' already substantial coffers while depriving record labels of net revenues that are essential if they are to continue making investments in an already difficult economic environment.

Finally, the music publishers have testified that digital distribution is the cure to the record labels' woes, suggesting that the savings record companies will eventually achieve in lower distribution and manufacturing costs will offset the losses they are experiencing as a result of declining sales revenues.[4] In fact, the shift to digital has created tremendous risks for record companies, who have made and are continuing to make massive investments in order to transform their businesses in a time of great uncertainty about the future of the music industry as a whole. And while everybody has suffered from digital piracy to some extent, it is the record companies that are making most of the investments and therefore that are bearing the brunt of the increased risks. Music publishers, by contrast, simply continue to do in the digital world what they have always done in the physical world, which is to license a product and run what is, in effect, an annuity business.

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[3] CO Trial Ex. 11 (Israelite WDT) ¶¶ 13, 17, 48; CO Trial Ex. 24 (Firth WDT) ¶ 62; CO Trial Ex. 8 (Robinson WDT) ¶¶ 27, 57; CO Trial Ex. 13 (Peer WDT) ¶¶ 51, 59

[4] CO Trial Ex. 3 (Faxon WDT) ¶¶ 9-38; CO Trial Ex. 15 (Murphy Report) ¶¶ 38-50

III. THE MUSIC PUBLISHING BUSINESS INVOLVES SUBSTANTIALLY LESS RISK THAN THE RECORDED MUSIC BUSINESS.

The music publishers have sought to convince this Court that they make substantial investments, and take substantial financial risks, in the creation and distribution of music. To their investors, stockholders, and the general public, however, the music publishers say something completely different, describing themselves as a low-risk business that primarily collects the cash generated from the intellectual property they own. As BMG Music Publishing ("BMG MP") put it in a 2006 prospectus, music publishing is a "highly profitable business model with high margin, annuity-like cash flow generation."[5] Based on my personal knowledge of the music publishing business and my review of the music publishers' documents provided in discovery, this statement in the BMG prospectus is certainly accurate.

A. Music Publishers Acquire the Rights to Musical Works In Ways That Minimize Their Risk.

Music publishing companies make money by licensing the use of a piece of intellectual property -- the musical work or song. Music publishers typically acquire musical works in one of three ways:[6]

First, music publishers acquire existing catalogs of musical works with existing and predictable revenue and cash flow streams, usually in a particular genre such as pop or country. The acquisitions of these catalogs carry little risk because their revenue-producing capacity can readily be analyzed prior to purchase, allowing a purchase price to be simply calculated. As a Sony/ATV presentation explained, the "target criteria" for a catalog acquisition include:

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[5] RIAA Ex. 51 (CO05006812), at 05006826

[6] The three basic ways of acquiring rights are set out in many of the documents the music publishers disclosed in discovery -- for example, "Publishing Basics: The Fundamentals", a presentation by Sony/ATV Music Publishing on June 14, 2006 (RIAA Ex. 133-RR (CO07007193), at 07007195).

"steady, predictable revenue stream", "favorable margins", and a "target return on investment" of 5-10 percent after tax, among others.[7]

Second, music publishers enter into administration or short term catalog deals. In these deals, the publishers take an already-existing catalog -- that is, a catalog that is already earning money -- and agree to exploit the musical works in that catalog (and handle the collection of the royalty payments) in exchange for a share of the profits from that catalog. Such arrangements have a very steady and predictable revenue stream and the music publisher will retain these rights for the term of the deal or until an advance is recouped. Administration deals can also provide the publisher with an inside track on the acquisition of that catalog should it be placed for sale in the future.[8] Although the music publishers spend significant sums to acquire the rights to a catalog of existing works, the risks associated with this investment are small.

Third, music publishers sign new talent deals with writers, artists and/or producers. Like the record companies, music publishers usually pay an advance to a new songwriter, and like the record companies, music publishers are betting that the songwriter will succeed and their investment can be recouped. Although the music publisher may make this investment before any songs have been written or selected for recording by a record company, in many cases, publishers wait until a songwriter has a record deal in place. (And they also give larger advances to writers with record company deals. For example, Warner/Chappell's due diligence document has a chart with a "US Example" showing that the company typically gives $60-$120,000 to "developing/baby acts" but $150-$300,000 to "developing acts with record deals."[9]) In the case

[7] RIAA Ex. 133-RR (CO07007193), at 07007205

[8] RIAA Ex. 133-RR (CO07007193), at 07007205

[9] RIAA Ex. 129-RR (CO08000273), at 08000303

of new songwriters, they frequently wait until a songwriter has a commitment from an artist to have his song recorded before they sign the songwriter and pay an advance. And in the case of singer/songwriters, it is sometimes the case that the music publisher does not sign a deal until the singer/songwriter not only has a record contract, but has already recorded an album that is ready for release. In other words, music publishers generally invest in new talent only when they know that a record company is already planning to invest many multiples more in A&R, marketing, etc. -- investments that will ultimately be to their benefit.

There is little risk, therefore, that the music publisher investments will not pay off. When music publishers buy existing catalogs of musical works, or enter into administration deals, they are acquiring assets (or rights to assets) that already are generating predictable revenue streams. Only when the music publishers acquire musical works by signing new talent deals with songwriters to whom they pay advances is there any appreciable risk. Yet even here, the risk is often minimized by the fact that the record company has already committed to produce and sell at least one album by the singer/songwriter, and the music publisher will earn mechanical royalties on each and every one of the albums sold, regardless of whether the record company ever makes a profit on the album. Moreover, it is worth noting that in all three circumstances, the costs to the music publishers increase very little. The incremental cost of adding a catalog or a new songwriter (or 50 new songwriters) is principally the cost of any advance on royalties; in contrast, if a record company seeks to add another performer or make a new album, it will incur very substantial additional costs, including A&R, marketing, and other costs.

The publishers' ability to reduce the risk of their investments stands in contrast to the record companies. The record companies usually must make their investment at a time when there is no way to know whether the investment will prove successful. The record companies invest in the artist, provide the funds for the artist to make and produce the sound recording (including mixing, mastering and other expenses involved in the creation of the sound recording), provide the funds necessary to bring the sound recording to market both in the digital and physical world, and carry out the manufacturing and distribution of the sound recording -- all this before anyone knows whether it will be popular with the public. The risk confronting the record companies at the point where they make their investment, therefore, is significantly greater than the risk confronting the publishers.

B. The Investments Made By Music Publishers Are Smaller, and Therefore Less Risky, Than The Investments Made By Record Labels.

Once the music publishers have made an investment to acquire the rights to musical works, the investment needed to exploit these rights is modest. Both the music publishers and the record companies pay advances to songwriters and/or artists, but the record companies make additional and very substantial investments to produce the recording, market it in the physical and digital space, and distribute and manufacture it. It is the record companies, rather than the music publishers, who bear the lion's share of the costs that turn intellectual property rights into revenues.

The disparity of investments between music publishers and record companies can be usefully illustrated by comparing the investment profile of EMI MP, the most profitable music publisher (and until last year's merger of BMG MP and Universal Music Publishing Group, the largest), with Universal Music Group, the largest and most financially healthy recorded music company. EMI MP has approximately 20 percent of the market for music publishing and UMG has about 30 percent of the market for sound recordings. I understand that Roger Faxon, EMI MP's CEO, has testified that EMI MP has a total A&R budget in the US of more than $15 million, pays annual gross advances in the US averaging close to $44 million per year, and makes expenditures on various development and promotional activities of just under $5 million.[10] But those figures pale in comparison with the comparable figures from UMG. For A&R, UMG had gross spending in 2006 (including A&R expenses and gross advances) of [[redacted]] -- many times more than EMI MP.[11] As for marketing, UMG had [[redacted]] in marketing expenses in 2006, dwarfing EMI MP's development budget.[12]

Moreover, even these figures understate the comparison because Mr. Faxon's figures for A&R and developmental activity spending include not only third party expenses but also all overhead expenses (such as salaries and rent) that could be allocated to these activities.[13] If you were to make a true apples to apples comparison, you would have to count UMG's A&R overhead of [[redacted]] and its marketing overhead of [[redacted]],[14] plus whatever portion of UMG's [[redacted]] general and administrative overhead is allocable to the management and support of their A&R and marketing activities. And, of course, UMG incurs all of the distribution and marketing costs associated with both physical and digital distribution -- expenses that are effectively $0 for EMI MP. And even this comparison overstates the relative investments and risks of the music publishers compared to record companies. This is because EMI MP's figures for advances, as with all the music publishers, includes advances for administration deals as well as pipeline advances to songwriters. As I noted above, advances of this nature have almost no risk as the music publisher is advancing against a known revenue stream.

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[10] CO Ex. 3 (Faxon WDT) ¶¶ 12, 16, 22

[11] RIAA0020488

[12] RIAA0020099

[13] Faxon WDT Exs. 1, 5

[14] RIAA0020099

The difference in the level of investment also can be seen in some of the examples the music publishers themselves have brought to the Court's attention. Throughout their testimony the publishers make numerous claims about the singer-songwriters whose careers they claim to have boosted in the form of advances, songwriting assistance, and other forms of support. Two such examples are James Blunt, a singer-songwriter with EMI MP, and Lance Miller, a singer-songwriter with Famous Music Publishing. I have examined the record labels' experiences with both of these artists and, as it happens, I believe that these two examples precisely illustrate the kind of investments that record companies often must make, and the range of risks that they face.

In the case of James Blunt, Roger Faxon of EMI MP emphasizes that his company provided Mr. Blunt with some $300,000 of advances (in addition to songwriting assistance and other forms of promotional support). While that is not an inconsiderable sum of money, it pales in comparison with the support given to Mr. Blunt by just one of his record labels, Atlantic Records (Atlantic, a Warner label, and Custard Records, an independent record company, have signed James Blunt jointly). In the United States, Atlantic spent [[redacted]] for a marketing campaign in connection with Mr. Blunt's breakout album, Back to Bedlam. This is in addition to [[redacted]], and it does not even take into account the expenditures by Atlantic's overseas affiliate in the UK, where Blunt first broke out. Overall, Mr. Faxon's $300,000 advance compares poorly to the [[redacted]] spent by the record company on just the two activities described above.

In the case of James Blunt, the record company's investment paid off -- to the benefit of both the record company and the music publisher. But that is often not the case, as another publisher example demonstrates. I understand that Mr. Robinson of Famous testified in his written statement that he was "eagerly anticipating" the release of an album by Lance Miller in

2007.[15] As Mr. Robinson testified, Famous did not discover Mr. Miller and Famous did not arrange for him to sign with a record label. Nevertheless, because Famous had signed Mr. Miller, Famous stood to make money when Warner Brothers Records invested the money in an EP and full album for Lance Miller. While Famous invested just under $87,000 in advances to Mr. Miller,[16] Warner Music spent [[redacted]] -- to market Mr. Miller's first release. Warner also paid recording costs of [[redacted]], as well as additional costs of manufacturing. Unfortunately, the marketplace did not respond positively to the EP released by Warner as both Warner and Famous had hoped. Warner will not recoup its advances, and estimates that in total it will lose roughly [[redacted]] on the project. While Famous may well have lost money too, it clearly risked far less and therefore lost far less. (It is worth noting that the costs of making and marketing records by Nashville artists is generally far less than "Top 40" artists; therefore, the potential risk to the record companies when launching a new "Top 40" artist can be even higher than the Lance Miller example illustrates.)

The Blunt and Miller examples illustrate a more general truth: Music publishers' investments are usually significantly less than the investments by the record companies. The disparity in the size of the investment is because the record company provides the funds to make the sound recordings and to market and promote the resulting sound recordings. It is the record company that pays for all the recording, producing, mixing, mastering, marketing, promotion and other expenses involved in creating, distributing and marketing the sound recordings. The investments by music publishers, on an album by album basis, are simply smaller.

[15] CO Ex. 8 (Robinson WDT) ¶ 46

[16] CO02005464, at 02005468

Because the music publishers invest less (and have more revenue streams against which to recoup their costs, as I explain below), music publishers recoup their advances far more often than record companies. For example, one of the largest and most profitable music publishers, EMI Music Publishing, routinely recoups 90 percent of its advances. For the eight-year period from FY 2000 through FY 2007, EMI MP made [[redacted]] in gross advances and recouped a total of [[redacted]], or 91.0 percent of the total gross advances. In that same eight-year period, EMI Music Publishing wrote off [[redacted]] in unrecoupable advances.[17] By comparison, during the eight-year period 1999-2006, UMG wrote off a total of [[redacted]], or an average of [[redacted]] million per year -- more than [[redacted]] the amount EMI MP was forced to write off.[18] One of the reasons for this disparity is that the above EMI MP figures for advances include advances for administration deals as well as pipeline advances to songwriters. As I noted above, advances of this nature have minimal risk as the music publisher is advancing against a known revenue stream.[19]

[17] RIAA Trial Ex. 8 (CO04024775), at 04024778, 04024792

[18] RIAA0020435; RIAA0020099

[19] I understand that Roger Faxon, EMI MP's CEO, has testified that EMI MP has only a "small success rate" with its advances. (CO Trial Ex. 3 (Faxon WDT) ¶ 17.) That is, of course, clearly contradicted by the numbers I have cited above. Mr. Faxon apparently based his testimony on the fact that as of the end of 2005, EMI MP had approximately $209 million in outstanding advances in the U.S., while its internal accounting treated $121 million of this as "provisions", or unlikely to be recouped. But this is an extremely misleading comparison. As Mr. Faxon admitted in his testimony on the stand, the $209 million is a gross figure made up of two different components: (1) newly-made advances that are too new to be recouped; and (2) all of EMI MP's unrecoupable advances -- a figure which has been accumulating on EMI MP's books for years and which is carried forward from year to year. (Tr. 1/30/08 (Faxon) 602:5-15.) A comparison between these two figures is simply meaningless because it says nothing about the advances or recoupments in a given year. Indeed, from FY2000 to FY2006, during a period when EMI MP extended and recouped over [[redacted]] in advances, the level of "provisions" on EMI MP's books rose only minimally, from about [[redacted]] in 2000 to $121.0 million in 2007. (RIAA Trial Ex. 8 (CO04024775), at 04024792.)

The other music publishers, too, appear to bear little if any risk with their advances. For example:

BMG MP: BMG MP's financials show that their writeoffs for unrecouped advances have been extremely small. In 2002, BMG MP wrote off about $2.9 million in advances.[20] From 2003 through 2006, as shown on Table A, the only other years for which BMG MP provided such data, the company wrote off €2.6 million, €2.3 million, €1.9 million, and €1.8 million in unrecoupable advances, respectively (about $2-$3 million per year). BMG MP's plan documents for 2006-2010 estimate writeoffs in the same neighborhood for that entire period (€2.2 million, or about $2.6 million dollars, per year).[21] Moreover, figures for total advances and recoupments, to the extent BMG MP has provided them in discovery, show that BMG MP appears to recoup a large portion of the advances it provides. In fact, from 2002-2005, BMG MP's US advances totaled $101.5 million, while its recoupments were $92.2 million, or 90.8 percent of advances during that time period.[22] Although BMG MP did not provide projected advances and recoupments for the US company, projections on a worldwide basis for the years 2006-2010 are that the company will make a total of €480.4 million in advances and recoup €465.6 of that -- a 96.9 percent success rate.[23]

Sony/ATV: As indicated on Table A, Sony/ATV's financials show that it has written off roughly between [[redacted]] in advances each year. Sony/ATV did not provide data by

[20] CO05004735, at 05004739

[21] RIAA Ex. 130-RR (CO05005927), at 05005948

[22] CO05004735, at 05004747 (2002); CO05005398 (2003-2005)

[23] RIAA Ex. 51 (CO05006812), at 05006925. I am aware that Mr. Firth has testified that from 1987 through 2005 BMG MP has written off approximately 55 percent of its advances. CO Ex. 3 (Faxon WDT) ¶ 29. BMG MP did not provide documents showing its advance payments and recoupments prior to 2002, but the figures from 2002-2005 (and the projections for the worldwide company) certainly do not support this contention.

which annual levels of advances and recoupments could be calculated, but it did provide a document with forecast figures for 2007 and a budget for 2008. That document showed that Sony/ATV forecast making [[redacted]] in new advances and recouping [[redacted]] in previous advances in 2007, and that it budgets making [[redacted]] in advances in 2008 and recouping [[redacted]], for a total recoupment rate over those two years of [[redacted]].[24]

Universal Music Publishing Group (UMPG). As shown in Table A, UMPG took a writeoff of [[redacted]] in advances in 2000, [[redacted]]. In addition, its 2006 forecast and 2007 plan documents also [[redacted]].[25] UMPG's documents show that from 2000 through 2005, they spent a total of [[redacted]] in advances, while recouping a total of [[redacted]].[26] The same pattern holds if one takes 2006 forecast and 2007 budget figures into account.[27]

Warner/Chappell: Warner/Chappell did not provide consistent financial data for its US operations, but on a consolidated (worldwide) level as shown on Table A the company had advance writeoffs between [[redacted]], or approximately [[redacted]] percent of revenues, between 2000 and 2006. [[redacted]] In addition, investor documents prepared by Warner/Chappell emphasize that on a worldwide level, [[redacted]

[24] CO07006752, at 07006753

[25] CO09008348, at 09008404

[26] CO09011621 at 09011662-09011664; CO09011388 at 09011435-09011439; CO09011259 at 09011310-09011313; CO09011509 at 09011558-1560; CO09011043 at 09011126

[27] CO09011043, at 09011126

[redacted][28] As for U.S. advances, the sporadic documents that the Publishers produced show advance writeoffs in line, proportionally, with the worldwide advances, at [[redacted]].[29]

Of course, it is perfectly logical that the music publishers tend to have such high recoupment rates on their investments. As I noted above, many of the music publishers' advances are not given out to new talent, where the real risk lies, but for pipeline advances to songwriters and for catalog administration deals. Thus, it is no surprise that the music publishers tend to recoup a large portion of their investments.

C. Music Publishers Earn Multiple Revenue Streams as a Result of Record Company Investments.

For the music publishers, the investment that turns a song into a revenue-producing sound recording -- an investment mostly undertaken by the record companies -- produces multiple streams of revenue that the music publishers can look to in order to earn a return on their investment. The record companies, on the other hand, depend almost entirely on revenue from the sale of sound recordings.[30] That distinction between music publishers and record companies

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[28] RIAA Ex. 129-RR (CO08000273), at 08000294

[29] CO08001345, at 08001346; CO08005707, at 08005723

[30] Record companies recently have begun an attempt to alter this state of affairs by signing "360" deals, in which the record company and the artist agree that the record company will share in revenues from touring, merchandising, licensing and other sources of revenue, as well as sound recordings. It is not at all clear that this new business model will succeed, at least with established artists. If you are already an established "brand" with strong revenue streams from these other businesses, there is little incentive to give a portion to the record company. Indeed, as one analyst recently noted, "there have been some signs of established artists leaving record labels behind for experimentation with more entrepreneurial ways of reaching their fans and expanding their means of driving revenues beyond recorded music (Radiohead and Nine Inch Nails going independent, Madonna signing with Live Nation (NR) and Paul McCartney signing with Starbucks)." (Goldman Sachs, Company Update: Warner Music Group Corp.,

is particularly important in an era of rampant piracy. Piracy significantly erodes the sound recording sales on which the record companies rely. But while piracy impacts the mechanical royalties earned by music publishers, it does not have as much effect on the other revenue streams that are available to the publishers and unavailable to record companies.

Music publishers earn money from musical works in at least the following ways:

- Reproduction (mechanical) royalties from the sale of CDs, digital downloads, cassettes and similar recordings that incorporate the musical work;
- Performance royalties from the performance of a musical work on radio, Internet streaming services, concerts and other public performances (e.g. in bars, restaurants, sporting events, and the like);
- Synchronization royalties from the use of musical works in movies, videos, television shows and commercial advertisements;
- Merchandising royalties from the use of musical works in toys, greeting cards and similar products;
- Revenues from the sale of sheet music (in print or digital scores) and from lyric services;
- Revenues from dramatic performances such as on Broadway, in shows, or other theaters (so-called Grand Rights)
- Royalties from production libraries.

Unconventional new ways for the music publishers to earn revenues off of their music catalogs seem to crop up every day. To take just one example, a recent initiative is the licensing of song lyrics for printing on designer clothing, such as jeans, other denim wear, and

(cont'd)

October 31, 2007, at 3.) To the extent that the record companies can persuade artists to sign 360 deals, the record companies generally have to compensate the artists with larger advances and make additional investments in other lines of business (such as t-shirt or concert promotion companies). In effect, the record companies must buy the additional revenue streams, which raises the level of investment by the record company and thus the risk that the investment will not be repaid.

accessories.[31] UMPG's 2007 budget plan for its US operations places "lyric merchandise" at the top of its "new business / growth initiatives", projecting growth in revenue from [[redacted]] in 2006 to [[redacted]] in 2007.[32]

Two things of importance jump out from the breakdown of revenues for the publishers. First, the bulk of their revenues derive from the exploitation of sound recordings that were created by the substantial effort and investment made by record companies. In addition to mechanical royalties from the sale of sound recordings, substantial portions of the performance and synchronization royalties are the result of the investments made by record companies that work to the benefit of music publishers. Without record companies making sound recordings in the first instance, the performance and synch royalty revenue streams would be not possible. Indeed, many other revenue streams, including sale of lyrics and synchronization revenues that do not involve a pre-existing popular sound recording, are also largely the result of the efforts of record companies; people are likely to buy lyrics of sound recordings they have heard and enjoyed and sound-alike recordings are used in commercials and television shows because the original recording was popular.

Second, the availability of multiple revenue streams means that while record companies have been hard hit by music piracy, music publishers have avoided the worst of the piracy effect. Piracy does not affect the performance royalties that the music publishers earn (and the record companies, for the most part, do not). The music publishers explicitly recognize this fact. BMG MP has told potential investors that "the music publishing industry . . . is less dependent on technological change and is marginally less affected by unauthorized copying and unauthorized

[31] <http://newsblaze.com/story/20060512131458000002.mwir/topstory.html> (announcing the release of "Lyric Jeans", a venture with UMPG and Warner/Chappell). (RIAA Ex. 125-RP)

[32] CO09008188, at 09008206

downloading. For example, although mechanical royalties have been negatively affected by the decline in CD sales, revenue from performance and synchronization have benefited from strong growth in the media landscape."[33] Similarly, Warner-Chappell told investors that "revenue streams such as performance, synchronization, and other (~70 percent of music publishing industry revenues) are not exposed to piracy" and that the "impact of piracy on mechanical revenues [is] greatly mitigated by depth of catalog."[34]

More generally, the diversity of music publisher revenue streams serves to insulate the music publishers from downturns in any particular revenue source — an element of the music publishing business that the publishers have not hesitated to trumpet to their investors. For example, BMG MP told prospective purchasers that its "controlled catalogue of over one million musical copyrights generates stable, recurring revenues and predictable annuity-like cash flows."[35] Similarly, Warner-Chappell boasted to investors of its "highly diversified catalog and corresponding steady-earning, stable growth nature of the business."[36] Roger Faxon of EMI MP gave a public interview in which he noted that: "Compared to the recorded music industry, there is a different risk profile and a different return profile. The record business works on a high-risk, high-return model. We try to moderate that risk by looking for revenues not just from the sale of recorded music but also from other sources. So our risk profile is substantially better in that sense than for labels."[37]

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[33] RIAA Ex. 51 (CO05006812), at 05006846

[34] RIAA Ex. 126-RR (CO08006761), at 08006777

[35] RIAA Ex. 51 (CO05006812), at 05006836

[36] RIAA Ex. 126-RR (CO08006761), at 08006768

[37] RIAA Ex. 124-RP (CO04030074)

Those assertions are borne out by the music publisher financials. Table A presents the breakdown of music publishers' revenue by type from the year 2000 through the present, to the extent that information has been provided by the publishers in discovery. As this table shows, the music publishers' non-mechanical lines of revenue have risen dramatically in recent years. For example, EMI MP's performance revenues [[redacted]] and its synch revenues have gone from [[redacted]] to [redacted] since 2000/01. During the same time period, its mechanical revenues [[redacted]][38] Sony/ATV's domestic performance revenue [[redacted]] and its synch revenues [[redacted]] from 2000/01 to 2005/06, while mechanical revenues [[redacted]] UMPG's performance revenue [[redacted]] Similar trends are apparent for all of the major publishing companies.

Thanks to this diverse stream of revenues, music publishers expect to achieve healthy revenues in the future. Prior to its acquisition by UMPG, BMG MP projected that the performance revenues of its US operations would increase from €23.2 million to €27.4 million between 2006-2010, while its synchronization revenues would grow from €39.7 million to €45.6 million during the same time period (mechanical revenue, too, is projected to grow during the same time period -- from €62.8 million to €68.8 million).[39] Other music publishers have provided projections only for their worldwide operations, but they nonetheless show significant growth. For example, UMPG plan documents project [[redacted]

[38] Though even this decline may be overstated due to the manner in which EMI MP books its ringtone and mastertones revenues, as I will describe in a later section.

[39] RIAA Ex. 130-RR (CO05005927), at 05005948

[redacted][40] The Sony/ATV Fiscal 2008 budget presents a "mid-range plan" that shows performance revenues [[redacted]], while synch revenues [[redacted]] during the same time period. (The plan calls for an increase in mechanical revenues, too, albeit at a more modest pace.)[41] Warner/Chappell's investor documents do not break down by line of revenue but project that overall revenues will [[redacted]][42]

The same cannot be said, of course, for the record companies. In stark contrast to that of the music publishers, the vast majority of the record companies' revenues derives from the distribution of products that incur mechanical royalties. Unlike the music publishers, the record companies cannot expect that new forms of licensing income will, at any time in the near future, make up for the declining physical sales market.

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[40] RIAA Ex. 128-RR (CO09010844), at 09010844

[41] CO07004244; CO07004245, at 07004251

[42] RIAA Ex. 129-RR (CO08000273), at 08000349. This is, of course, consistent with the views of outside analysts who predict continuing growth in the worldwide market for music publishing, even as times remain difficult for record companies. For example, Claire Enders, one of the publishers' witnesses, has forecast 2.2 percent compound annual growth in the worldwide music publishing industry. RIAA Tr. Ex. 27 (CO02001066), at 3. This is down from an estimate she had earlier done but still well above the 4.4 percent compound annual decline she forecast for global recorded music sales. Similarly, a Sony/ATV presentation noted that a composite of estimates for the music publishing industry led to a forecast 2.1 percent compound annual growth. RIAA Ex. 132-RR (CO07002638), at 07002661.

D. Contrary to the Publishers' Assertions, There Has Been No Steep Decline in Mechanical Royalties In Recent Years.

I understand that a common refrain of the music publishers is that they need a higher mechanical royalty in order to compensate them for a decline in mechanical revenues. For example, David Israelite of the NMPA testified that the "steep slide" in the sale of CDs and other physical product since 1997 has produced "a corresponding and unexpected decline in mechanical royalties."[43] Other publishers have, I understand, given similar testimony.

However, the documents produced by the music publishers paint a very different picture. As Table A shows, three of those publishers -- EMIMP, Sony/ATV, and UMPG -- provided relatively consistent data from their US operations on mechanical revenues from 2001 through 2005. [[redacted]][44] The collected results from these three publishers hardly suggests a "steep" downward trend in mechanical royalties.

As for the other publishers, the trend is less clear. BMGMP produced information breaking down all of its revenues for only two years, 2004 and 2005 (as shown on Table A, the documents show a decline in mechanical royalties from $68.7 million to $63.9 million). Warner/Chappell produced only sporadic financials for its US operations but the documents it

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[43] CO Ex. 11 (Israelite WDT) ¶ 26

[44] Sony/ATV did not provide documents breaking out its foreign royalties into specific lines of revenue prior to the year 2003/04 and therefore only domestic mechanical royalties are reported here. [[redacted]] CO07014022, at 07014023.

did produce suggest that [[redacted]][45] It is similarly difficult to draw a conclusion about the year 2006, as only two publishers produced documents showing final breakdowns for their US operations in that year (the two publishers, EMI MP and Warner/Chappell, each reported mechanical revenue declines).[46] Though less suggestive of a clear trend one way or another, the financials certainly do not support a clear pattern of sharply dropping mechanical revenues.

What's more, several of the publishers appear to be reporting their ringtone revenues as performance, synch, or other lines of revenues, rather than as mechanical revenues. For example, EMI MP's financials show that ringtone and mastertones revenue is classified as either performing or synch revenue, but (with the exception of a very small amount in 2006/07), none is classified as mechanicals income.[47] BMG MP and Warner/Chappell, too, appear to track separate "new media" or "digital" categories, separate and apart from mechanical revenue.[48] This makes a difference in an analysis of mechanical revenue trends. For example, if EMI MP's mechanical royalties were added to the ringtone and mastertone royalties that were allocated to synch, [[redacted]

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[45] Table A; CO08001386, at 08001396; CO08001345, at 08001345-46

[46] Table A; CO08005707

[47] RIAA Trial Ex. 8 (CO04024775), at 04024779

[48] Table A; CO05005709, at 07005713; CO08005707, at 08005709, 08005715

[redacted][49]

Finally, I also understand that one of the reasons that Mr. Israelite gave for concluding that mechanical revenues have been in decline is that collections by the Harry Fox Agency, which collects mechanical royalties on behalf of many music publishers, have been in decline. I understand that at trial Mr. Israelite asserted that he drew this conclusion because he believed that HFA's share of mechanical royalty collections "to roughly be the same or even be larger" than it has been in the past.[50] However, the data I have collected from record companies suggests that this assumption is incorrect. For example, data I have collected from UMG shows that, far from remaining steady, HFA's share of mechanical royalty payments fell from [[redacted]] in 2001 to [[redacted]] in 2007. And data I have gathered from Warner Music Group's two principal labels, Warner Bros. and Atlantic Records, show a drop in HFA's share from roughly [[redacted]] to [[redacted]] (Warner Bros.) and roughly [[redacted]] to [[redacted]] (Atlantic) during the same time period. Thus, to the extent that Mr. Israelite has observed declining mechanical royalties flowing through HFA, that is likely because HFA is getting less of the mechanical royalty pie each year, rather than because the overall size of the pie is shrinking.[51]

[49] CO08005707, at 08005709, 08005715

[50] Tr. Feb 5, 2008 (Israelite) pp 1437-38

[51] Moreover, I note that the Harry Fox Agency has just reported a royalty payout of $393.5 million in 2007 -- a four percent increase over 2006. http://www.harryfox.com/docs/2007HFARecapPR31708.pdf (RIAA Ex. 127-RP).

E. The Cents Rate Mechanical Royalty Serves to Reduce the Risks of the Music Publishers Compared to the Record Companies.

The changing economics of the music business, largely resulting from the move from a physical CD format to a variety of digital formats, has two effects on the record companies. First, the number of sound recordings sold is decreasing as a result of piracy and because digital singles sales are displacing the sales of CDs that typically contain ten to fifteen or more sound recordings. Second, the wholesale prices for sound recordings are declining because of the competition from "free" pirated sound recordings, and for other reasons testified to by various record company executives.[52]

As I indicated above, the music publishers' mechanical royalty revenues may be affected by the decline in the number of sound recordings sold (although other types of royalties, such as performance royalties, are unaffected). But the decline in wholesale prices for sound recordings has no impact on the music publishers, because of the current cents rate royalty structure. At present, music publishers earn the same mechanical royalty for a song regardless of whether the record company can sell the album containing that song for $10 or $6. To the extent that wholesale prices for sound recordings have dropped, therefore, it is the record companies that have borne the entire brunt of that change, and it is the record companies that bear the entire risk of further downward price pressure in the future, absent a change in the cents rate structure.

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[52] For example, RIAA Ex. 57 (C. Finkelstein WDT), at 13-18; RIAA Ex. 68 (Bassetti WDT), at 8-11.

F. The Economic Life of Musical Works Often is Longer Than the Economic Life of Sound Recordings.

Music publishers enjoy the use of assets that can have a long life. Recording artists may re-record an old musical work from a music publisher's catalogs (called a "cover recording") which serves to revitalize the song in the market place and thus generate new revenue streams for the publisher and songwriter. For example, in 1992, singer Whitney Houston recorded a song called "I Will Always Love You" for the soundtrack to the movie entitled "The Bodyguard." Houston earned money from album sales as did her record label, but probably no one was happier than country singer Dolly Parton and her music publisher. Parton wrote "I Will Always Love You" more than 15 years earlier, in 1974, and she and her publisher collected performance royalties every time Whitney Houston's rendition of the song was played on the radio or otherwise performed in public (including at the Academy Awards and at concerts and bars), plus synchronization revenue for the movie, as well as the mechanical royalties on Houston's record sales.[53]

Investor documents and other presentations prepared by the music publishers on behalf of their worldwide operations repeatedly highlight the longevity of their catalog of songs. Warner/Chappell's investor documents contain a chart showing the "roll-forward of top 500 songs in 1992" which shows that the value of those songs has stayed steady since 1992 and in

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[53] See Edward Morris, "Nashville Scene: Movie Moves Parton Song To Top Again," Billboard, December 5, 1992. Indeed, this was the second time that a movie had revived interest in Parton's song -- it also hit number 1 in 1982, eight years after its initial release, when it was included on the movie soundtrack to "The Best Little Whorehouse in Texas." What's more, the release of Whitney Houston's version of the song also renewed radio interest in the original Dolly Parton version as well, thus leading to even more forms of revenue for Parton and her publisher. See Eric Boehlart, "Many Formats Love 'Always Love You,'" Billboard, January 30, 1993.

fact began to climb beginning in 2003.[54] A presentation prepared on EMI MP's behalf by JP Morgan emphasized that: "Although publishing revenues peak when a song is initially released (due to high mechanical royalties), the underlying copyrights will continue to generate revenue through new compilations/greatest hits albums, cover versions, advertisements/use in films or TV programmes . . . There are limited marketing costs associated with the exploitation of these copyrights, unlike in the case of recorded music companies where significant marketing spend is required."[55]

While music publishers have always been able to count on steady earnings from their music catalogs, there are signs that the life of music catalogs is extending even further than it used to. One notable example is BMG MP, which in 2003 sought and obtained approval from its auditors, KPMG, to extend from 15 to 20 years the estimate of an acquired music catalog's "useful life" for accounting purposes.[56] KPMG's analysis concluded that BMG MP management had "provided an analysis to demonstrate that a change has occurred based on an evaluation of historical catalog NPS information." KPMG further noted that "while NPS activity from year to year is subject to significant fluctuations for certain individual catalogs, the NPS activity taken as a whole appears to be consistently generated throughout the period represented in the schedule. Accordingly, there appears to be an indication that historical NPS from these catalogs will continue to be consistently generated."

Although record companies attempt to extend the economic life of their sound recordings through catalog sales, there is far less chance that an old sound recording will suddenly see a new

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[54] RIAA Ex. 129-RR (CO08000273), 08000335

[55] RIAA Ex. 131-RR (CO04031209), at 04021213

[56] CO05004735, at 05004745-46

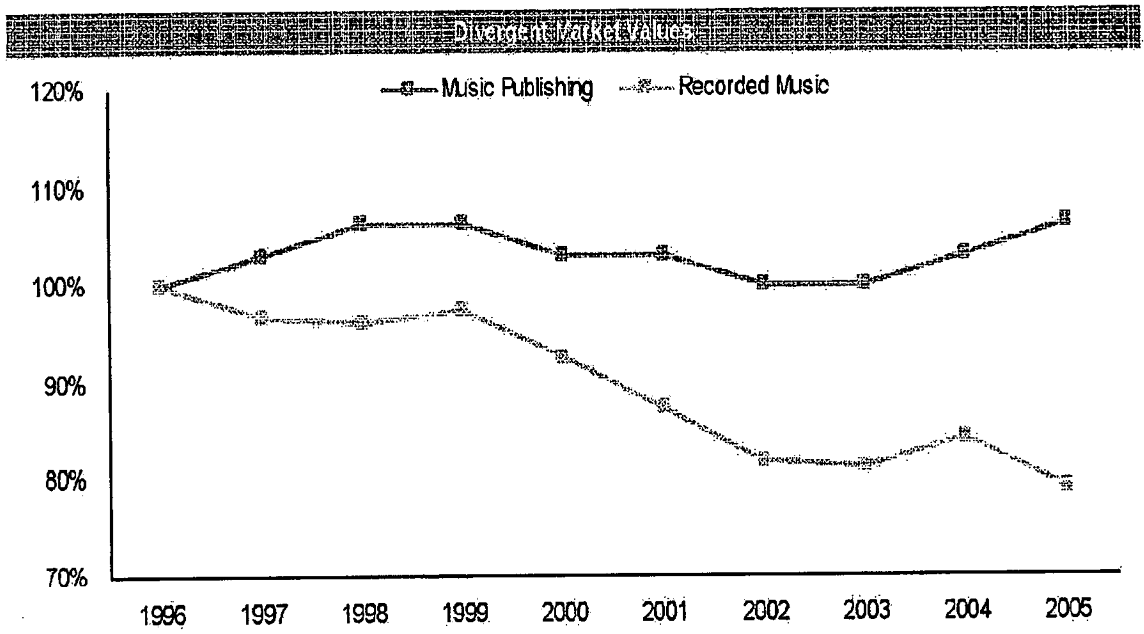
surge in sales years after its initial release. With the advent of digital formats, consumers often "rip" their CDs onto their new devices, reducing the need to go out and buy new copies of old sound recordings, to the detriment of the record companies' catalog business. This is quite a contrast to earlier format transitions, such as the switch from LP's to CD's, in which consumers typically made new purchases in order to update their music catalogs.

G. The Difference in the Costs and Risks of the Music Publishing and Recorded Music Businesses is Reflected in the Higher Valuations Placed on Music Publishing Businesses by Investors.

The differences between music publishers and record companies with respect to the relative risks and returns is reflected in how these businesses are valued in the marketplace. Buyers of these businesses place a far higher valuation on the music publishing assets than they do on the recording business assets.

As this chart which I have reproduced from a BMG MP investor presentation illustrates, the market values of the recorded music and music publishing business have diverged significantly since the late 1990s, when the mechanical royalty rate was last set:[57]

[57] RIAA Ex. 51 (CO05006812), at 05006846



Source: BMG management and IFPI.

Given the current market conditions and the differences between the two businesses, it is no surprise that this has happened. As I noted above, music publishing economics are attractive because the revenue streams are diverse and relatively stable and musical works copyrights tend to produce steady income streams each year. The costs are predictable, with the largest variable cost being the amount paid to the songwriters, and as set forth in Table A, the "net publisher's share" (that is, the amount retained by the publisher after writer payments) has remained relatively stable since 2001. Fixed costs are relatively low and are limited to small A&R costs and the majority of costs are in administration personnel and operating overhead. Continued improvements in royalty licensing and processing by both the publishers and their agents are likely to further reduce their administration cost basis in the future. Music publishing businesses therefore are an attractive investment, producing cash flow from acquired catalogs that falls directly to the bottom-line with little need to expend any money to produce those revenues.

Strategic buyers will use the net publisher's share (NPS) generated in the past three to five years and apply a multiple to determine a purchase price. As many observers have pointed out, those multiples have in recent years been extremely high. For example, an analysis prepared for EMI MP by JPMorgan in 2004 noted that "[c]atalogues have fetched multiples in excess of 18x NPS (gross profits) depending on the quality of the copyrights contained with the library." (The analysis pointed out that lower NPS multiples are obtained when an entire music publishing operation, including an overhead base, is acquired).[58] The document contained a list of music publishing transactions with multiples of 16x to 18x NPS.[59] Similarly, an analysis prepared on behalf of Warner/Chappell summarized the data in a number of recent transactions and concluded that the median NPS multiple was 17.1x.[60]

Moreover, it appears that the NPS valuation of catalogs has been increasing in recent years. Claire Enders, who I understand was a witness for the publishers in the opening phase of trial, authored a report in 2004 in which she concluded that "the prices of average catalogues have tended to increase from around 10xNPS up to the early '90s to around 14xNPS a decade later . . . [and] even more must be paid to secure high quality catalogues. Despite the fact that many industry insiders believe that these prices are too high, there seems to be no sign of this changing despite tough market conditions for recorded music companies."[61]

By contrast, although there are fewer transactions which can be compared, valuations on the recorded music side have been considerably smaller. For example, the JP Morgan analysis prepared on behalf of EMI noted that the high multiples on the music publishing side "compares

[58] RIAA Ex. 131-RR (04031209), at 04031213

[59] RIAA Ex. 131-RR (04031209), at 04031238

[60] RIAA Ex. 129-RR (CO08000273), 08000310

[61] Enders Analysis, Music Publishing 2004, April 2004, at 17

with recorded music company transaction multiples which have fetched between 1.0x and 2.0x revenues."[62]

A good illustration of the difference in the way record companies and music publishers are valued can be seen from the analyst reports discussing sum of the parts analyses of EMI Group and Warner Music Group, which each include a music publishing company and a recorded music business. Because the recent purchasers of these companies did not pay separately for the music publishing and recorded music segments of the Company, we do not have a direct marketplace valuation for each. But outside analysts who have recently reviewed the market status of these companies have clearly understood that the music publishing components of those companies are more valuable than the recorded music sides.

In the case of Warner Music Group, for example, a recent Merrill Lynch report concluded that the music publishing side of the business was worth 12 times its earnings, or EBITDA, while the recorded music side was worth only 3 times EBITDA.[63] A Goldman Sachs analysis assigned a 14-15x EBITDA multiple to the music publishing side, while assuming a 5-6x EBITDA multiple to the recorded music side.[64] And a Bank of America analysis recently drew on the recent acquisition of BMG MP and EMI Group to conclude that the WMG's publishing arm was appropriately valued at 15x EBITDA, a figure which it concluded implied a *negative* value for the recorded music side of the company.[65]

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[62] RIAA Ex. 131-RR (CO04031209), at 04031213

[63] Merrill Lynch, Warner Music Group: Sell-Off Overdone, Jan. 11, 2008, at 3

[64] Goldman Sachs, Company Update: Warner Music Group Corp., October 31, 2007, at 7

[65] Bank of America, Warner Music Group Corp.: But This One Goes to Eleven, Nov. 29 2007, at 4

In the case of EMI, too, analysts value the publishing side of the company higher than the recorded music side. For example, a Bear Stearns analysis, produced by EMI MP in discovery, valued the publishing side of the company at 13.1x EBITDA but put the recorded music side at only 9.5x EBITDA.[66] Similarly, an analysis by UBS Investment Research, also produced in discovery, suggested an appropriate valuation of 18x EBITDA for publishing but only 6.5x EBITDA for recorded music.[67]

IV. DIGITAL DISTRIBUTION OF MUSIC HAS RENDERED THE RECORDED MUSIC BUSINESS RISKIER, BUT HAS LITTLE IMPACT ON THE MUSIC PUBLISHING BUSINESS.

The music publishing business has always been a safer, lower cost investment than the recorded music business. Trends in the music business over the past ten years have combined to make the recorded music business riskier, however, while having substantially less impact on the music publishing business.

I understand that the music publishers have argued, to the contrary, that the record companies earn higher margins on digital music than they do on physical CDs, and therefore the digital age will improve the circumstances of the record companies. But even if it were true that digital sales have a higher operating margin than sales of physical CDs -- and I am not sure that it is -- the digital world may be one in which the record companies earn substantially lower revenues than they earned when all of their sales involved a physical product. As a result, the record companies may be forced to curtail their investment in A&R and marketing, which will constrain the number of sound recordings brought to the marketplace to the detriment not only of

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[66] CO04031846, at 04031846

[67] CO04021825, at 04031839

the record companies, but also the songwriters who look to have their musical work brought to the marketplace by the record company.

A. Record Company Revenues Have Been Dropping As a Result of the Shift to Digital Sales.

In the United States, sales of CDs and other physical sound recording products peaked in 1999 at a total retail value of $14.6 billion. In 2006, the retail value of U.S. sales totaled $11.5 billion, having declined 6.2 percent from the prior year.[68] Revenues from the sale of recorded music through digital channels have grown, but have not come close to offsetting the decline in physical sales.

The most recent available data shows that this trend is continuing. Bertelsmann AG's Annual Report 2007, just recently released, indicates that revenues at the BMG division (which holds a 50 percent stake in Sony BMG) were €1.456 billion, or $2.255 billion -- down 27.8 percent from 2006. Income, measured as operating EBIT, dropped by 46 percent.[69]

The reasons for the decline are not hard to find. Piracy in the on-line world is a major culprit. In addition, however, the growth of digital distribution is a decidedly mixed blessing for the record companies, and likely contributes to the overall decline in recorded music sales. Consumers who acquire music through digital services -- chiefly through digital downloads -- can buy singles rather than albums more easily than they could when CDs and cassettes were the norm. In the past, if a consumer liked a particular hit song, he or she would buy an album containing that recording. The record companies simply did not distribute much of their music

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[68] RIAA, 2006 Year-End Shipment Statistics

[69] http://www.digitalmusicnews.com/stories/031908sonybmg. In stark contrast, as I have noted above, the Harry Fox Agency, which administers mechanical licenses on behalf of the music publishers, has just reported a royalty payout of $393.5 million in 2007 -- a four percent increase over 2006. http://www.harryfox.com/docs/2007HFARecapPR31708.pdf (RIAA Ex. 127-RP)

in the form of CD singles. Now, however, the consumer may, and frequently does, buy a digital download of the hit single, and not the physical album. Because the record companies earned between $8 and $10 dollars in wholesale revenue for a CD album, but only $.70 for a digital single, the shift from sales of albums to sales of singles is contributing to the decline in revenues.

This shift means that, for the same marketing dollar (because record companies have traditionally used singles as a promotional tool to get consumers to buy albums), record companies are receiving far less revenue -- both from falling prices and from the shift to singles. The decline in revenue and prices hits record companies and music publishers in a much different fashion. Because it is the record company that incurs the costs of the creation, marketing, distribution, etc., and has the much higher fixed and variable costs per sound recording distributed, these declines mean there is less money to cover fixed costs and semi-variable costs, and those costs increase as a percentage of overall revenue. Because music publishers have little in the way of fixed costs and many other revenue streams, these declines have far less of an impact.

Looking forward, it is clear that sales of physical products will continue to decline, and sales of digital sound recordings will continue to grow. Beyond that, of course, nothing is certain. Most optimistic is Price Waterhouse, which predicts that the recorded music market will contract at a 0.4 percent compound annual rate from $11.5 billion in 2006 to $11.3 billion in 2011, but that double digit growth in digital distribution will begin to offset declines in physical distribution beginning in 2008.[70] Price Waterhouse represents the best-case prediction, however, and most analysts who report on the recording industry believe that it will be years before growth

[70] Price Waterhouse, Global Entertainment and Media Outlook: 2007-2011, June 2007, p267

in digital sales offsets the decline in physical sales. For example, Citigroup recently observed that "we see few signs of a turn around in the music industry's fundamentals."[71] Deutsche Bank recently noted that "[t]he music sector remains in a highly uncertain transition to digital, with accelerating deterioration in physical sales more than outpacing digital growth."[72] A Pacific Crest analysis concluded that "we expect deterioration in the music industry to accelerate."[73] And a recent Merrill Lynch analysis headlined "longer-term still bearish on music industry" noted that "it remains uncertain if or when . . . music companies will be successful in staunching declines in traditional revenue streams with new sources of income." The report also noted that "we do not expect the music market to fully stabilize until 2010" and emphasized that "[e]ven this may prove optimistic."[74]

The music publishers have remained relatively unaffected by piracy and the sea change wrought by digital distribution. The music publishers' total revenues have remained stable during the time when record company revenues are dropping, and music publisher profit margins likewise remain stable. The layoffs, cost-cutting and restructuring that have re-shaped record company operations have not occurred at music publishers. Indeed, although EMI several months ago announced yet another round of restructuring that will reduce the global workforce in its recorded music business by 1,500 to 2,000 (out of a total of 5,500) according to Roger Faxon's testimony,[75] no layoffs or restructuring are anticipated at EMI's music publishing business.

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[71] Citigroup Global Markets, Company Focus: Warner Music Group, Nov, 29, 2007, at 9

[72] Deutsche Bank, Warner Music Group: Forecast and Target Update, Dec. 31, 2007, at 1

[73] PacificCrest, Morning Note, Jan. 23, 2008, at 5

[74] Merrill Lynch, Warner Music Group: Sell-Off Overdone, Jan. 11, 2008, at 4

[75] Tr. 1/30/08 (Faxon) 562

But shrinking revenues appear to be very much a part of the record companies' future due to the increasing use of digital formats, and that possibility poses a substantial problem for the record companies. More accurately, it poses at least three substantial problems, each of which I will discuss in turn below.

B. Declining Revenues Threaten Continued Investment in New Artists and Sound Recordings by the Record Companies, to the Detriment of All.

With sound recording revenues dropping and the need to invest in digital distribution growing, the record companies have struggled to sustain thin profit margins. The record company margins have been preserved only by repeated restructurings and cost-cutting measures undertaken over the past five or six years. The costs of these restructuring are "below the line" costs that do not appear on many P&Ls and ordinarily are not reflected when one attempts to calculate EBIDTA or other measures such as those referenced in the report of Helen Murphy[76] that the publishers submitted in the direct phase of this case. The reality is that many record companies are restructuring on an almost annual basis and the costs of those restructures are eating into the paper profits they have earned in recent years.

If the record companies were able to continually reduce their costs through additional restructurings as revenues declined, they could maintain their current small profit margins. But there is a limit to how much the record companies can cut costs without doing significant harm to both record companies and music publishers alike.

One way for the record companies to cut costs in order to offset declining revenues is to reduce artist rosters and the number of new releases each year. That has already occurred and likely will continue to occur. At some point, however, reducing artist rosters and new releases is

[76] CO Trial Ex. 15 (Murphy Report)

dangerous for the record companies. It is the conventional wisdom in the record industry that only one out of ten new releases will be profitable -- the other nine lose money. This is not because the record companies are poor judges of talent. It is simply that no one can predict with any degree of confidence which new recording artists will become popular, and which will not. The creative process is not scientific -- consumers' taste in music is not predictable. Even with established artists, there is no guarantee that a new release will sell as well as past releases. The record companies have succeeded in the past by promoting enough new artists to guarantee that at least one will be successful enough to repay the money invested in the less successful artists. Cutting costs by reducing artist rosters means that the record companies are, in effect, lowering their odds of finding the next big superstar and the next multi-platinum album on which their success depends.

Another way for the record companies to reduce costs is to cut marketing and promotion budgets. Again, however, this can prove self-defeating. There is a great deal of competition for the consumers' attention and for the consumers' entertainment spending. Sound recordings compete not only with each other, but with DVDs, games, and other entertainment options. In order to successfully market a sound recording to a mass market, a certain level of expenditure is necessary to obtain radio play, buy advertising, support concert tours, and promote the music through various on-line services. Cutting marketing expenditures across the board may simply guarantee that no sound recording succeeds, and no new artist becomes a brand name to music buyers. Selective cost-cutting is difficult because, as I noted above, there is no way for record companies to know in advance which new releases and new artists will succeed, and which will fail. The record companies therefore cannot selectively market only the sure "winners," because there are no sure winners.

Declining revenues due to the shift to digital distribution, therefore, may force cost-cutting that heightens the risks for the record companies. That cost-cutting also disserves music publishers and songwriters. Most of the sources of revenue earned by music publishers depend to a substantial degree on the creation and marketing of a sound recording by the record company. No one earns money on a musical work unless and until it is turned into a sound recording by a record company. If the record companies support fewer artists, release fewer sound recordings, or do not spend as much to market their sound recordings, record sales will decline and songwriters and music publishers will have less of an opportunity to earn mechanical royalties. And the same is true for performance royalties. Music does not get played on the radio (and thus does not earn performance royalties for the publishers and songwriters) unless the record companies first make all the investments necessary to record, produce, market, distribute and manufacture the sound recording. Indeed, although the music publishers earn performance royalties when musical works are played on radio, and the record companies do not, it is the record companies that spend the money to promote sound recordings embodying those musical works to the radio stations. Similarly, it is usually the record companies, and not the publishers, that support concert tours by the artists, again earning performance royalties for the music publishers but not for the record companies. Even synchronization rights royalties, merchandising royalties, and receipts from the sale of sheet music, are revenues that the music publishers earn in large part because the record companies made and marketed sound recordings that became popular with the public. Without the popular demand for the sound recording created by the record companies' investment, there would be little demand to use the underlying musical works in movies, television shows, commercials and merchandise. Nor would there likely be much of a market for sheet music if the public had never heard sound recordings containing the musical work.

The music publishers typically spend little or nothing to turn the musical works into a form that the public will actually buy. The record companies, not the music publishers, spend the money needed to turn the musical work into a sound recording, including the costs of compensating the recording artist(s), producing the sound recording, manufacturing physical products such as CDs, preparing the audio and artwork in digital form, preparing all the related metadata for digital (in all the various different formats required by each distributor), and the distribution of that product in both the physical and digital supply chains. The record companies, and not the music publishers, expend large sums of money to market and promote the sound recordings to consumers (and perhaps more importantly, to market and promote the artists who made the sound recordings). And the revenue earned by the music publishers – including not just mechanical revenue but also performance, synch and other forms of revenue – is largely a result of these investments by the record companies.

In short, the record company is the R&D engine of the entire industry. The record company has substantial overhead dedicated to finding the talent, overseeing the creative process and then marketing and promoting the sound recording in the marketplace. Whether we are in a physical world or a digital world, without R&D and the necessary investment, everyone else in the value chain will suffer: music publishers; songwriters; concert promoters; concert venues; concession owners; t-shirt manufacturers; and the list goes on and on. It may fairly be said that the primary business of the record company is R&D -- to invest the money necessary to find and market the next great artist. Whether or not digital distribution is more profitable than physical distribution misses the point. In the digital world, overall revenues for the record companies are dropping, which means less investment in R&D, fewer new artists and new releases, and therefore fewer revenues for everyone who earns money from the sale of music.

The money for higher mechanical royalties has to come from somewhere -- either record company profits or investment in other areas. Given the small profit margins of record companies today, there is little operating profit to spare, and a decline in profits will make record companies even less attractive as investments. The alternative is less investment in A&R, marketing, etc., which as discussed above makes less music available to the public, increases risk to record companies, and disserves the interests of the publishers.

C. The Record Companies Must Support Parallel Distribution Chains for Physical and Digital Sound Recording Sales, Which Becomes More Difficult as Revenues Decline.

The displacement of CD album sales by digital singles (as well as piracy) does not mean that the record companies should simply stop making CDs and sell only digital singles, even if the operating margin on digital singles exceeds the margin for CDs. The record companies need to continue to incur all the investments in recording, producing, marketing, distributing and manufacturing albums. That is how CDs are still sold, and although CD sales are declining, they still generate the bulk of the record companies' revenues. The record companies cannot afford to turn their backs on the consumers, the market place and the $5.1 billion in wholesale revenues they earned from CDs in 2006. At the same time, the record companies must sell their sound recordings in digital markets as well, because illegal peer-to-peer networks and other pirated digital music will fill the void if the record companies sell only physical products.

As a result, the record companies must continue to invest to bring the sound recordings to the consumer, through two markets, physical and digital, even though the latter may be cannibalizing the higher-revenue CD album market. The record companies must sign artists to album deals, and incur the costs associated with creating and selling a physical product, while at the same time incurring the separate and additional costs of operating a digital distribution channel, including IT infrastructure for distributing and collecting royalties, as well as staff to enable the digital transition.

The costs of these parallel distribution systems are being borne, however, by a shrinking revenue pool. Here again, the fact that digital distribution may provide operating margins higher than physical CDs, assuming that is in fact the case, does not mean that digital is a panacea. At least for the reasonably foreseeable future, the digital transition is causing overall revenues to drop, which makes it very difficult for the record companies to support the necessary costs of selling both physical and digital products.

The same cannot be said for music publishers. The music publishers do not incur any significant additional costs to accommodate the new digital markets. Since the record companies absorb all the costs of distributing sound recordings, whether in physical or digital form, the record companies have borne all the costs of creating the infrastructure to support digital distribution. In the digital world, the music publishers simply do what they have always done -- license musical works to record companies and let the record companies do the rest.

D. **In the Digital World, the Hits Sell Fewer Albums.**

As a number of record company witnesses have pointed out, it is not just slipping revenues that cause concern -- it is the fact that the record companies' best selling albums are experiencing a significant drop in sales. Earlier in this testimony I pointed out that the record companies invest far more in the creation of sound recordings than do the music publishers. When an artist fails, the music publisher may lose a small amount, but the record company will lose far more. Record companies have always counted on the fact that when an artist like James Blunt succeeds, they will make enough money to cover not only the substantial investment in Blunt, but also the investments in other artists whose albums did not succeed. In a sense, the record companies place very large bets, compared to the music publishers, and they need a superstar success every once and a while. The problem is that the amount of revenues earned from the superstars today is shrinking. And it is shrinking because of the digitization of music – because piracy and the ability to acquire digital singles reduces purchases of the hit albums that for years have fueled record company investment.

V. AN INCREASE IN THE MECHANICAL ROYALTY RATE WILL ADVERSELY AFFECT AVAILABILITY OF MUSIC, WHILE A DECREASE IN THE MECHANICAL ROYALTY RATE WILL HAVE LITTLE IMPACT ON MUSIC PUBLISHERS' INVESTMENTS.

All of the above discussion is simply to emphasize the different risk and reward models of the music publishing and recorded music businesses. In the decades before this proceeding, there has been a division of labor between record companies and music publishers – a bargain about who would perform the tasks to bring music to the public. Under that bargain, record companies undertake virtually all the investment and receive the vast majority of the compensation for sales of purchased music that incur mechanical royalties, while music publishers receive compensation from many sources, but at much lower levels for sales of purchased music. And the result of that division of labor is that, in the current environment with declining sales, prices, and revenues, and the additional costs of the transition to digital, it is the record companies that are suffering the most.

For the reasons I described above, it is important that the record companies continue to invest in new artists, new sound recordings, and the expenses necessary to market those artists and recordings to the public. As revenues from the sales of CDs drop faster than the increase in revenues from the sales of digital products, that investment is becoming harder to make. If mechanical royalties increase as well, as I understand the music publishers to be proposing, the investment in new sound recordings and new artists becomes that much more difficult to make, to the detriment of all -- record companies, music publishers, and consumers alike.

Conversely, however, a reduction in the musical works rate will have little impact on music publisher investment. Music publishers earn high profit margins, and even if the mechanical royalty rate is reduced, their margins will remain significantly positive. As Table A shows, BMG MP earned a profit margin of 27.4 percent in 2006 and it has enjoyed margins of between 19 and 27 percent in every year since 2003 (the year after it acquired Zomba). [[redacted]][77] As these margin numbers suggest, music publishers are more than able to absorb a decrease in the mechanical royalty rate.

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[77] Because the publishers produced a full set of financials for Warner/Chappell's worldwide operations but made only a partial production of financials showing the US operations, the chart in Table A for Warner/Chappell reproduces these worldwide numbers (the charts for the other publishers are for US only operations). However, in order that the reader may have access to as full a set of data as possible in one place, I have also included the information on Warner/Chappell's US operations within notes contained on the same table. The same is true for UMPG's final revenue and profit figures for 2006, which the publishers produced in a narrative only instead of producing a financial table presentation consistent with the format of the rest of the financials. Accordingly, I have not included the 2006 information within Table A itself, but I do mention those results in the Notes to that table.

To illustrate this point, I have shown in Table B the proforma impact of both the RIAA and NMPA proposal on several of the music publishers' 2006 US financials. The proforma impact of the RIAA proposal was done by adjusting the publishers' domestic mechanical revenues and royalties down by 40 percent, to provide a rough estimation of the RIAA's proposal. For the proforma impact of the NMPA proposal, I adjusted each publishers' mechanical revenues (and corresponding royalty payments) upwards by 40 percent, in order to roughly illustrate the impact of the NMPA's proposal.[78]

The results were revealing. As Table B shows, under the RIAA proposal, each of the music publishers would still have had more than enough revenues to cover its overhead and earn a healthy operating profit. [[redacted]][79]

Of course, I would emphasize that this proforma model considers only how changes in the statutory rate would affect the 2006 financials of these companies in a very direct sense, without taking into account any broader marketwide changes that might be caused by a reduction

[78] A detailed explanation of how these figures were derived is set forth in the Notes to Table B.

[79] Because of limitations in the data, explained fully in the Notes to Table B, I was not able to fully model BMG MP and Warner/Chappell, and therefore they are not included here. Nonetheless, the nature of this proforma and the rough modeling I have done in connection with these companies makes clear that the results would not be significantly different for these companies if adequate data were at hand.

in the mechanical royalty rate. As I have explained elsewhere in this report, while a reduction in the mechanical royalty rates might cause a reduction in mechanical revenues to the music publishers in the short term, in the long term it would work to the benefit of everybody involved in this proceeding -- record companies and music publishers alike -- because record companies would be able to make the additional A&R investments necessary to create longterm growth in the music business.

Finally, the proforma impact of the NMPA proposal also shows that music publishers' profit margins do not change drastically. However, as Table B makes clear, the net effect of the music publishers' proposal would be to provide the music publishers with significant increases in their already healthy profits.

VI. CONCLUSION.

Recorded music is a high risk business with less stable revenue streams and large high risk investment requirements as contrasted with music publishing, which is an annuity-like business with stable revenue streams and small dollar and low risk investment requirements.

TABLE A: Music Publisher Historical Performance

BMG Music Publishing – US	2003		2004		2005		2006	
All Figures in Euros (000)								
Revenue	132,167		133,764		137,205		141,664	
COGS	74,871		78,573		84,109		81,870	
NPS (% of revenue)	57,296	43.4%	55,191	41.3%	53,096	38.7%	59,794	42.2%
Expenses and Miscellaneous:								
Marketing	1,395		2,075		1,483		1,451	
Provision Against Advances	2,608		2,305		1,913		1,798	
Depreciation of Rights and Licenses	5,432		4,093		4,606		6,757	
Depreciation of Sheet Music Rental	0		0		0		0	
Amortization and Impairments	19,025		2,035		1,927		0	
Other Cost of Sales	1,039		527		216		302	
SG&A	26,023		22,454		20,587		20,038	
Other Operating (Inc) / Decl	45		(558)		(438)		(2,300)	
TOTAL	55,567		32,931		30,294		28,046	
EBIT	1,729		22,260		22,802		31,748	
EBITDA (% of Revenue)	26,186	19.8%	28,388	21.2%	29,828	21.7%	38,860	27.4%
Revenue Breakdown:								
Mechanical			68,688	51.4%	63,874	46.6%		
Performance			22,250	16.6%	22,974	16.7%		
Synchronization			28,708	21.5%	35,675	26.0%		
New Media			2,323	1.7%	3,318	2.4%		
Print			10,093	7.5%	9,486	6.9%		
Other			1,701	1.3%	1,879	1.4%		
TOTAL			133,763	100.0%	137,206	100.0%		

Note: In addition to the information shown on this chart, BMG MP also provided results for 2002, the final year before the acquisition of Zomba Publishing by BMG MP's parent company, Bertelsmann AG. Those results, presented in dollars, showed total revenues of $63.9 million, and a net loss of $5.9 million. When depreciation and amortization are added back in, EBITDA is calculated at a positive $3.7 million, or 5.7% of revenues. See Note 9 below.

[redacted]

[redacted]

[redacted]

Warner/Chappell – WORLDWIDE
All Figures in $000

	2000		2001		2002		2003		2004		2005		2006	
Revenue	510,158		500,888		506,106		502,781		550,519		572,623		537,584	
[redacted]	[redacted]		[redacted]		[redacted]		[redacted]		[redacted]		[redacted]		[redacted]	
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]		[redacted]		[redacted]		[redacted]		[redacted]		[redacted]		[redacted]	
[redacted]	[redacted]		[redacted]		[redacted]		[redacted]		[redacted]		[redacted]		[redacted]	
[redacted]	[redacted]		[redacted]		[redacted]		[redacted]		[redacted]		[redacted]		[redacted]	
[redacted]	[redacted]		[redacted]		[redacted]		[redacted]		[redacted]		[redacted]		[redacted]	
[redacted]	[redacted]		[redacted]		[redacted]		[redacted]		[redacted]		[redacted]		[redacted]	
[redacted]	[redacted]		[redacted]		[redacted]		[redacted]		[redacted]		[redacted]		[redacted]	
[redacted]	[redacted]		[redacted]		[redacted]		[redacted]		[redacted]		[redacted]		[redacted]	
OIBDA (% of revenue)	98,236	19.3%	100,057	20.0%	100,267	19.8%	77,851	15.5%	153,620	27.9%	147,989	25.8%	152,716	28.4%
Amortization	34,362		50,103		51,637		84,140		70,886		54,763		56,844	
Depreciation	2,990		3,166		2,326		2,960		2,922		2,725		2,144	
OIADA	60,884		46,788		46,304		(9,249)		79,812		90,501		93,728	
Revenue Breakdown														
Mechanical	272,496	53%	256,715	51%	265,002	52%	229,417	46%	251,180	46%	257,468	45%	224,622	42%
Performance	137,575	27%	138,667	28%	149,557	30%	183,759	37%	200,516	36%	191,659	33%	190,803	35%
Synch	45,147	9%	55,496	11%	59,312	12%	68,585	14%	76,799	14%	97,036	17%	82,469	15%
Digital		0%	0	0%	0	0%	1,113	0%	3,597	1%	20,182	4%	20,186	4%
Other	54,939	11%	50,010	10%	32,235	6%	19,908	4%	18,426	3%	6,278	1%	19,504	4%
TOTAL	510,157	100%	500,888	100%	506,106	100%	502,782	100%	550,518	100%	572,623	100%	537,584	100%

[redacted]

NOTES TO TABLE A

1. The financial information presented is the financial results for the US operations of each global publisher with the exception of Warner-Chappell, for which worldwide consolidated results are presented.

2. Amounts for revenue included in the financial results presented are the revenue from all sources as a result of exploitation of copyrights owned or administered/represented by the U.S. companies including the revenue from exploitation of those copyrights outside the United States. This is consistent with the recording and treatment of those revenues by each of the music publishers in their financial information provided.

3. The financial information was derived from various sources provided in discovery from the publishers, including but not limited to internal management reporting, internal general ledgers, and internal financial or budget presentations. The financial information was not derived from audited financials reported on by an independent accounting firm. The basis of preparation of the financials may vary from publisher to publisher depending on a number of factors, including: whether publishers follow U.S. GAAP versus international accounting standards, whether publishers follow accrual basis of accounting versus cash basis of accounting, and whether publishers are in compliance with Financial Accounting Standard Number 50 – Accounting for Artist Advances. While the standards followed may differ, each publisher would be matching revenue and expenses in any given year presented in accordance with either U.S. or international accounting standards. Therefore, results for each given publisher should be consistent from one year to another under the accounting principles applied by that publisher for each of those years.

Notes To BMG Music Publishing Spreadsheet

1. BMG Music Publishing (BMG MP) follows the calendar year for financial reporting purposes.

2. 2003-2006 information is taken from the BMG-Zomba United States summary page for "All Businesses" in the Management Books produced by BMG MP. Management Books for 2003, 2004 and 2006 were produced in native form on Copyright Owners' Production Disc 21. The Management Book for 2005 was produced in hard copy at CO05007882.

3. Revenues, information on the breakdown of revenue by type, and line items for each expense and miscellaneous item are drawn directly from the documents.

4. Cost of Goods Sold (COGS) is computed by adding the "royalty expense" and any "cost of sales" line items, and then deducting for the "UK International Addback" shown on the financials.

5. Net Publishers Share (NPS) is calculated as Revenues minus COGS and is checked for consistency with the NPS figure provided on the document.

6. EBIT is calculated as NPS minus expenses and miscellaneous and is checked for consistency with the EBIT figure provided on the document.

7. For 2004 through 2006, EBITDA is taken directly from the financials. For 2003, the financials do not calculate an EBITDA, but they do provide an EBIT, so amortization and depreciation were added back in to calculate an EBITDA. (Using this method would have resulted in an EBITDA calculation that is identical to the EBITDA shown on the 2004 financials, and slightly lower than the EBITDA shown on the 2005 and 2006 financials. Thus, this method appears conservative.)

8. Information on the breakdown of lines of revenue for 2004 and 2005 is taken from CO05005719, at 05005713. (The most readable version of this document is that used as Exhibit 9 to the deposition of Nicholas Firth.)

9. In addition to the information shown on this chart, BMG MP also provided results for 2002, the final year before the acquisition of Zomba Publishing by BMP MP's parent company, Bertelsmann AG. Those results, reported as historical results in the KPMG memorandum for the year ended December 31, 2003, showed total revenues of $63.9 million, and a net loss of $5.9 million. (CO, at 05004735, at 05004739.) When depreciation and amortization are added back in, EBITDA is calculated at a positive $3.7 million, or 5.7% of revenues.

Notes To EMI Music Publishing Spreadsheet

1. Amounts presented in this spreadsheet are taken from the EMI Music Publishing (EMI MP) financial information produced in discovery (RIAA Trial Ex. 8; CO04024775). EMI MP reports on a fiscal year basis ended March 31; therefore, the last year shown (2006/07) is for the year ending March 31, 2007.

2. Revenue is taken from line 2080000 on page 04024777.

3. Cost of Goods Sold (COGS) is taken from line 2105000 on page 04024778.

4. Net Publisher Share (NPS) is computed as Revenue minus COGS and is checked for consistency with line 2110000 on page 04024778.

5. Expenses and Miscellaneous are drawn from lines 2123000 through 2141300 on page 04024778.

6. Profit Before Associate/Joint Ventures is computed as NPS minus Expenses and Miscellaneous and is checked for consistency with line 2152000 on page 04024778.

7. Share of Associate Operating Profit is taken from line 2152100 on page 04024778.

8. EBITDA is calculated by totaling the Profit Before Associate/Joint Ventures and the Share of Associate Operating Profit and then adding back the expense for depreciation (taken from line 2126100 on page 04024778). This figure is confirmed to match the EBITDA value given for 2007 in the "Memorandum: EBITDA" line (line 2260000 on page 04024778).

9. Information on revenue breakdown is taken from lines 2040000, 2050000, 2052000, and 2051000 on page 04024777.

Notes To Sony/ATV Spreadsheet

1. Amounts presented in this spreadsheet are taken from the "Sony Music Publishing" financials provided in discovery (bates range CO07004883-CO07004925). Sony/ATV reports on a fiscal year ending March 31; therefore, the last year shown (2006/07) is for the year ending March 31, 2007.

2. Sony/ATV is a joint venture between Sony Music Publishing and Michael Jackson (see Notes to the Consolidated and Combined Modified Cash Basis Financial Statements of Sony/ATV Music Publishing LLC for the year ended March 31, 2007, produced in discovery at CO07007429, page 6). However, notwithstanding their designation as "Sony Music Publishing" documents, I believe that the figures in this document are intended to reflect the US results for the Sony/ATV venture for two reasons. First, I compared the figures in the Sony Music Publishing financials to the revenue and royalty figures for FY1998 through FY2006 that are contained in the document entitled "Sony/ATV US Revenue & Royalty Costs" (produced in discovery at CO07014022). The figures in these documents are virtually identical, in most cases varying by only a nonmaterial amount. Second, I compared the figures in these documents to the figures in the Sony/ATV US financials for 2003/04 and 2004/05 attached to an email from Steven Storch to Amy Pugh (produced in discovery at CO07007267). Although revenues are broken down differently in the two documents, the core figures for revenue, royalty expense, and NPS are comparable for both years.

3. For all years, total revenues are taken from the corresponding revenue line items indicated on the financials.

4. For the years 2000/01 to 2004/05, Cost of Goods Sold is provided as a combination of the "royalty exp-publishing" and "royalty exp-masters" line items. For the years 2005/06 and 2006/07, COGS is taken from the "royalty expense" line on the financials.

5. Expenses are provided as they are listed on the financials provided in discovery. The line item for "Departmental Costs / Overhead" refers to the item denominated "Departmental Costs" in the 2000/01 - 2004/05 financials and "Organizational Expenses" in the 2005/06 - 2006/07 financials.

6. Profit is provided as Net Publisher Share minus expenses and it is checked to match the line item for "pre-tax contribution" in the 2000/01 - 2004/05 financials and the line item for "operating profit" in the 2005/06 - 2006/07 financials.

7. For 2000/01 - 2004/05, domestic mechanical revenue is provided as a combination of the "domestic mechanical royalties" line item as well as the "CHC mechanical royalty" and "SMU mechanical royalty" line items.

8. For 2000/01 - 2004/05, "other" domestic revenues are provided as a combination of the "production income", "masters income", and "all other" line items.

9. For 2000/01 - 2004/05, foreign revenue is provided as a combination of external foreign royalties and internal foreign royalties.

10. Breakdowns of revenue are not shown on the 2005/06 and 2006/07 financials. However, for 2005/06, the revenue breakdown is derived from the Sony/ATV US Revenue & Royalty Costs discussed above (CO07014022). The total 2005/06 revenue shown on this document, [[redacted]], differs slightly from the total revenue of [[redacted]] in the financials. However, this small difference should not affect the relative percentages of revenue in that year.

11. Foreign revenue is shown as a separate category in the 2000/01 - 2004/05 financials, rather than being broken down into its constituent components. However, the Sony/ATV US Revenue & Royalty Costs document (CO07014022) does break down foreign revenue into mechanicals, performance, and synch revenue for each of the years 2003/04-2005/06. Adding those figures to the domestic figures shown on the same document, the total mechanical revenues earned in those years is [[redacted]].

Notes To UMPG Spreadsheet

1. Universal Music Publishing Group (UMPG) follows a calendar year for financial reporting since 2001.

2. Information for 2000-2005 is taken from the "US-Publishing" page of the document entitled "Universal Music Publishing Group Financial Report" provided on an annual basis for each of those years (2000-2001: CO09007805, at 09007871; 2002: CO09007668, at 09007728; 2003: CO09009185, at 09009259; 2004: CO09008866, at 09008947; 2005: CO09009013, at 09009094). This document provides a financial report on the consolidated operations of UMPG as well as regional and territorial breakdowns.

3. Revenues, cost of goods sold (COGS) and line items for each expense and miscellaneous item are drawn directly from the consolidated reporting document.

4. Net Publishers Share (NPS) is calculated as Revenues minus COGS and is checked for consistency with the NPS figure provided on the consolidated reporting document.

5. Provisions for advances are presented in as a negative for 2001-2005 because in each of these years, UMPG appears to have recouped on amounts previously written off.

6. EBITDA is calculated as NPS minus expenses and miscellaneous and is checked for consistency with the EBITDA figure provided on the consolidated reporting document

7. Information on the breakdown of revenues by type is taken directly from the reporting document for the years 2002-2005. For 2000 and 2001, this information is not provided on the "Financial Report" document. Accordingly, this information is taken from the Financial Report of Analytics and Narratives for Consolidation for CY2001. CO09011621, at page 09011655. The total revenue figures on this FRANC document are [[redacted]] but there is no evidence that this discrepancy would affect the relative percentages of the lines of revenue.

8. I also note that the narrative in the March Forecast – 2007 (CO09014261, pages 4 and 5), contains final 2006 figures and 2007 forecast figures for overall revenue and EBITDA. These figures, which are presented in dollars and therefore not included in Table A, are [[redacted]].

Notes To Warner/Chappell Music Spreadsheet

1. Warner/Chappell Music's fiscal year has ended in September since its acquisition by a private investor group in 2004.

2. All consolidated (worldwide) information on this spreadsheet is taken from the document produced in discovery entitled "Warner/Chappell Music Consolidated Statement of Operations – Consolidated FY99-08" (CO08003872).

3. Warner/Chappell did not produce financials statements for its US operations. However, information showing certain of Warner/Chappell's core US financial information was produced for certain years, including 2003 (CO08001386 and CO08001345), 2004 (CO08001345), and 2006 (CO08005707).

TABLE B: ProForma Music Publisher Financials

[redacted]

[redacted]	[redacted]	[redacted]	[redacted]
[redacted]		[redacted]	[redacted]
[redacted]	[redacted] [redacted]	[redacted] [redacted]	[redacted] [redacted]
[redacted]	[redacted] [redacted]	[redacted] [redacted]	[redacted] [redacted]
[redacted]	[redacted] [redacted]	[redacted] [redacted]	[redacted] [redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted] [redacted]	[redacted] [redacted]	[redacted] [redacted]

[redacted]

NOTES TO TABLE B

1. The proforma financial statements are intended to illustrate the effect on the 2006 financials of the music publishers under the RIAA proposal; and the effect under the NMPA proposal. They are intended to give the Court an indication of the rough order of magnitude of the impact of the RIAA and NMPA proposals on the music publisher financials.

2. In order to estimate the impact of the RIAA's proposal on the 2006 financials of the music publishers, I used RIAA data on net shipments (RIAA Net Shipments, Direct & Special Markets and Digital Distribution, Gross Shipments and Return: All Discs and Cassettes, For the Year Ending December 31, 2006) to calculate the impact on the four main product groups that collectively make up a total of about 95 percent of net shipments: CDs, digital album downloads, digital singles downloads, and ringtones. In addition, because the low wholesale price of cassettes would result in a more significant decline in the mechanical royalty payments to music publishers under the RIAA's proposal, out of an abundance of caution I included those in my calculations as well (although cassettes make up an extremely small percentage of today's music market).

3. For CD's, under the present rate structure the music publishers earn roughly $1.18 per CD (assuming an average of 13 tracks at 9.1 cents each), while under the RIAA's proposal, they would earn nine percent of the wholesale revenue per unit ($8.39 in 2006), or about $0.76 per album – a 35 percent decrease. Online albums yield $1.18 in royalties under the 2006 rates, but under the RIAA's proposal would earn 9 percent of $6.88, or $0.62 – a 48 percent reduction. Online singles presently earn 9.1 cents under the statutory rate and would earn 9 percent of $0.70, or 6.3 cents, under the RIAA proposal (about a 31 percent reduction). Ringtones earn roughly 20 percent of wholesale and would earn 15 percent under the RIAA proposal (a 25 percent reduction). Finally, cassettes earn $1.18 under the current statutory rate but would earn $0.11 under the RIAA proposal – a 91 percent reduction. (The assumption of 13 tracks per album is the figure that I understand has been used by many of the other experts in this case to date, such as Dr. Teece, RIAA0015005, and the publishers' expert Claire Enders, RIAA Trial Ex. 27, at 8-9.)

4. Although some variances are to be expected between publishers based on differing mixes of revenue, a weighted average of those four categories implies an industrywide average of a roughly 35-36 percent reduction in mechanical royalty revenues under the RIAA's rate proposal. Using a similar methodology, I estimate that the NMPA's rate proposal would increase the average mechanical revenues of the publishers by roughly 41-42 percent. To be conservative, I used as the basis of my model an estimate that the RIAA's proposal would cause a 40 percent decrease and the NMPA's proposal would cause a 40 percent increase.

5. Once these figures were calculated, I showed the proforma impact of this adjustment on the 2006 financials for the US operations of each publisher (taking either actual year-end financials or mid-year forecasts, depending on the quality of the data I had available) by making adjustments in the domestic mechanical revenues and domestic mechanical royalty payments for each publisher. I left all other information in the model the same, including data on foreign mechanical revenues, other sources of revenue (ie. performance, synch, etc) and information on expenses. This allowed me to isolate the impact of changing domestic mechanical royalty rates on the overall financials of each music publisher.

6. As I indicated above, in the case of two publishers – UMPG and Sony/ATV – I have had to use mid-year forecast data for 2006 rather than the final financial results for each year. This is because the forecast data is the only data provided by the publishers in discovery that shows a breakdown of royalty payments by line of revenue – a necessary element to this calculation. However, in each case, as explained below, I have compared the forecast numbers against the actual reported results for each year and there is no reason to think that using final results, had I been able to do so, would have changed the basic conclusions shown by model. In fact, in each case the forecast numbers proved conservative.

7. To reduce complexity in the model I have used industrywide figures to calculate the relative weight that each product (CDs, online albums, online singles, ringtones and cassettes) has in the calculation of the

average impact of the RIAA/NMPA proposals. Due to differing product mixes there may be minor variations from publisher to publisher in the relative weight that each line of revenue may have. As my model shows, however, variations of this magnitude have no impact on the general overall outcome of the proforma presented here.

8. In calculating the impact of the RIAA/NMPA proposals I have looked only at the five products that make up the vast majority – about 95 percent – of net sales (whether measured as a function of unit sales or wholesale revenues). This necessarily excludes some products such as DVD audio, CD and LP singles, and the like. These products made up only a small percentage of net sales in 2006 and in light of the wholesale prices of these products, their exclusion is unlikely to affect the general conclusions yielded by this proforma.

9. Some variances are also possible due to the manner in which the publishers have classified certain forms of publishing income. For example, as I have noted in the text of my testimony, EMI MP appears to classify ringtone income as performance or synch revenues. However, as a simple manipulation of the proforma makes clear, even if this ringtone income were all treated as mechanical income for the purpose of the proforma, it would not have any more than a minor effect on the results.

10. One factor that is not shown in this proforma is the potential impact on advance writeoffs of a decline in mechanical royalty revenues. If the music publishers sustain a longterm decrease in their mechanical revenues, there is certainly some possibility that they may have to write off more of their advances in the future. However, I doubt that the impact of this would be very large because, as I have shown, the publishers have typically been able to recoup a very large (in many cases 90 percent) portion of their advances, and their earnings from other lines of revenues should be sufficient to enable them to maintain high recoupment rates. Moreover, as I note in my testimony, growth in the overall music market caused by additional record company A&R investments would likely mitigate this impact altogether.

11. I should note that this proforma is also extremely conservative in one aspect, in that it models only the short-term, direct impact of a mechanical royalty rate change without modeling the broader impact on music publishers from marketplace changes arising from reduced royalty rates. As I have noted in my testimony, a lower mechanical royalty rate will free record companies to make more of the A&R investments and other expenditures that have historically been the engine of the music industry – and that will, in turn, work to the benefit of record companies and music publishers alike.

Additional Notes Specific To EMI Music Publishing

1. All data is derived from the actual year-end financials produced by EMI MP (RIAA Trial Ex. 8; CO04024775). FY2006/07 data was used because the majority of the revenue earned during this year (nine months' worth) would have been earned in the calendar year 2006.

Additional Notes Specific To Sony/ATV Music Publishing

1. Because the year-end financials produced by Sony/ATV in discovery do not provide a breakdown of royalty or revenue costs, I used midyear forecast data contained in the document entitled "Fiscal 2007 Full Year Forecast & Fiscal 2008 Budget – Revenue Detail." This document provides FY 2006/07 US forecast figures with revenue and royalty payments broken down by type of revenue. (CO07006752, at 07006753, 07006755.)

2. As with EMI MP, FY2007 data was used because the majority of the revenue earned during this year (nine months' worth) would have been earned in the calendar year 2006.

3. The total revenue and operating income (EBIT) shown on this forecast, [[redacted]], respectively, proved to be conservative: in fact, as shown on Table A to my testimony, the final year-end financials for FY 2006/07 showed revenues of [[redacted]].

Additional Notes Specific To UMPG

1. 2006 UMPG forecast data is taken from the Universal Music Publishing Group Plan Pak 2007 United States, CO09011043. Pages 09011076-09011077 show 2005 actual and 2006 projected (as well as 2007 plan) revenue broken out by type of revenue.

2. This document presents figures in Euros and dollars. Figures are taken in Euros for consistency with the presentation in Table A.

3. This document presents revenue broken down into three categories: (1) "Local Earnings – Local Deals"; (2) "Local Earnings – Foreign Deals"; and "(3) Foreign Earnings – Local Deals". For purpose of this calculation I assumed that changes in the Section 115 mechanical royalty rate would impact on categories (1) and (2), but not (3).

4. The total revenue and EBITDA forecast for 2006 are shown on this forecast, in both Euros and dollars, at pp09011047-1047. In dollars, this document projects revenues of [[redacted]]. These projections proved to be conservative: in fact, as shown on Table A, documents produced in discovery noted final year-end revenues of [[redacted]].

Additional Notes Specific To BMG MP and Warner/Chappell

1. I was not able to create similar tables for BMG MP or Warner/Chappell. In the case of BMG MP, no information was produced to show domestic and foreign revenues broken out separately. In the case of Warner/Chappell, no data was produced that shows mechanical royalty payments, either domestic or foreign.

2. Nonetheless, on the basis of some simple calculations and a rough proforma that I have created using the information that was provided for these companies, I am confident that the impact of the RIAA and NMPA's rate proposals on BMG MP and Warner/Chappell would not vary greatly from the impact on the other three major publishers shown in this proforma.

APPENDIX

Resume of Terri M. Santisi

Terri Santisi
530 Park Avenue 16F New York NY 10021
H (212) 888-1931 C (917) 593-0412
terri@tmsillc.com

Professional Experience:

IMG — **New York, NY**
EVP, CFO and Chief Administrative Officer — ***Nov. 2006 – Dec. 2007***

- Oversaw IMG's worldwide operations in corporate development, mergers and acquisitions, finance and accounting, information technology, administration, human resources, corporate communications and public relations, as well as risk management and legal affairs to support the businesses with in excess of $1billion in revenues.
- Managed, enhanced and built corporate functions:
  - Established Financial Planning and Analysis Group
  - Developed Global Deal Process for all acquisitions, joint ventures and rights acquisitions defining standard criteria for evaluation of deals by business units and execution of multi-disciplinary teams to address due diligence and post merger integration issues; and status reporting to senior executive team
  - Led the restructuring of the Global Media operations into five distinct operating verticals to provide transparency and established economic metrics
  - Established a Tax and Treasury Operation in New York
    - Worked with our financial institutions to obtain additional financing to support our acquisition strategy
    - Developed cash management reporting
  - Established through outsourcing an Internal Audit Function
    - Developed accounting Policy and Procedure Manual
    - Developed delegated level of authority matrix
    - Reviewed SAP global general ledger to purge chart of accounts and enhance management reporting
- Led the financial and legal due diligence for six acquisitions for a total of $240 million including add on acquisitions for existing business unit verticals and new business (College Sports) consistent with the strategic plan of the company
  - Prepared acquisition analyses and reports for Board approval
  - Negotiated various financial, operating and legal deal points with representatives of the target company
- Led the due diligence with outside advisors for an additional $120 million capital raise from our investors
- Supervised budgeting, forecasting and management reporting process for the company, including the active review of business units' capital and expense requests and the preparation of long and short-term budgets

- Established more informative quarterly and plan disclosures to provide transparency for each business segment within each of the units (Sports and Media)

- Developed Board presentations and participated in Board meetings and served as the company's representative to the senior management, investors, outside auditors, banks, law firms, and other groups receiving financial information.
- Reported all relevant and legally required financial information to all appropriate entities.
- Managed and continued to build the Human Resources, Information Technology and Legal Departments.
  - Held the first global legal summit in nine years with 40 attorneys from around the world and outside counsel
  - Negotiated terms of employment agreements for key executives
  - Established and executed a global performance review and bonus process for over 2600 employees around the world without an HRIS
- Provide proactive recommendations on how best to improve financial, managerial and operational performance including contributing to evolving strategic business plan.
- Established new Corporate Communications Group
  - Recruited experienced consultant to work with Executive Team and developed global communications plan including corporate messages
  - Planned and executed town hall meetings in NY, Cleveland and London for senior executives to discuss state of the business with 2600 employees

Interpublic Media — **New York, NY**
CFO — ***September 2005-Oct 2006***

- Lead all financial operations for Interpublic Media, a division created in 2006 to consolidate the media planning, buying and market activation businesses of The Interpublic Companies.
- Part of the senior management team charged with turning the business around, developing and implementing a metric based, results oriented culture and processes including team approach to problem solving.
- Accomplishments:
  - Established management reporting for new business unit
  - Worked with other divisions of parent company on major multi-disciplinary pitches
  - Partnered with Corporate Strategic Group to re-evaluate the strategy of IPG Media resulting in a change in strategic direction to more effectively meet the current market dynamics

KPMG — **New York, NY**
Partner, Media and Entertainment Practice — ***1999 – September 2005***

- Responsible for leveraging KPMG's Media and Entertainment Group and strengthening the firm's position as a global provider of professional services to this segment of the industry.
- Developed and implemented strategies for growth and change in the media and entertainment industry.

- Increased profitability in creatively driven business through innovative leadership and analysis directed at key business drivers.
- Worked on specific client projects in media industry, including a business transformation and strategic assessment review for a major music association, transaction advisory work for several media companies – advising on transactions from $100 million to in excess of $1 billion, led Sarbanes Oxley initiative for a major music company.
- Led thought leadership efforts of the firm in the areas of media and digital transformation; authored white papers on several media subject matters
- Partner to the World Economic forum on the Media Governors Meetings
    - Set Annual Media Governors Agenda
    - Contributed to the Digital Ecosystem Study

EMI-Capitol Music — **New York, NY**
EVP & GM, EMI-Capitol Music Group, North America — ***1992 – 1998***

- Led strategy development and oversaw day-to-day operations for nine North American record labels.
- Responsible for the sales, marketing and distribution operation, as well as the manufacturing organization.
- Structured major artist and promotional deals and evaluated the viability of new business opportunities.
- Key businesses included Capitol, EMI, The Enclave, Capitol Nashville, EMI Latin, Blue Note and Angel/EMI Classics/Virgin Records.
- Restructured EMI Music Sales and Distribution reducing costs by $4 million and developing a strong consumer focus in partnership with trade achieving a greater responsiveness to local market opportunities.
- Developed and managed the execution of a multimedia marketing and entertainment event to launch a new Garth Brooks album and exploit his catalog of prior releases. Worked with the City of New York and HBO to develop the Garth Brooks live show in Central Park and the HBO Cable Television event.
- Renegotiated rights to Beatles' BBC tapes and "Anthology" audio and video series, greatly increasing revenue-generation potential; the "Anthology" collections sold 13.7 million units, resulting in $411 million in new sales.
- Created new executive team; recruited and developed an excellent staff of business-savvy individuals including CFO, legal counsel and human resources, strategic planning, operations and marketing executives.

EMI Music Publishing Worldwide/SBK Records — **New York, NY**
SVP & CFO — ***1989 – 1992***

- Led the financial operations of the world's largest music publishing company.
- Integrated the former CBS songs into EMI globally, thus maximizing all methods of music exploitation.
- Built a global infrastructure for the newly merged, rapidly growing music publishing company, which greatly increased net publisher's share.
- Oversaw royalty, licensing and administration including review of songwriter agreements and royalty statements for all significant songwriters and catalogs prior to distribution to royalty participants
- Successfully negotiated the acquisition of Filmtax Music as well as re-negotiated a long-term administration deal for the Jobete Music catalog.

- Negotiated a complex earn-out for partners of the SBK Records start-up, significantly increasing their return.

Ernst & Young — **New York, NY**
Principal/Partner — ***1976 – 1989***

- Provided strategic business and financial advice to senior executives of Fortune 500 companies (i.e., The McGraw-Hill Companies and Mobil Oil Corporation).
- Served as the Media Industry Group Leader and coordinating partner for EMI Music Worldwide, McGraw-Hill Corporation, ASCAP and the National Music Publishers Association.
- Played a major role in the acquisition strategy of music and print publishing companies by leading industry conglomerates. This included the development of a sophisticated formula for the purchase of music publishing copyrights, which provided the acquirer with an appropriate measure of value.
- Gained significant global business and finance experience through her involvement as principal/partner who oversaw international marketing and refining operations of Mobil Oil.

Education/Certification

Bachelor of Science, Business/Accounting, Boston College, *magna cum laude*, 1976
Certified Public Accountant, New Jersey and New York State Society of CPA's

Community Involvement
New York City Outward Bound Board of Directors and the Executive Committee
Audit Committee, National Academy of Television Arts and Science
She Made It Steering Committee of the Paley Media Center

I declare under penalty of perjury that the foregoing testimony is true and correct.

Terri M Santisi

Terri M. Santisi

Date: May 1, 2008

RIAA Ex. 124-RP

Interview: Roger Faxon, co-chief executive, EMI Music Publishing

ROGER FAXON HAS JUST BEEN PROMOTED TO CO-CHIEF EXECUTIVE OF EMI MUSIC PUBLISHING; CAN HE TRACK DOWN THE MILLIONS IN LOST RINGTONE ROYALTIES?

EMI Music Publishing is the largest publisher in the world, holding around 16.7% of the market. While not as adversely affected as labels by the decline in the CD business, publishers have had to evolve and move into new business areas to ensure growth.

Here Roger Faxon explains the diversification and risk management strategies that EMI Music Publishing has put in place and where he sees development in the coming years.

He argues that it is only a matter of time before the other publishers follow suit and structure similar deals to the MCPS-PRS/GEMA one. Within this is the suggestion that global one-stop licensing along similar lines could follow, although the focus in the near-term will be geographically- and regionally-specific.

While the MCPS-PRS/GEMA deal was designed to streamline licensing and ease the process for online services, digital has been far from a utopia for publishers.

Research by FRUKT (see Issue 50) reveals that European publishers were underpaid by around €112M in 2003/2004 for royalties arising from ringtones. Unless this is addressed, they stand to lose out on almost €1.4B by 2010.

Faxon admits that insufficient reporting and royalty underpayment has been a serious problem for publishers in recent years. While safeguards are being put in place, those underpaid royalties to date look unlikely to ever be recovered.

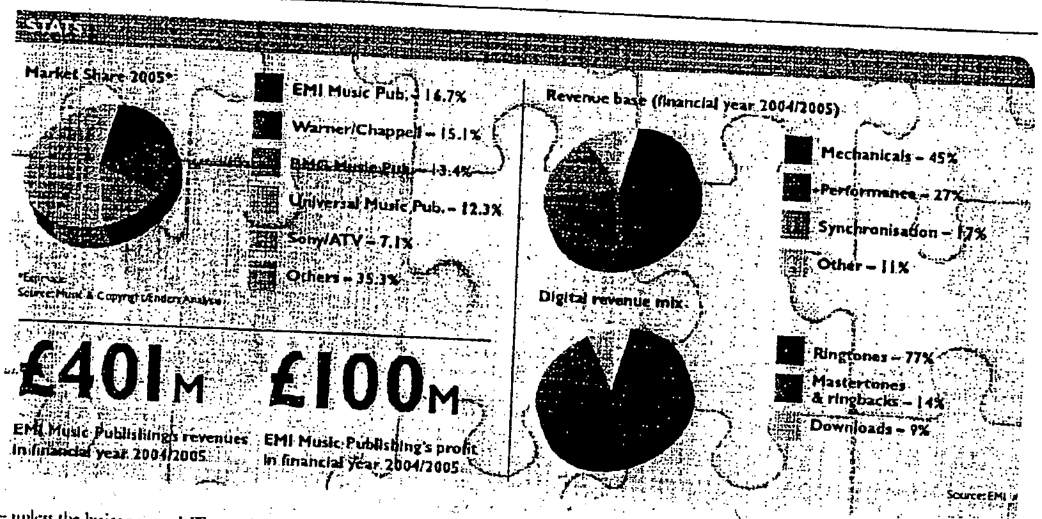
A further threat to the publishers' revenue base is the imminent Copyright Tribunal hearing on the royalty rates paid to composers for downloads in the UK. The current rate is around 6p in every £0.79 download while labels get 40-50p. Publishers, obviously, want this rate raised to 7-9p but labels want it pushed down to as little as 2.5p. What can the publishers do if the Tribunal sides with the labels? And how would a lowering of the rate affect their future development?

How has publishing used digital to maximise revenues?
Obviously, as the record business has been suffering in recent years, music publishers have had to be more attentive to other revenue opportunities. They have been very effective in commercialising music in movies, ads and other synchronisation areas. They have also been at the forefront of promoting the use of music on mobile – ringtones being the most clear example of that. Publishers and societies get rapped for holding back new business areas. I don't believe that to be the case. The truth is that the publishers have probably been more aggressive at licensing their rights into new uses.

How does your A&R strategy work?
We make our investment in music well before that music goes before the public in any significant way. Our A&R side is not driven by a strategic view of filling holes in our catalogue. It is about looking forward and seeing where music is going to be two, three, five years from now. We make not insignificant bets about that.

How do you lower risk with your signings?
Compared to the recorded music industry, there is a different risk profile and a different return profile. The record business works on a high-risk, high-return model. We try to moderate that risk by looking for revenues not just from the sale of recorded music but also from other sources. We ask, 'Is this music going to have a broader life than just record sales?' That informs how we think and it allows us to take many, many chances but – in the aggregate – to lower our risk. So our risk profile is substantially better in that sense than for labels.

Will you look to take a share of writers' non-publishing revenues?
The one area that we wouldn't participate in would be merchandise



– unless the lyrics are used. We are already diversified in that way and it gives us a unique position with our songwriters in the sense that we actually are more aligned towards helping them succeed in whatever venue makes the greatest sense for them. We are not necessarily tied to a single revenue stream.

As labels look to share in non-recording revenues such as publishing, will this cause conflict between them and you?
Over time, I suspect that, as new uses of music keep evolving, record companies will see themselves more aligned with the way that publishers conduct their business – which is more of a licensing model. For us, I don't think there's an innate conflict. If anything, there's compatibility. That said, there will always be, in any relationship where there is a third party who is paying, a struggle between the pricing of publishing rights and the pricing of master use rights. It has always been the case that there is a tension between labels and publishers over what the pricing should be. But it has always worked itself out – to the benefit of both parties and the consumer.

How did the EMI/MCPS-PRS/GEMA deal come about?
If you look back to Summer 2005, the European Union issued a Recommendation that proposed a change in the licensing regime across Europe for digital rights. The objective reality has been difficult for the user community to license rights consistently across each of the territories in Europe. Under the existing system, to have a pan-European service, you have had to go to each country – and the societies in each of those countries – for both mechanical and performance rights. You could always find a licence. That wasn't the problem. But the administrative burden was very high. Because you have different societies, each has a different way of reporting and calculating royalties. It's a very complex system and, therefore, a very inefficient one. The Commission took a view that online commerce in music would be best promoted through the establishment of one-stop shops for rights. That was a conclusion that we had also independently reached some time ago.

Will reporting problems exist until other publishers follow suit?
When you try something new, there are always areas that you have to be concerned about. In general, the system as it stands now will, if anything, speed up the collection of monies and assure transparency to our songwriters as to what they are getting paid for and why. Will other publishers follow suit? We see the logic of what we are doing as being inescapable. Therefore, it would surprise us if other publishers didn't do something similar. For this project to succeed, it doesn't require other publishers to follow suit. But the innate logic is compelling and I would be surprised if others didn't follow suit.

What about compositions controlled by two or more publishers?
For co-owned compositions, there are established databases with details of the splits and arrangements. There are obviously detailed system issues here. That's one of the reasons we haven't started yet – so as to get all those things sorted. It should not present an additional burden on the societies or the user community.

Is this a first step towards a single global licensing system?
There is always an opportunity, where there are businesses that want to operate on a global basis, for us to license certain types of rights globally. We already do that with synchronisation for TV, film and ads. With digital – especially online – it's not hard to see a time when services will be less geographically-focused. Therefore they will want a set of licences for the world. We see all sorts of reasons to accommodate those uses. We are not opposed to worldwide licensing. We think that for a very long time to come most of the activities around these issues will be geographically-specific – such as the European market, the Asian market and the North American market.

FRUKT did research recently that suggested digital royalties are being under-reported and European publishers stand to lose €1.35B by 2010. What can you do to address this?
There has been a lot of confusion from users over what they should be paying and whom they should be licensing from. That has meant there has been a lot of missed revenue. Many societies have been less able to effectively report. They had to make system changes and that has retarded their ability to report. There are two massively important issues in Europe that have to be understood here. Firstly, things have been left unlicensed because of confusion in the marketplace. Secondly, the capabilities of some societies have been lacking and they were, therefore, unable to properly account. For us, the MCPS-PRS/GEMA deal is designed to address both of those issues.

CO04030075

Can you reclaim the lost royalties?
No. But we are encouraging societies to go back and audit mobile operators, aggregators and online services. We are starting to see positive impact. In the UK, the MCPS-PRS is very aggressive currently in looking back to ensure that they will be paid the appropriate sums of money. Others have been less effective in Europe but, as time goes on, they understand how much revenue is being lost and they are going after it. Some with greater effect than others.

Will you have to accept these royalties as permanently lost?
I'm sorry to say that that probably is the conclusion. We are not sitting idly by. Publishers are pushing hard on the societies to enforce our rights and we are seeing a substantially stepped up effort by most – not all – of the societies and that gives us greater comfort that we will get paid appropriately. We must ensure there is no confusion over the licensing regime, that we have visibility and transparency of the rates and clear audit rights. The best way to achieve that is to have a central licensing function.

How much of a threat are unlicensed sheet music and tabulation sites for your business?
Over the years, these sites have sprung up and we, as an industry, have taken action. We have effectively shut them down or commercialised them. We need to be aggressive in protecting the commercial value of those rights. With piracy it is difficult to be 100% effective but we have been extremely effective at shutting them down or commercialising them. We actually prefer to commercialise them and turn them into legitimate businesses. Sheet music, however, is a very small part of our overall turnover. Broadcast royalties and even royalties from music use in bars and restaurants dwarf it.

What do you think will be the upshot of the Copyright Tribunal and the moves to lower composer rates for downloads?
What we are seeing in the UK is a level of uncertainty as to what the right clearing price is. The Tribunal's purpose is to sort these things out and they will be sorted out. It's not a bad thing to go to a Tribunal. It's a costly thing, but it's not a bad thing. I would encourage the MCPS-PRS Alliance, the BPI and the other user groups to try and reach an understanding as to what these rates are. In the absence of that, a well-articulated case by each of parties to the Tribunal will come to an appropriate answer.

What if the songwriters' rate is cut from 6p to 2.5p in every £0.79 download and not (as they hope) upped to 7-9p?
We represent songwriters and we obviously want to optimise the value of these rights. We'd find it very distressing if the rates were to fall to a level as low as 2.5p. This is something that our songwriters would not be happy with and we, as their advocates, would certainly not be happy with.

> "We are encouraging societies to audit mobile operators, aggregators and online services but we may have to accept underpaid royalties as lost"

Would you have any legal recourse if they fell?
The Tribunal is set up to regulate a monopoly – the monopoly being the Alliance. In the UK, given the nature of the legal construct, one doesn't have to be a participant in the monopoly; so you can withdraw your rights and license them on your own. I'm not, however, suggesting for a moment that that is something we would do. But it is a concern that both the Alliance needs to have and the user community needs to have. The efficient system that exists now – which is based on the cooperative involvement of songwriters and publishers to license their rights on a blanket basis – might fall apart if a proper commercial arrangement isn't achieved. We have a lot of confidence that, if there can't be a direct solution between the music groups and the Alliance, that the Tribunal will come to a fair and reasonable conclusion.

Are you confident the Tribunal will find in your favour?
I am satisfied that there is coming to be a consensus across the world as to where these rates ought to be. There will be pushing here and there from all parties and not everyone is going to be 100% satisfied with the ruling. But they will, I believe, move to that consensus point. It will take compromise from everyone's point of view and that's, of course, a natural consequence of the way in which pricing in any industry takes place. ■

TIMELINE

1969
EMI purchases Keith Prowse Music Publishing and Central Songs.

1973
EMI purchases Affiliated Music Publishers.

1974
EMI Music Publishing formed.

1976
EMI Music Publishing purchases the Screen Gems and Colgems music publishing.

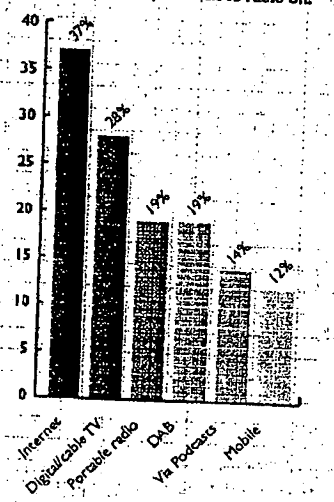
1999
EMI Music Publishing acquires 40,000 active titles from the Windswept Pacific.

It also acquires a 51% stake in Hit & Run Music Publishing.

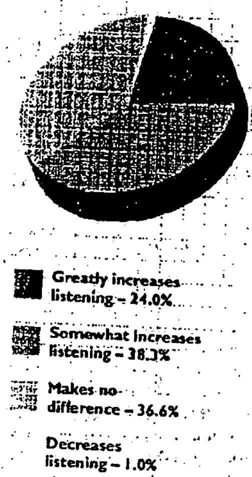
CO04030076

UK RADIO LISTENING

What platform do you listen to radio on?



Impact of DAB ownership



With over 10M Freeview boxes in the UK, the reasons for buying a standalone digital radio become less compelling. DAB is, however, more popular than Podcasts which are, for the most part, free. Only a quarter of DAB listeners state that they listen to radio more as a result (despite the claims of the DAB players to offer greater diversity and choice for niche listeners as the other commercial broadcasters chase the mainstream).

Source: EMR (March 2006)

MOBILE VIDEO UPTAKE

Mobile TV subscribers and adoption trends (Ms)

	2006	2007	2008	2009
Worldwide				
3G subscribers who watch video content	44.5	114.2	225.3	520.9
3G subscribers who pay for premium video services	6.0	18.5	43.8	121.5
US				
3G subscribers who watch video content	3.0	7.6	15.3	35.9
3G subscribers who pay for premium video services	0.4	1.2	3.0	8.4

Arguably consumers feel they pay enough for their monthly connection, meaning willingness to pay for content will be low. Consumers want to watch; they just don't necessarily want to pay to do so.

Source: eMarketer (March 2006)

ONLINE MUSIC PROJECTIONS

53%

Percentage of legal downloaders who use iTunes

64%

Percentage of downloaders who have paid for music downloads

$1.5B

Global online sales in 2005

$10.7B

Global online sales by 2010

These numbers include ALL online sales (à la carte, subs and CD sales). While In-Stat projects that revenues from à la carte and subs will generate more revenue than online CD sales, offline will still account for two-thirds of the business by 2010.

Source: In-Stat (March 2006)

DUAL-DELIVERY MARKET

$1.25

Top price young downloaders will pay for multiple device delivery

56%

Those against a premium for multi-device downloads

2%

Those who'll pay 30% extra for multi-device downloads

75%

Those interested in buying event tickets on their mobiles

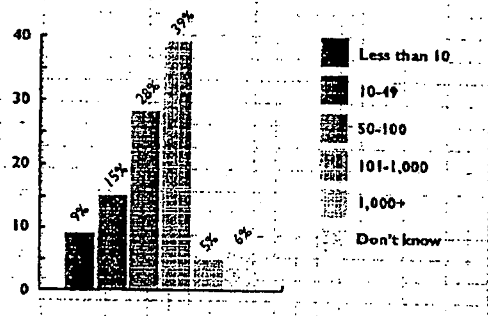
With Apple setting the default price for fixed-downloads at $0.99, it appears consumers are only prepared to pay a slight premium for dual-delivery. Mobile consumers seem to be wary of paying extra for mobile content despite the benefits of speed and convenience.

Source: Usable Products (March 2006)

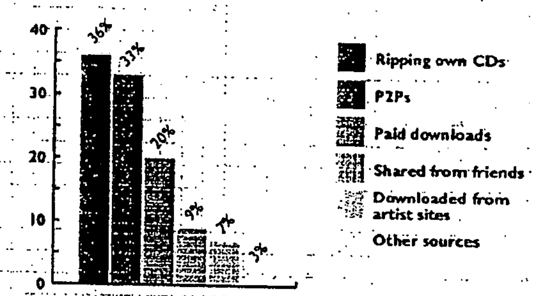
CO04030077

CANADIAN DIGITAL CONSUMERS

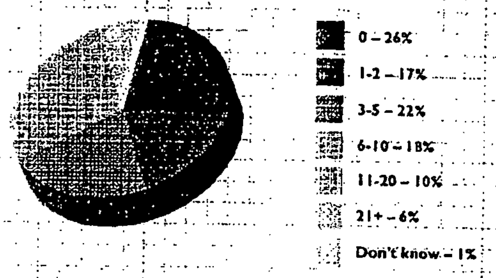
Number of digital tracks on computer



Where did you get the digital music from?

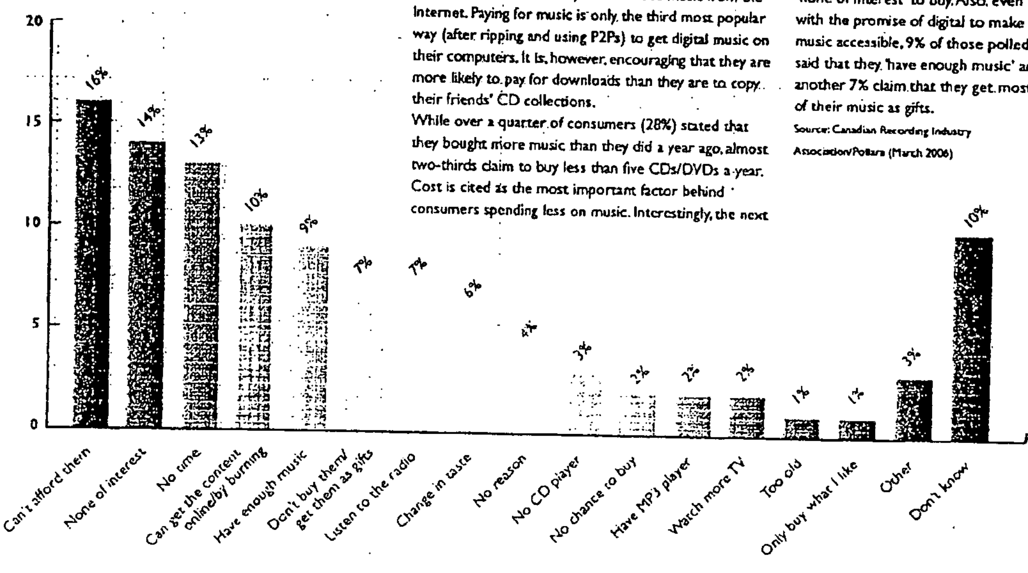


Number of music CDs/DVDs bought in the last six months



Is this more or less than the number you bought a year ago?

Why do you buy less CDs/DVDs?



In this study of Canadian music consumers, only 36% of those polled said that they downloaded music from the Internet. Paying for music is only the third most popular way (after ripping and using P2Ps) to get digital music on their computers. It is, however, encouraging that they are more likely to pay for downloads than they are to copy their friends' CD collections.

While over a quarter of consumers (28%) stated that they bought more music than they did a year ago, almost two-thirds claim to buy less than five CDs/DVDs a year. Cost is cited as the most important factor behind consumers spending less on music. Interestingly, the next reason they give is that there are 'none of interest' to buy. Also, even with the promise of digital to make all music accessible, 9% of those polled said that they 'have enough music' and another 7% claim that they get most of their music as gifts.

Source: Canadian Recording Industry Association/Pollara (March 2006)

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Campaigns of the month

Weighting and ranking the key campaigns of the month

This month our guest reviewers are: James Scroggs, VP of marketing at MTV Branded Channels, who looks after all the company's advertising, events, experiences and CSR; and David Brabbins who is a strategist at creative consultancy Figtree Network, whose clients include Orange and Sony Ericsson.

With Glastonbury this year, the cinema debut of a Julien Temple-directed documentary (based on over 900 hours of professional- and amateur-shot footage) sees Orange and Sony Ericsson partner to promote the W81oi Walkman phone. Does this campaign capture the 'spirit' of the festival or just give it an ill-fitting corporate sheen?

Next is Mercedes Benz's sponsoring of AOL Music's On Our Radar. Is this trying to force a marketing fit where one doesn't exist?

The move to tap into subcultural credibility also informs the year-long partnership between Epic Records and Xbox 360. This will

Orange/Sony Ericsson and Glastonbury movie

Sony Ericsson and mobile operator Orange are sponsoring Glastonbury: The Film (that claims to tell the story of the festival from the perspective of the audience). The film debuts in London in mid-April and will then travel to Bristol, Leeds and Glasgow. At each screening, acts closely associated with the festival will play acoustic sets. Sony Ericsson and Orange customers can win tickets to the screenings via a text draw.

JAMES: In the year when Michael Eavis dares to let the ghosts of Glastonbury Past rampage around grazing cows, we have a film to celebrate the mystery and magic of all our lost weekends in Pilton... Brilliant. But in a cinema with reclining seats and some politely acoustic guitars? Surely Sony and Orange could fix it for us dreamers to congregate in a field, with a few choice decibels to imbibe the spirit of Glasto in 2006. The mechanics of how we get there are just that – mechanics. Opportunity knocked. Someone in their office on the fifth floor, with biscuits for breakfast, had their Walkman turned up too loud. We expect more from both brands.

DAVID: I should declare a vested interest up front – Figtree works with both these brands. The idea of sponsoring this film is a good one for both parties. It makes sense for Orange to continue its association with Glastonbury, as mobile operators try to extend the appeal of mobile music downloads beyond the humble ringtone. The amateur-shot footage is the ideal platform to build an association with Sony Ericsson's multimedia handsets. The screening is a simple but effective way of finding out the details of people interested in all this. It could compensate some of the people who'll be missing their fix of Glastonbury this year.

http://www.glastonburythefilm.com

Mercedes Benz/AOL Music and On Our Radar

The luxury car brand is sponsoring AOL's On Our Radar strand as well as receiving prominent placement on AOL Music's Breaker programme. Consumers will be able to get artist information and enter for free MP3 downloads in daily competitions. The marketing of Mercedes involves a 'virtual showroom' and a 'monthly payment calculator' so you can work out how long it will take you to own one of the cars outright. "Oh Lord, won't you buy a Mercedes Benz?" indeed.

JAMES: I heard the term 'Brand Clash' recently: two brands colliding in an unlikely partnership to create some higher order proposition. Both inspired and insurgent. I like it. Here we have 'Brand Cash'. We're missing that creative, switchblade moment when you leave the normal course of these things to create the brand magic. But their partnership is forced, their proposition seemingly a little hollow (can you honestly put Placebo next to Metric as fellow 'emergent' talent?). This undersells – and even undermines – each of their respective magic bits.

DAVID: Just maybe the target is older, more affluent consumers who like to think that they're young tastemakers (but who can also afford a Merc). If they're in the mood for reliving their youth, it's probably not the best time to remind them of their affluence. After all, they're old enough to remember Kurt Cobain's views on 'selling out'. The campaign smacks of a lazy media agency that has siphoned a few quid from the TV budget, without considering the branding implications. The conversation probably went: "It's a great audience match, but how can we justify the product fit?" "Erm, both Mercedes and AOL come with child locks?"

http://music.aol.com/artists/breakers/on_our_radar

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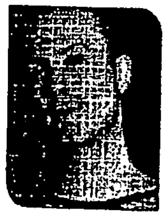
Reviewers

LEFT: **JAMES SCROGGS**
VP of marketing at MTV Branded Channels

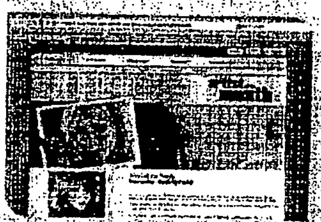
RIGHT: **DAVID BRABBINS**
Strategist at creative consultancy Figtree Network



see artists offer exclusive content and also 'face down' online gamers live. A brave move, but one that could leave whatever credibility they have in tatters if they are badly defeated in the games.

Finally, while the current media focus is on MySpace, TagWorld is quietly and steadily growing in popularity. Video is core to its offering and Universal has spotted immense opportunity here and has already licensed content.

Epic Records/Microsoft Xbox 360



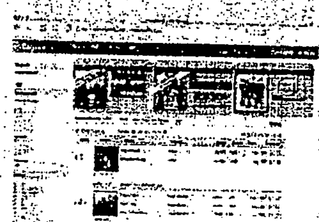
As part of a yearlong deal, Microsoft Xbox 360 will promote Epic's artists through online gaming. Natasha Bedingfield's 'Unwritten' was the first track used to launch the initiative on 16th March. The singer will also compete with fans on the Burnout Revenge game – part of Xbox Live's Game With Fame campaign. Each month, a new Epic artist will be promoted through the site and community. Xbox has an estimated 3M gamers and Epic is seeing this as a way of connecting them with breaking artists in the US.

JAMES: For me, this marks the point where the music industry finally summoned up the courage to fully embrace the digital underworld in invigorating new ways. So here is another label joining the campaign trail, rightly and righteously. However, much as I fully respect Ms Bedingfield and her star qualities, I am unaware of her legendary skills in punching console buttons more ferociously than the average. Nor can I envisage that the next time I am about to climb aboard my Mustang GT '68 with a Magnum 44 by my side that 'Unwritten' will capture the mood.

DAVID: This is an interesting attempt to help a British artist 'crack America'. Gamers will enjoy the chance to prove themselves when taking on famous people on their turf. It humanises the artist, too. Making content available free on Xbox highlights its capabilities as a multimedia platform well. It also helps justify its subscription fee. Clean-living, God-fearing Bedingfield does seem an odd choice for a dirty-fighting, street-racing game though. The price of acceptance into these communities is a huge time commitment before you are taken seriously. Gamers can be cliquey. I hope Natasha's thumbs are up to it.

http://www.xbox.com/en-US/live/artist/default.htm

TagWorld & Universal's video partnership



TagWorld, hailed as the next serious challenger to MySpace, launched in November 2005 and by March this year had 1M users. Its Music Player offers a Pandora-like recommendation and music discovery tool. To mark it out from MySpace, it is focusing heavily on music video content and has recently signed a deal with Universal Music. TagWorld users can now not only view Universal artist videos, they can also add them to their own personalised pages and share them with other registered users.

JAMES: MySpace is obviously the nom du mainstream, so TagWorld has a tough job competing. With a brief exploration of TagWorld, I confess I found it a little more 'joined up'. The video dimension is an interesting newbie, providing extra girth to the self-definition proposition, and, of course, it makes perfect sense for the mighty Universal. But I'm not sure it helps to resolve the loneliness of the long distance music fan.

DAVID: Finally, there are signs that the majors could be waking up to exploring new options of connecting with customers whilst promoting their product. Partnering with a 'cutting-edge' company like TagWorld gives them a valuable way of promoting their artists if the site lives up to its early promise and keeps growing. The Pandora-like tool is a great way of introducing new music to the right people, and it's hard to see how any big label would view things differently (especially when music promos are essentially tools to drive record sales). The limited range of music that videos could hinder this taking off in a big way. It seems at odds with the Long Tail niche model that makes places like MySpace such a great place to spend hours exploring.

http://www.tagworld.com

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Format wars

Can Sony BMG cut it as a TV format developer?

IS SONY BMG'S NEW JV (FEVER MEDIA) A LABEL CLEVERLY DIVERSIFYING ITS BUSINESS INTERESTS? OR A MOVE TO SIDESTEP TRADITIONAL BROADCASTER RELATIONSHIPS?

In mid-March, Sony BMG announced details of a new TV format development JV – Fever Media. The music company has partnered with David Mortimer and Richard Hopkins who cut their teeth at the BBC developing shows as diverse as Strictly Dance Fever, It Takes Two and Dragons' Den.

This indicates how the majors are diversifying their business areas to move away from being strictly music companies to become more general entertainment ones.

Sony BMG – via its deals with Simon Cowell's Syco – is well-placed to use TV as central to its marketing for artists. The success in the UK and US of the X Factor format shows that music talent search shows are far from dead. At the time of writing, the label had this year secured two number one singles (Shane Ward, Chico) and two albums at the number 1 and number 2 slots (Journey South and Andy Abraham) in the UK with artists signed off the back of last year's X Factor.

While music companies have achieved success by partnering with outside format development companies (Syco and 19 most obviously), this move by Sony BMG signifies an important departure. Clive Rich of Sony BMG's Futures division gives the case for 'traditional' record companies moving aggressively into the format development space. He makes it explicit that Fever will not be exclusively about 'music' formats, but will also look at other format ideas (eg kids drama) which its music can be woven into.

As recorded music sales have taken a battering in recent years, labels have a number of options open to them; stay firmly within

The label view

CLIVE RICH, head of Futures, Sony BMG UK

The Futures division within Sony BMG seeks to group our new and developing businesses together under one umbrella. This has three main arms: digital; brand partnerships; and TV programming, where Fever Media sits alongside Syco (which has become a format powerhouse in its own right with X Factor and Inventor). Fever is part of our efforts to create another TV silo. David and Richard have a very different and broad range of programming experience and will be bringing this to the venture. They will complement, rather than duplicate, what Syco is doing.

The idea is to wrap all the digital, TV and brand partnership activity around the traditional spine of a record company to offer a 360° propositions to our artists and develop our range at the same time.

Fever is not a purely music-based initiative. It will develop entertainment shows that will appeal to audiences of all kinds. Wherever it makes sense, there will be a musical component. We have a very broad definition of what 'music on TV' means. It doesn't just mean shows like Top of the Pops or CD:UK. It could be a kids' drama that has a musical soundbed, a music game show, a Saturday night entertainment show or an observational documentary. We aren't insisting that every format has to be music-based.

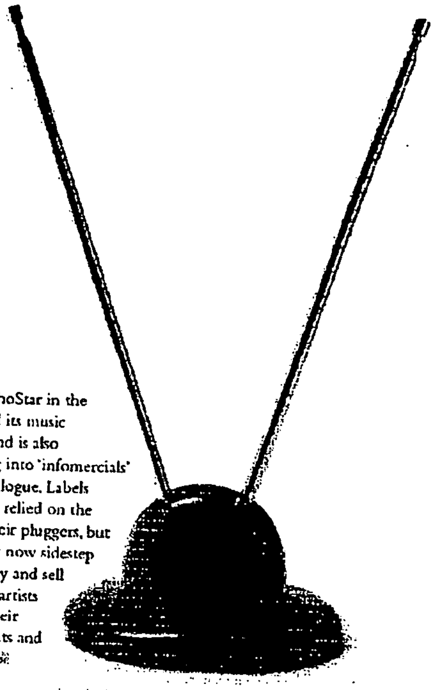
The show format has to come first, then there is an opportunity to thread music through it. No other labels are adopting this 360° model in quite such a concentrated manner. I'm not concerned if other companies start to imitate us or not. The important thing for us is that we get it right.

We are a global company. Therefore, we have more opportunities for international activity around formats than local independent TV production companies would have. We can also bring a whole suite of services to the JV – such as digital applications, DVD distribution and brand partnerships – that we can fit around a TV company more naturally than other smaller and more traditional players can. We are part of a much broader universe and set of companies that we can tap into, be they Sony PlayStation, Sony Ericsson, Sony Walkman or Random House Books.

Will this change the types of contracts that we offer recordings artists? The starting point is to prove to managers and artists that we can deliver successful formats and add value to what they do. Then it is easier, in due course, to maybe have contractual discussions. But we need to earn our spurs first. If you look at it, this is how contracts have worked in the digital space. We now run a $400M digital business around the world. As a result of that, and with our track record, it's not controversial that digital rights are part of the recording contracts we have with our artists. My aspiration is that, as we push out into these other areas, the same logic applies.

Why will the 360° model work for us when it hasn't for other companies such as Sanctuary? They didn't have quite the same scale or reach that we have got and they weren't in all the areas that we are. We have potentially got a third of the world's music and artists to choose from. We already have a juggernaut of a digital business and we are growing rapidly in the TV and brand partnership businesses.

We are not consciously moving away from the talent search music TV format like X Factor. We positively embrace the notion that 'music on TV' can mean many different things. Fever will enable us to deliver a wide range of programming that creates multiple musical opportunities.



music, but change the terms of recording contracts (EMI/Robbie Williams); or make an explicit move to become a broad entertainment company within which music is a key, but not exclusive, focus (Sony BMG, Universal, Sanctuary, Ministry Of Sound).

Simon Guild of MTV gives the 'traditional' broadcaster's view and explains how Sony BMG can make this work through strategic partnerships. It has developed numerous music formats globally as it moved, in its early incarnation, from being a promo video-based medium and also increased the number of markets it is active in. But while there are enormous opportunities for Sony BMG (and others) to work closely and collaboratively with MTV (and others), is this new development an indication of how the label/broadcaster relationship will change in the coming years? In April 2005, Universal forced EchoStar in the US to add its music channel and is also expanding into 'infomercials' to sell catalogue. Labels previously relied on the skills of their pluggers, but could they now sidestep this entirely and sell their own artists through their own formats and channels?

The broadcaster view

SIMON GUILD, president and CE, MTV Networks Europe

MTV has always seen itself as a place where great ideas can get tried out; where risks can be taken and where new formats get their first airings. Big Brother has its roots in MTV's Real World, and The Osbournes was surely the 'inspiration' for The Fucking Fulfords.

Some of these shows come from outside the company, some from inside. We established our own development unit, the Greenhouse, specifically to focus on long-form series and to extend our reputation for great music-based entertainment programming.

As far as we're concerned, the more people producing entertainment ideas the better, and I have no doubt that Sony BMG will produce some great material. If we can work with them, it would seem like an opportunity to us. We already work with music companies and independent production companies to air shows we believe our audience will love. We've worked with Sony BMG on MTV A Cut, which followed Anastacia's search for a support band last year. We've also worked with other labels on shows such as Breaking Point and America Or Busted.

What we are looking for is innovative music-based entertainment formats, especially ones that can be easily adapted for different markets and for different platforms. Sometimes a show can work globally. Take MTV Barrio 19; a new series developed by our Greenhouse team for mobile, TV and the web and airing globally this summer. MTV Barrio 19 highlights cutting-edge urban culture and showcases new music from signed and unsigned artists from around the world.

While the US Pimp My Ride performed well in the UK, it was only when MTV UK produced its own version that it became their highest-rated series ever. Likewise, in March, we adapted the US TRL awards for Italy and attracted 100,000 young people to the Piazza del Duomo in Milan. This wasn't just about a format, but about our ability to market it to an audience that buys into what we do.

And marketing is a key issue because producing great content is only half the battle. Once you have the format and the pilot, you need to market it. MTV still does what it has always done best – package and present content to appeal to 16-24-year-olds. Young people come to us first because we have credibility with them to present programming they want to watch.

And in a multi-platform world, that brand relationship is going to become more important – not less. The more content out there, on the Internet, mobile as well as TV, the more a multi-platform approach is going to be key. This is where the TV channels feed the online property and mobile provides instantaneous interactive opportunities.

I completely agree that learning lessons from one market and then applying them to others is the way to get success here. We do that with our 50 MTV channels and 122 MTV Networks channels around the world. Not just with TV formats, but with ideas, applications, channel concepts and creative pieces.

So, good luck to BMG. I hope they come to us first to develop great content, and if we can help their artists to reach wider audiences, we'd love to do so. Meanwhile, we'll do what we've always done – be the brand that youth go to first they want to see the most innovative, risk-taking music and TV shows.

Monitoring monies

Moves in Holland to stem 'lost' royalties

MILLIONS IN UNREPORTED ROYALTIES ARE LOST EVERY YEAR. CAN THE 'LEAKS' AT CONCERTS AND CLUBS BE PLUGGED BY SOUNDDETECT?

TEXT Paul Sparkes, 365 Mag, www.365mag.com

Many artists, labels, composers and publishers are losing out on millions in underpaid or unreported royalties each year. Dutch collecting society Buma Stemra and DJ Monitor have developed Sounddetect to address this. After trials last year, it has now gone live. It currently covers Holland, but other markets could soon adopt the technology at the core of the offering to ensure that all rightsholders (especially the smaller ones) are paid correctly.

Put simply, the method of measuring which records are being played by DJs is ineffective. The Sounddetect system runs on the specially developed DJMonitor Rack Pro to record complete events onto a protected and swappable hard-drive. This system has largely come about due to the lack of playlists handed in (as well as the sheer number of tracks being released within the dance music industry).

With the DJ as a performer in his/her own right, it's time for the individual tracks to receive proper and accurate accreditation.

DJ Monitor/Buma Stemra believe this will bring increased finances to the scene, as well as help offset falling record sales, fuelled by P2P downloading. According to the company, if an organisation attracts 50,000 people to an event with a ticket price of €50, then the takings are in excess of €2.5M. The organisation pays on average 5% of these ticket revenues – that means €125,000 to the rights holders. If the event lasts for 10 hours, and the DJs spins 20 records an hour, then rightsholders get more than €600 per record played (minus administration and monitoring costs). This can add up to more money earned than through selling records in today's market.

In an industry fuelled by the white label and the next unknown 'big thing', many less-well-known producers are missing out on monies that are rightfully theirs (which often end up going to bigger artists). The DJ Monitor system will arguably offer a complete and fair solution to all producers – providing the rightsholders use the system.

DJMonitor Rack Pro digitally records audio at a particular event, including client, date and time and event information, on a (swappable) hard-disc. The Fingerprint Application Programming Interface generates digital audio fingerprints of every two seconds of the audio recording. DJMonitor Rack Pro uploads audio fingerprints to the servers which then compare the audio fingerprints of the events with the audio fingerprints of the songs in the database. If they match, the server will look for the attached song information (metadata). If the fingerprints do not match, then it will be declared a "no name", meaning the song is unknown. The server then generates a playlist for the customer and the producer/organisation/label can manage their data through the DJMonitor website.

DJMonitor and Buma Stemra aim to run further pilots in different parts of the world. Both DJMonitor and Buma Stemra are positive that this will go global, perhaps fuelled by the current Dutch monopoly on large-scale events (due to crowded population demographics and a liberal attitude to dance events by the government). This system could be used by any event worldwide, including at Creamfields, Global Gathering, Reading and Leeds festivals in the UK.

WHY CURRENT SYSTEM FAILS

- Clubs/venues in Holland pay an annual fee (based on audience attendance).
- Buma Stemra also collects a percentage cut of ticket sales (of 3-7% depending on the venue size).
- Playlists at clubs are often incomplete or not handed into collection societies.
- The majority of the monies collected are paid to the biggest names based on chart success and smaller players miss out (especially if putting out music on white labels).
- Unregistered artists also miss out.

HOW SOUNDDETECT WORKS

- Rightsholders register on the DJMonitor site.
- They then submit product and metadata information.
- The DJMonitor Rack Pro digitally-recognises tracks as they are played by recording and fingerprinting them.
- It fingerprints every two seconds (which will even identify tracks being cut and scratched by DJs).
- Tracks are then compared against tracks on the database.
- From this metadata, it lists all tracks played in reports for submission to Buma (who then pays the correct rightsholders).

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The Volume

(the first time a number 1 has sold fewer than 20,000 copies)	17,694
	70
	10M
	7%
	$9.3B
	£6M
	4,300
	20M
	5%
	53%
	31.3M
	95.5M
Sirius Satellite Radio's total subscribers. It added 700,000 in the first two months of	4M
	6M

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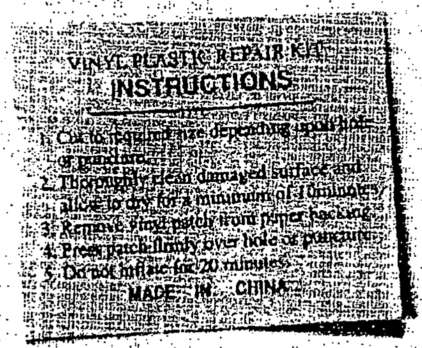

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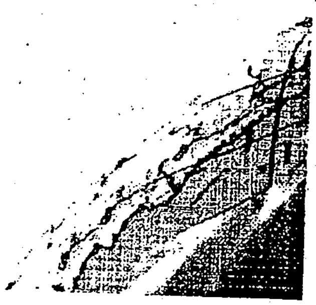

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Lyric Jeans Gears Up for Denim Line Launch

Lyric Jeans, Inc., (OTC: LYJN) a cutting-edge premium clothing company, has made strategic advances over an eight-week period gearing up for a Fall 2006 launch. The company has announced deals with two of the world's most prominent music publishing companies; Universal Music Publishing Group and Warner Music Group's Warner/Chappell Music. Lyric Jeans will utilize the music publishers' expansive song catalogs to pull together lyric-inspired premium clothing packages for high-end retail channels.

Heather Brown, Senior Director, Marketing & Communications, UMPG commented, "Music is the ultimate form of self-expression. Artists have already seen the benefits of band merchandising, and we believe lyric-inspired merchandise is the next logical step in bringing our songwriters new revenue streams. We want to make our lyrics and the artistic vision of our writers available to music fans by combining music and fashion in a groundbreaking way, and the Lyric Jeans packages will be a great channel to do so at retail."

Manufacturing giant American Garment Sewing (AGS) will handle the production of the denim wear. With a professional staff of 300, the latest technology and a 30,000 square foot facility based in Huntington Park, California, AGS is the leading manufacturer of premium denim apparel.

Lyric Jeans has also engaged denim industry veteran Sandy Cohen as a consultant to advise on the direction of the product line. With over 30 years experience in retail, product development and wholesale, Cohen is currently Director of Retail for Lucky Brand Blue Jeans and also serves as a product development consultant for Roots Canada and brand manager for Andy Roddick Style.

"In taking on a consulting project, I look for companies with a strategic advantage. Lyric Jeans has a unique approach to denim by merging fashion and music in a revolutionary way," said Sandy Cohen. "I

iPod
Biotech
NEWSPAPERS
Folsom
Orange County
Boca Raton

wholeheartedly believe in the Lyric Jeans concept and look forward to helping build their business," he continued.

Film industry heavy hitter Dan Grodnick has joined Lyric's Board of Directors. The former CEO of National Lampoon and Executive Producer of the highly anticipated feature "Bobby" starring Lindsay Lohan, Sharon Stone, Elijah Wood, Demi Moore, Anthony Hopkins, Heather Graham and William H. Macy has been tapped by Lyric Jeans to consult on product placement in feature films and television.

"Now more than ever, the entertainment business is integrating products into its content. Lyric Jeans make an extremely visual statement and offer an ideal co-branding opportunity to filmmakers," said Dan Grodnick.

Lyric Jeans is a music driven premium clothing line involving lyrical content on jeans, denim wear and accessories. Each pair of jeans reflects the personality, style and flare of the artist and song through its design. With the vision of fusing the world of music with fashion, Lyric Jeans employs a cutting-edge design strategy allowing consumers to express themselves stylishly through song lyrics.

The premium denim market has grown in the last five years by tapping into the enthusiastic behavior of teens and young women seeking the perfect pair of jeans. Over the last few years the premium denim industry has exploded and now accounts for 5% of the $12 billion retail consumer market.

About Lyric Jeans

Lyric Jeans is the innovator and manufacturer of premium denim wear characterized by a cutting-edge design strategy driven by music and song lyrics. Through the unique fusion of fashion and music, Lyric Jeans utilizes titles from all genres of music as inspiration for the brand, thereby appealing to a cross-section of various tastes and interests and enabling it to market its products on a worldwide platform. The company's strength is in its relationships with the music industry and its ability to access the Hollywood community, tastemakers and trend-setters. Lyric Jeans plans to have showrooms in South Beach, Florida and Los Angeles, California. www.lyricjeans.com

Included in this release are certain "forward-looking" statements, involving risks and uncertainties, which are covered by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, including statements regarding Lyric Jeans Inc. Such statements are based on management's current expectations and are subject to certain factors, risks and uncertainties that may cause actual results, events and performance to differ materially from those referred to or implied by such statements. In addition, actual or future results may differ materially from those anticipated depending on a variety of factors, including continued maintenance of favorable license arrangements, success of market research identifying new product opportunities, successful introduction of new products, continued product innovation, sales and earnings growth, ability to attract and retain key personnel, and general economic conditions affecting consumer spending. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Lyric Jeans Inc. and Universal Media Holdings, Inc. do not intend to update any of the forward-looking statements after the date of this release to conform these statements to actual results or to changes in its expectations, except as may be required by law.

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Newswire by Market Wire

Tags: manufacturing, Media, Wal Mart, Sears, Nordstrom and other Retail, Apparel and clothing, jeans and shirts, california, , florida, Women in the News

RIAA Ex. 126-RR

RIAA Ex. 126-RR

Confidential

warner | music | group

Warner/Chappell Music

[redacted]

August 10, 2007

CO08006761

Agenda

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Appendices

Management Attendees

warner | music | group

Michael Fleisher
Chief Financial Officer

Paul Robinson
General Counsel

Nathaniel Pastor
Vice President, Business Development

Trent Tappe
Vice President, Senior Corporate Governance & Securities Counsel

Dave Johnson
Chief Executive Officer

Ann Sweeney
Executive Vice President

Annette Yocum
Vice President, Controller

Transaction Overview

Introduction

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[redacted]

> Situation Overview

- Warner Music Group ("WMG") is home to a global collection of the best-known record labels in the music industry as well as one of the world's leading music publishers, Warner/Chappell Music ("WCM")
- With antecedents dating back to the 19th century, WCM has built one of the most valuable libraries in the music publishing industry, which generates substantial cash flow
  - Third-largest global music publisher
  - Irreplaceable catalog of over 1.3 million music copyrights
  - Diverse asset pool, generating income around the world and across royalty type

[redacted]

(1) NPS and OIBDA figures as reported. Figures included throughout the rest of the presentation are presented on a constant currency basis.

[redacted]

WMG Organizational Chart

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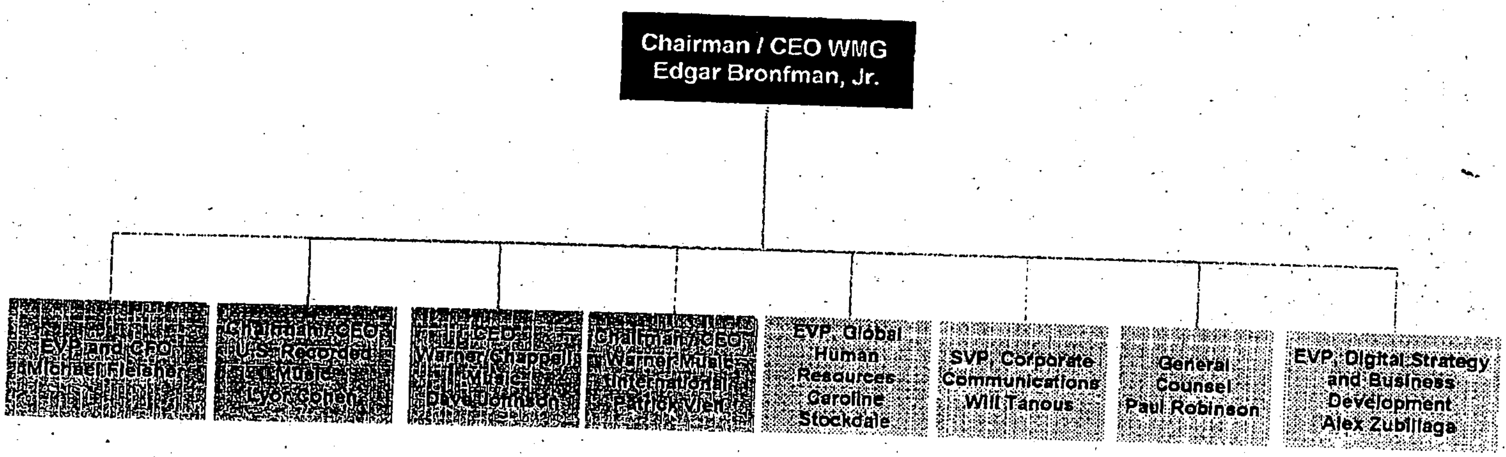

Industry-leading management team

Key Business Attributes

WCM's assets are well-suited for securitization due to the highly diversified catalog and corresponding steady-earning, stable growth nature of the business

- **Valuable Catalog Asset**
  - One of the most valuable libraries in the industry
  - Over 1.3 million copyrights and 65,000 songwriters and composers

[redacted]

- **Highly Diversified Catalog**
  - Highly diversified catalog, both by songwriter and song
  - Generates income from around the world and across royalty type
- **Leading Market Position**
  - Third-largest global music publishing company with approximately 16% market share [1]
- **Attractive Cash Flow Characteristics**
  - Stable revenue base derived from recurring sources
  - Strong OIBDA to free cash flow conversion
- **Experienced Management**
  - Experienced team with long tenure in music and the music publishing industry
  - Strong depth of management talent across Warner/Chappell Music

(1) Enders Analysis "Music Publishing 2006", pro forma for Universal / BMG

Music Publishing Industry Overview

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Recorded Music vs. Music Publishing

	Recorded Music	Music Publishing
The Asset	The Sound Recording	The Song
The "Artist"	Recording Artist	Songwriter or Composer
Revenues are Generated	➢ When a recording (in physical or digital format) is sold or licensed	➢ When a recording (in physical or digital format) embodying the song is sold or licensed ➢ When a song is performed publicly (e.g. radio, television, concert or nightclub) ➢ When a song is synchronized with visual images (e.g. movies and advertisements)
Revenues Types	➢ Physical and digital Album and Single sales, DVD sales, Mastertones / Ringback tones, Film / TV / Radio / Ad / Music Video / Video Game sync licensing	➢ Physical and digital Album and Single sales, DVD sales, Mastertones / Ringback tones, Film / TV / Radio / Ad / Music Video / Video Game sync licensing
Additional Revenue Sources		**Public performance (live / non-live / recorded), Cover recordings, Ringtones (polyphonic), Sheet music, Lyric reprints, Theatrical performance, Merchandising (musical toys, usually use re-records)**

What Does a Music Publisher Do?

Identify Talent, Available Catalogs and Business Opportunities

- Identify songwriters and artists
- Identify and evaluate potential acquisition opportunities

Acquire Rights in Musical Compositions

- Exclusive songwriter agreements
- Co-publishing agreements
- Administration agreements
- Catalog acquisitions

Exploit Musical Compositions

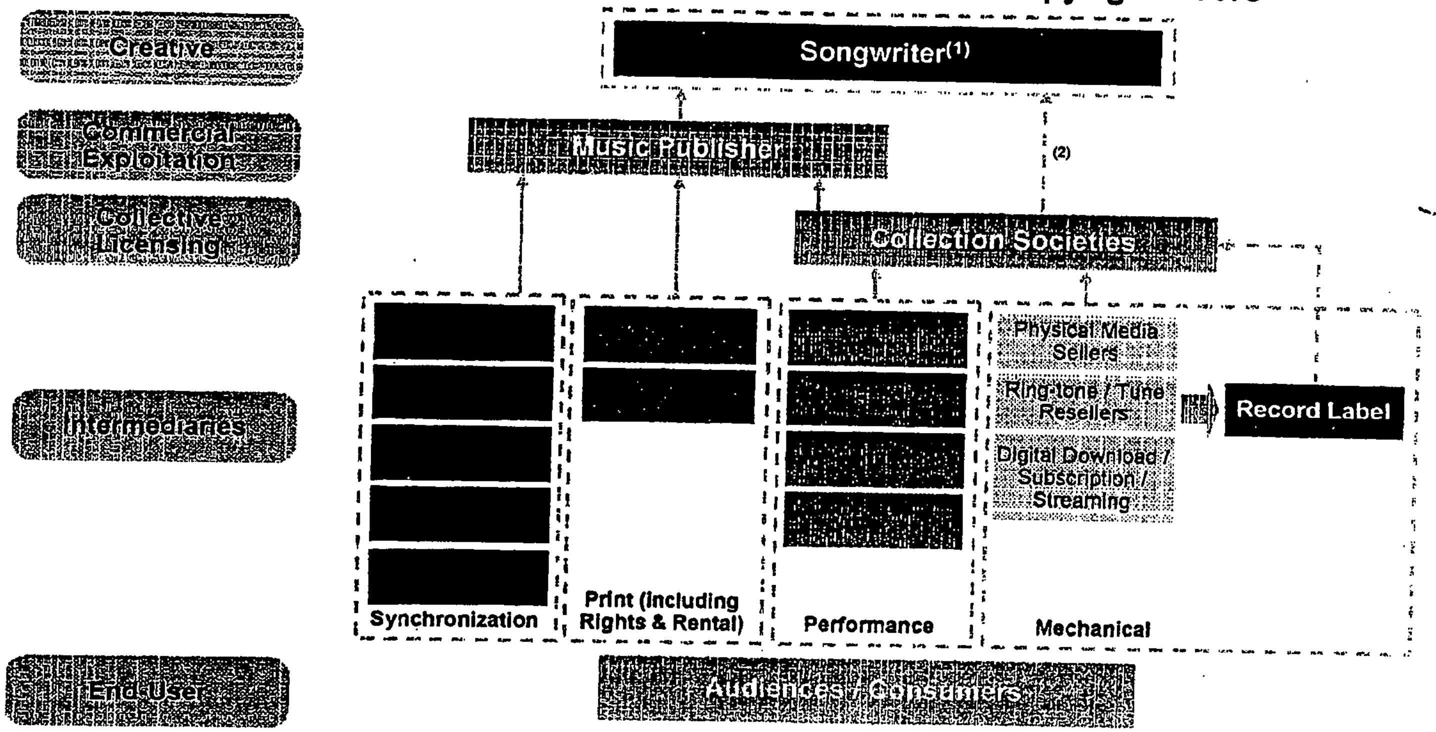
- Procure uses in film, TV and commercials
- Link songwriters with suitable recording artists
- Pitch songs to artists for recordings ("covers")
- Aid in the development / marketing of artists

Administer Musical Compositions

- Register copyrights around the world
- Negotiate and issue licenses
- Protect copyrights via litigation
- Collect royalties and license fees
- Account to songwriters and copyright owners

Business Model and Value Chain

Music publishers assist songwriters to manage copyrights and collect royalties through collective licensing and contractual agreements with copyright users



(1) Songwriter / composer and record artist may be the same.
(2) In the U.S., 50% of performance revenues flow to the songwriter.

Copyright Details

Term of Copyrights in the United States and Europe

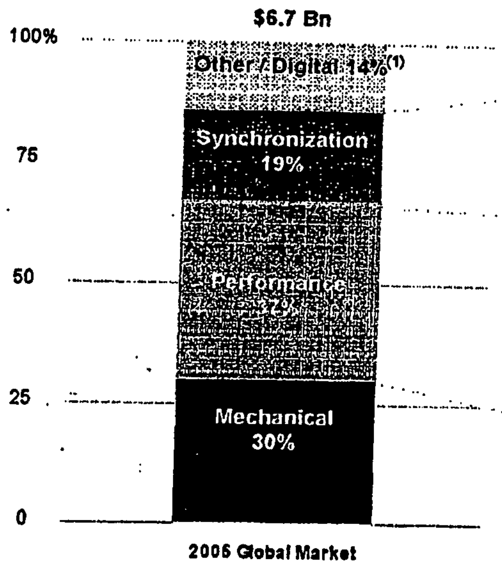
- United States
  - In general, the term of a copyright in the United States is the author's life plus 70 years, or for "works made for hire" (i.e., a corporate owner / author), the earlier of 95 years from publication or 120 years from creation

- Europe
  - Prior to regulations introduced in 1995 to implement the EU Directive on Copyright Term Protection, copyrights ran for the author's life plus 50 years
  - The duration of copyrights for works created after 1995 is dependent on the country of origin of the work and the national status of the author
  - Where the country of origin is a European Economic Area ("EEA") state or the author is a national of an EEA state, the duration of the copyright is the author's life plus 70 years
  - If the country of origin of the work is not an EEA state and the author is not a national of an EEA state, the term of the copyright is the period applicable in the country of origin which is not less than the author's life plus 50 years and not more than the author's life plus 70 years

Revenue Sources for Music Publishing

($ in billions)

Types of Music Publishing Revenue



Description	Examples
➢ Catch-all which includes print (e.g., sheet music, lyric reprints), video games, merchandising and karaoke	➢ Ringtones ➢ Print
➢ Revenue received when a musical composition is synchronized to an audio-visual image (e.g., film, TV, commercials or music videos)	➢ Movies ➢ Advertisements ➢ Video games
➢ Revenue received when a musical composition is publicly performed (e.g., radio airplay, TV broadcasts, nightclubs, etc.)	➢ Radio ➢ Television ➢ Theatrical production ➢ Concert ➢ Nightclub ➢ Internet streaming
➢ Revenue received from the reproduction of a musical composition on physical devices (e.g., compact discs)	➢ CD sale ➢ Digital download ➢ DVD sale ➢ Video download

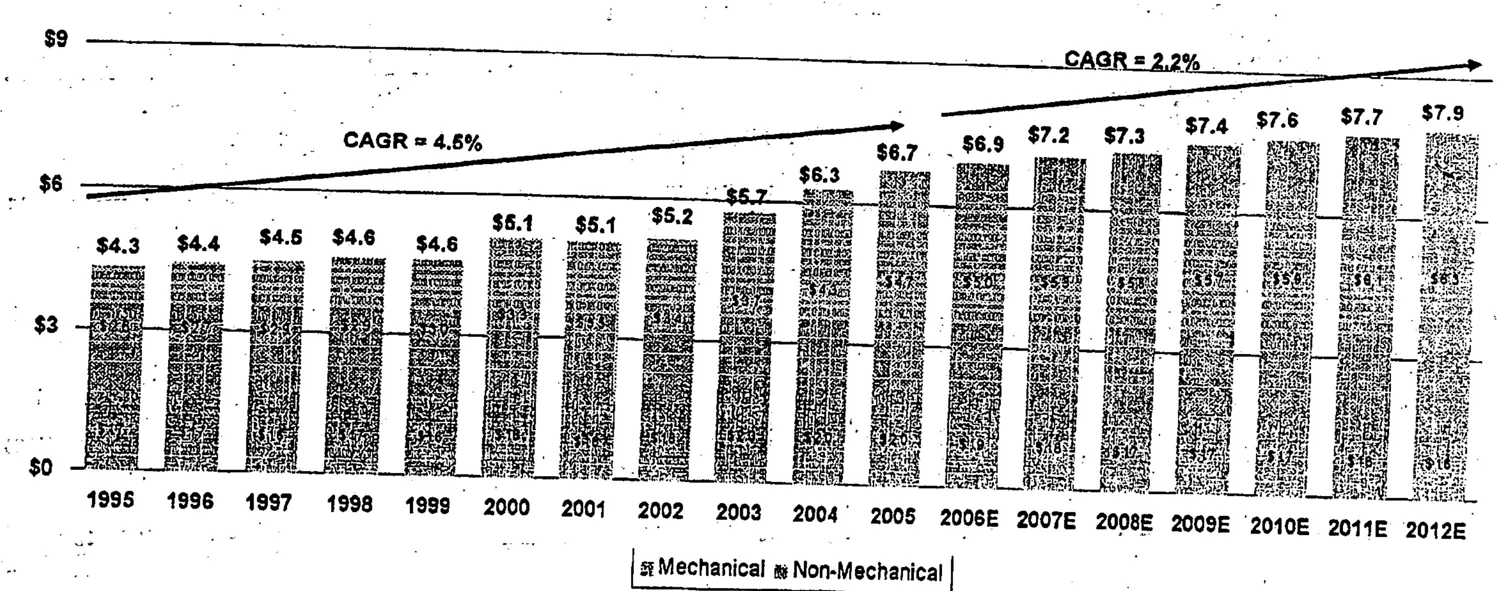
Highly diversified music publishing revenue streams

Source: Enders Analysis "Music Publishing 2006".
(1) Includes print revenue.

Industry Growth Trends

($ in billions)

Worldwide Music Publishing Market (Revenue)



The industry is expected to continue its long-term trend of steady growth enabled by a diverse mix of revenue streams

Source: Enders Analysis "Recorded Music and Music Publishing - 2007" and "Music Publishing 2006".

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Digital Update

New Media Opportunities

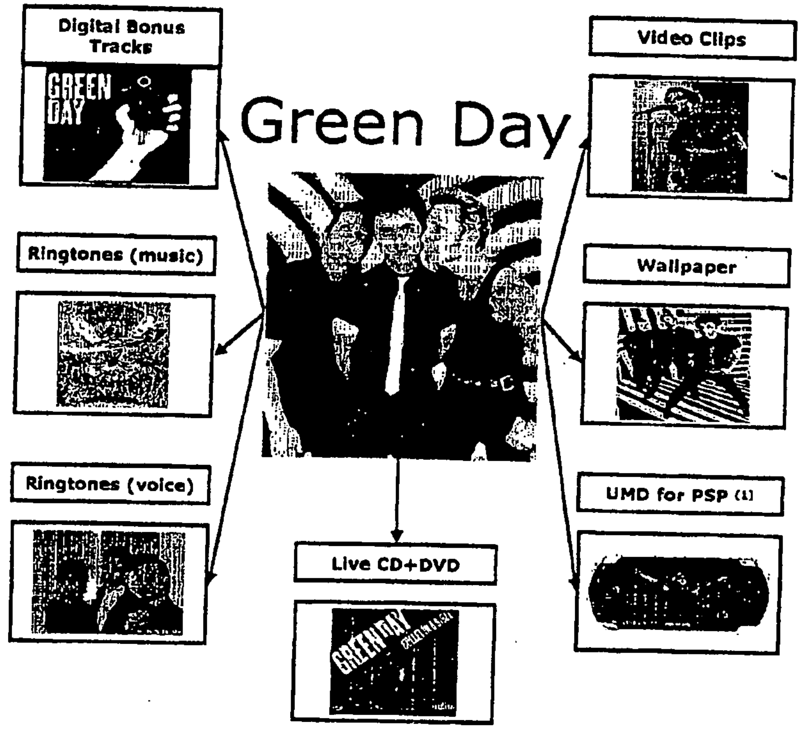
> **Mechanical**
- Availability of long tail of catalog
- Permanent digital downloads
- "Conditional" downloads (including those tied to advertising)
- Downloads to mobile phones and other devices
- Ringtones / mastertones, ring back tones
- Mobile karaoke

> **Performance**
- Subscription music services
- On-demand streams
- Internet and satellite radio
- Personalized radio
- Webcasts (concerts)
- Digital background music services
- Digital jukebox

> **Synchronization**
- User-generated video spaces
- Photo sharing and other community sites
- Video games
- Video downloads
- Online synch licensing opportunities (ads, web-track, etc.)

> **Print**
- Stand-alone digital print: lyrics, melodies, instrument tablature
- Integrated lyric tools

Extended Product Lifecycle Example



(1) "Universal Media Disc."

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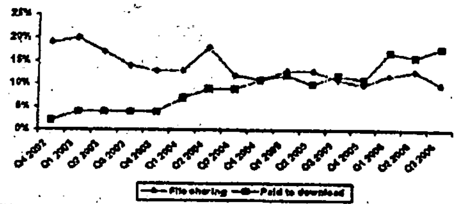
Piracy Update

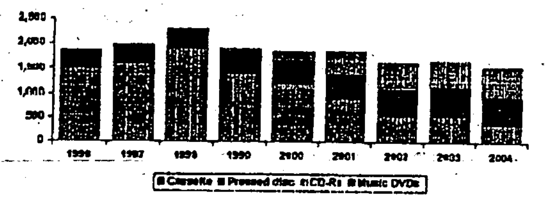
Anti-piracy initiatives and the development of a legitimate digital music economy have helped mitigate the impact of piracy on mechanical revenues

- Revenue streams such as performance, synchronization and other (~70% of music publishing industry revenues) are not exposed to piracy
- Impact of piracy on mechanical revenues greatly mitigated by depth of catalog

Evolution of Consumer Online Behavior (1)



Evolution of Physical Piracy



Strong Industry Anti-Piracy Efforts

- **Development of legitimate online services**
  - iTunes, Yahoo! Music, Walmart, Rhapsody, etc.
  - Settlements with several previous piracy enablers (Kazaa, Bearshare, allofmp3.com, Kuro, Napster)
- **Global campaign against file-sharing in 2006**
  - Legal actions against 10,000 individuals in 18 countries
  - Average settlement of €2,420
  - Uploaders to unauthorized P2P services targeted, including BitTorrent, eDonkey, Gnutella, Limewire, etc
- **Fear of legal action is a strong inhibitor**
  - In the US lawsuits were the most cited reason among internet households for changing from unauthorized P2P to legal downloading

Source: IFPI and Enders Analysis.
(1) Ipsos Tempo: Keeping Pace with Digital Music Behavior, Q3 2006.

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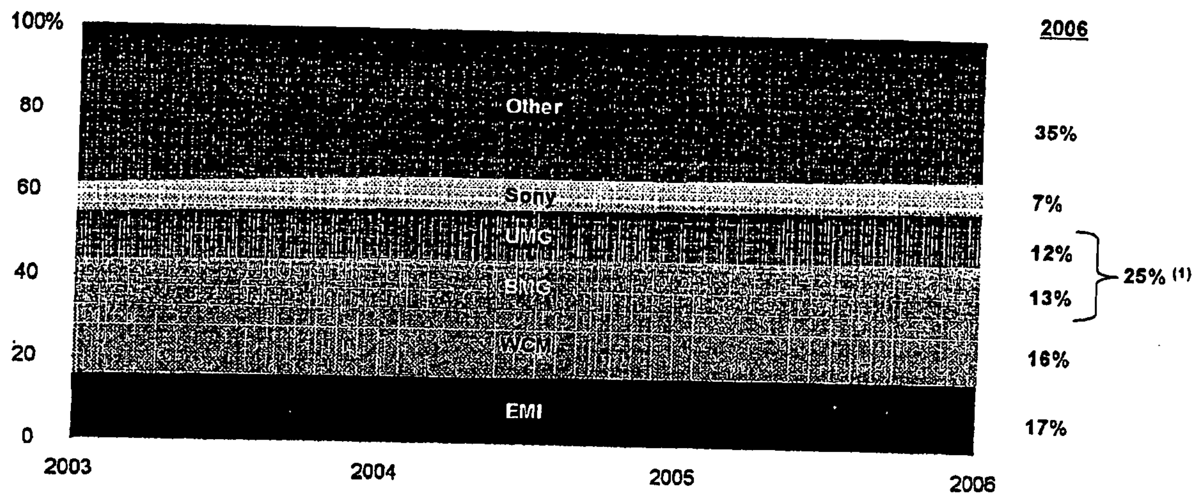
Music Publishing Market Share

(% of sales value)

Historical Global Music Publishing Market Shares



WCM has further strengthened its position as the third-largest global music publisher with recent market share gains

Source: Enders Analysis "Music Publishing 2006".
Note: Implied revenues do not tie to company financials.
(1) Universal and BMG market shares not pro forma for merger. Does not include regulatory divestitures.

Warner/Chappell Music
Overview

WCM Organizational Chart

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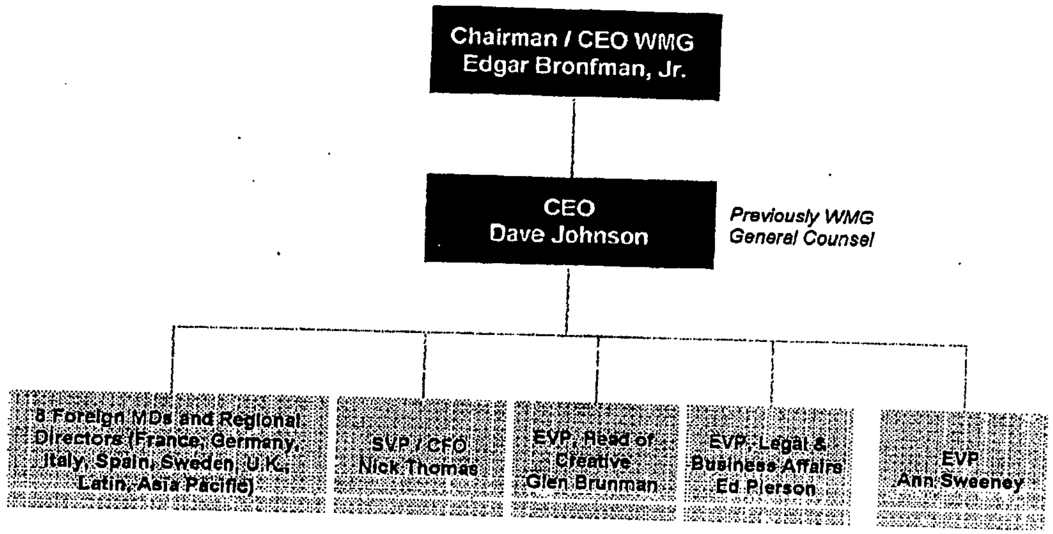

WCM has a deep, experienced management team

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Business Overview

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Warner/Chappell Music is one of the leading global music publishers

Valuable Catalog Assets

- One of the most valuable libraries in the industry
- Over 1.3 million copyrights and 65,000 songwriters and composers
- Built over decades and includes many timeless classics such as "Happy Birthday to You" and "Winter Wonderland," as well as hit contemporary artists such as Green Day, Nickelback, Madonna and Sheryl Crow

Leading Market Position

- Third-largest global music publishing company
- ~ 16% global market share (1)

Highly Diversified Catalog

- Highly diversified catalog, both by songwriter and song [redacted]
- Generates income from around the world and across royalty type [redacted]

Attractive Cash Flow Characteristics

- Stable revenue base derived from recurring sources
- Strong OIBDA to free cash flow conversion
- Favorable working capital dynamics and low capital requirements

Exciting New Media Opportunities

- WMG has distinguished itself as a digital music leader
- New media, including mobile and internet downloads, expected to experience significant growth

Experienced Management

- Experienced team with long tenure in music and the music publishing industry
- Strong depth of management talent across Warner/Chappell Music

(1) Enders Analysis "Music Publishing 2006".

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Industry Leading Publishing Library

< 1950's	1960's	1970's	1980's	1990's	TODAY
Happy Birthday To You	People	Behind Closed Doors	Eye of the Tiger	Unbelievable	Promiscuous
Rhapsody In Blue	I Only Want To Be With You	Ain't No Stopping Us Now	Slow Hand	Creep	Crazy
Night & Day	When A Man Loves A Woman	For the Love Of Money	The Wind Beneath My Wings	Macarena	Sexy Back
The Lady Is A Tramp	I Got A Woman	A Horse With No Name	Endless Love	Sunny Came Home	Leave The Pieces
Too Marvelous for Words	People Get Ready	Moondance	Morning Train	Amazed	What You Know
Dancing In The Dark	Love Is Blue	Peaceful Easy Feeling	What You Need	This Kiss	How You Remind Me
Winter Wonderland	For What It's Worth	Layla	Beat It	Believe	Complicated
Ain't She Sweet	Everyday people	Staying Alive	Jump	Smooth	Crazy In Love
Frosty The Snowman	Gimme Some Lovin'	Star Wars	We Are The World	Livin' La Vida Loca	In Da Club
When I Fall In Love	Never My Love	Stairway to Heaven			Cry Me A River
Misty		Raindrops Keep Fallin' on My Head			Hung Up
The Party's Over					
On The Street Where You Live					
Blueberry Hill					

- Over 1.3 million copyrights
- Over 65,000 songwriters and composers

One of the most valuable libraries in the industry, built over decades, includes many timeless classics

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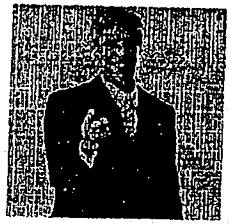
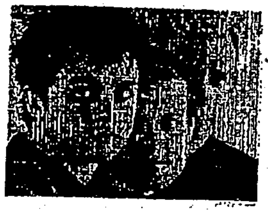
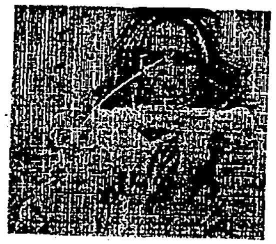
World Famous Songwriters and Artists



- Burt Bacharach



- Green Day



- Sheryl Crow

- Dr. Dre

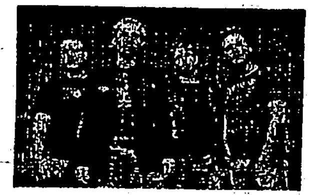
- Led Zeppelin

- Barry Gibb

- Madonna

- Ray Charles

- Eric Clapton



- Nickelback

- Gamble & Huff

- The Gershwins

[redacted]

[redacted]

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Songwriter and Title Diversification

[redacted]

Highly diversified catalog both by Songwriter and Song / Composition

(1) Represents local NPS generated from the countries of US, UK, Benelux, France, Italy, Spain, Brazil, Canada, Germany and Sweden as a total of global NPS on constant currency basis.

WCM Strategy

- **Reverse historical underinvestment in content acquisition**
  - Growth in advances and new songwriter development
  - Ramp-up of A&R infrastructure to support new songwriter discovery and investment
  - Development of new production music business and library
  - Growth and expansion of urban genre presence
  - Increased global creative cooperation and collaboration
- **Develop new exploitation opportunities to expand the value in the existing catalog**
  - Investment in licensing department and synchronization staff to broaden reach and impact
  - Ongoing improvements in systems and infrastructure to streamline collections and administration functions
- **Continue to expand leadership position in digital music**
  - Development of dedicated digital team
  - Continue to play a leadership role in industry initiatives, platform development and standards setting
  - Maintain aggressive "deal driven" approach to create content distribution and licensing avenues
- **Broaden international reach and deepen global content**
  - Significant expansion in Latin America and Eastern Europe
  - Continued leverage of "hub and spoke" system into new territories, serviced cost effectively from existing offices

WCM is committed to maintaining a strategy focused on growth and profitability

Warner/Chappell Music
Financial Performance

WCM Financial Performance

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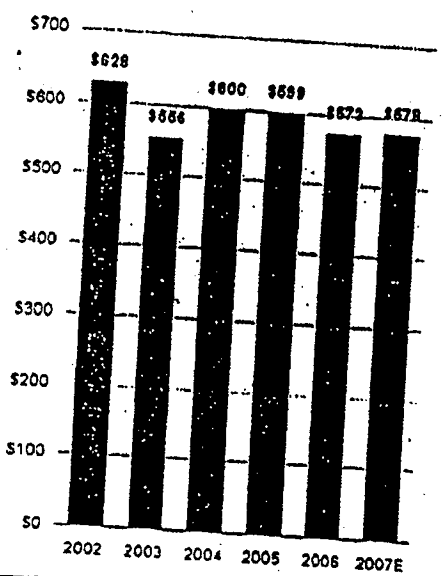
($ in millions)

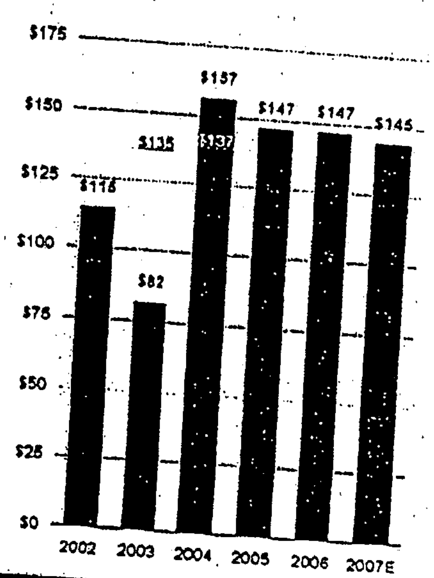
Revenue



[redacted]

($ in millions)

OIBDA



WCM's financial performance has been strong despite previous underinvestment in the business and management transition

Note: All data on FY (Sept 30) constant currency basis and adjusted for various one-time items.
Note: NPS and OIBDA normalized for one-time items and OIBDA calculated post corporate overhead allocations.
Note: Underlines represent PF reversal of $49MM A/R write-off to clean-up balance sheet in '03 and issues associated with year-end change in '04.

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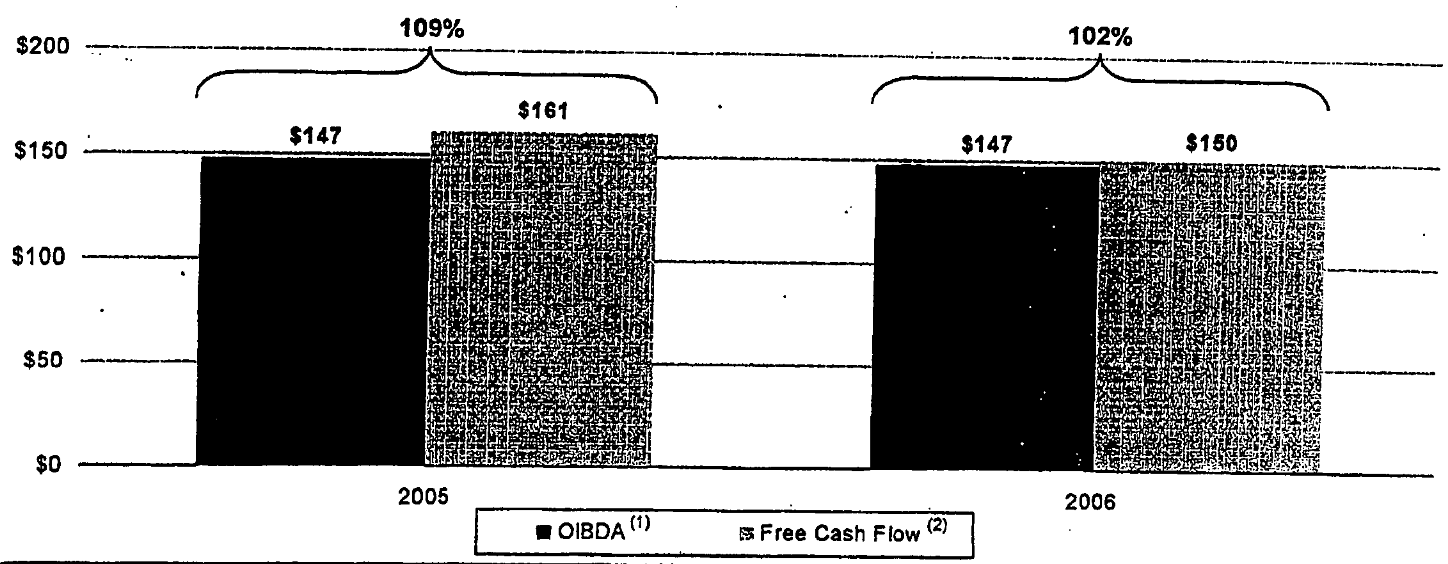
WCM Demonstrates Attractive Cash Flow Characteristics

($ in millions)

Cash Flow Conversion



Due to favorable working capital dynamics and low capital requirements, WCM generates excellent free cash flow conversion

Note: All data on FY (Sept 30) and on a constant currency basis.
(1) OIBDA figures are pre-FAS123 and includes corporate overhead allocations.
(2) Free Cash Flow is normalized and excludes tax adjustments from domestic / foreign jurisdictions and is defined as OIBDA less cash used for operating and investing activities.

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WCM Financial Performance Discussion

- **Strong track record of growth, despite evolving industry landscape, driven by diverse business mix and leadership position in digital development**
  - ~$30 million in new business created through digital development over the last four years with significant future growth potential
  - 2.8% growth in Synchronization and Performance revenue from 2003 to 2006 provides replacement for erosion of mechanical royalties as well as further growth potential
  - Decline in Mechanical revenue due to piracy mitigated by diverse geographic mix and depth of catalog
  - International diversity has provided additional growth with strong performance in Latin America, Spain and France
- **Recent results significantly impacted by previous ownership's historical underinvestment in the business**
  - Provided significant cash flow generation, but restricted growth from 2004 – 2007
  - Under new management, we have returned investment to normal levels, setting the stage for portfolio expansion and near-term growth
  - Increased investment will have near-term OIBDA implications, but will begin to generate a return immediately
- **Long-term stability in NPS margins consistent with industry**
- **Significant cost reductions realized under Edgar Bronfman, Jr. with no deterioration of operational efficiency and efficacy**
- **Business continues to deliver exceptional cash flow conversion**
  - Favorable working capital dynamics
  - Strong recoupment track record

Operational Cost Overview

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Cost Description

- **Royalty expense**
  - Royalties paid to songwriters, co-publishers and other contract parties for income generated from the use of their copyrighted works
- **Selling, general and administrative costs**
  - Costs associated with general overhead, including A&R expenses
- **Advance Write-Offs**
  - Primarily reflects write-downs of advances to unproven songwriters as required by FAS 50
  - Provisions against advances paid to songwriters based on the expected recoverability (non-cash expenses)
- **Marketing costs**
  - Costs associated with the exploitation of copyrights

(% of costs)

2006 Operating Cost Breakdown

[redacted]

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Songwriter Advance Strategy

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Advance Description

- Advances represent the largest discretionary cash outflow of the business
- Historical underinvestment in new songwriters resulted in positive cash inflows in 2003 – 2005
- Anticipated investments in 2007 will drive long-term strategy at the expense of immediate cash outflows
- WCM focuses advances investment in key territories that represent music with a worldwide demand
- Recoupment of advances: in addition to its NPS, WCM receives 100% of a songwriter's royalty until advance has been recouped
- Even if advance is never fully recouped via a songwriter's contracted royalty percentage, a deal may still be profitable for WCM (NPS combined with portion of advance recouped may exceed advance and other costs of sales)

[redacted]

WCM's renewed investment in emerging talent will drive growth

WCM OIBDA Discussion

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Projection Assumptions

- **2006 – 2007 movement driven by growth in underlying NPS offset by increase in advance write-offs and provisions**
  - As investments are ramped-up, so too are advance write-offs for unproven songwriters, consistent with FAS 50

[redacted]

  - OIBDA excluding advance write-offs expected to grow $400K from 2006 to 2007

[redacted]

Note: All data on FY (Sept 30) and constant currency basis.
(1) OIBDA normalized for one-time items.

[redacted]

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[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

[redacted]

(1) EUR / USD exchange rate of 1.34.

Appendices

WCM's Top 500 Songs by NPS

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Local NPS (1) from Domestic Repertoire (2003-2006 Average)

[redacted]

(1) Represents local NPS generated from the countries of US, UK, Benelux, France, Italy, Spain, Brazil, Canada, Germany and Sweden as a total of global NPS and constant currency basis.

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WCM's Top 500 Songs by NPS (Cont'd)

Local NPS (1) from Domestic Repertoire (2003-2006 Average)

[redacted]

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WCM's Top 500 Songs by NPS (Cont'd)

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Local NPS (1) from Domestic Repertoire (2003-2006 Average)

[redacted]

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WCM's Top 500 Songs by NPS (Cont'd)

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Local NPS (1) from Domestic Repertoire (2002-2006 Average)

[redacted]

(1) Represents local NPS [redacted] Benelux, France, Italy, Spain, Brazil, Canada, Germany and Sweden as a total of global NPS and constant currency basis.

WCM's Top 500 Songs by NPS (Cont'd)

Confidential

CO08006807

Local NPS (1) from Domestic Repertoire (2003-2006 Average)

[redacted]

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WCM's Top 500 Songs by NPS (Cont'd)

Confidential

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Local NPS (1) from Domestic Repertoire (2003-2006 Average)

[redacted]

(1) Represents local NPS [redacted] countries of US, UK, Benelux, France, Italy, Spain, Brazil, Canada, Germany and Sweden as a total of global NPS and constant currency basis.

Contact Information

Confidential

Lehman Brothers

[redacted]

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warner | music | group

Warner/Chappell Music

[redacted]

August 10, 2007

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Agenda

I. Transaction Overview

II. Music Publishing Industry Overview

III. Warner/Chappell Music Overview

IV. Warner/Chappell Music Financial Performance

[redacted]

Appendices

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warner | music | group

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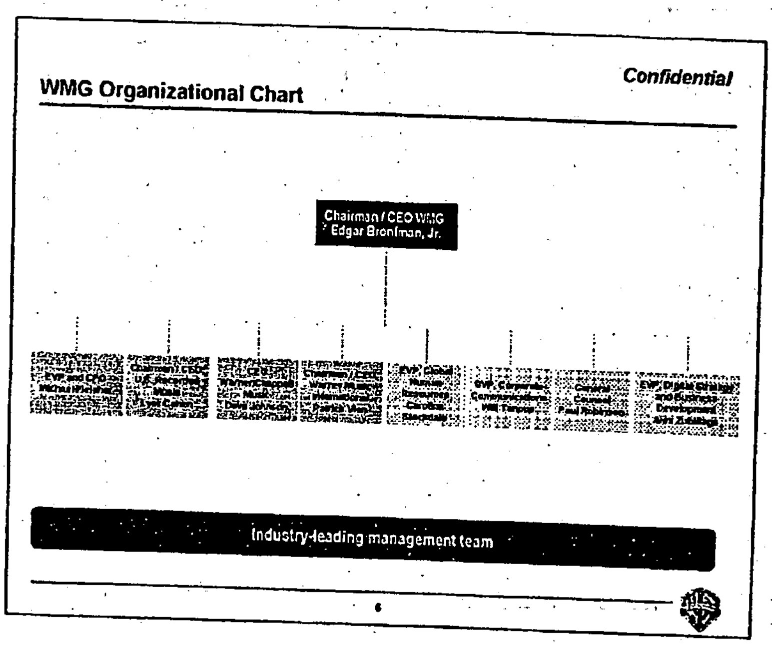
    - Third largest global music publisher
    - Irreplaceable catalog of over 1.3 million music copyrights
    - Diverse asset pool, generating income around the world and [redacted]

(1) [illegible]

- RECORDED MUSIC
  - Revenues Not Hit Driven
- MUSIC PUBLISHING
  - Stable Revenues
  - Highly Variable Cost Structure Produces Significant Free Cash Flow
  - Separable Business / Significant Asset Value Exceeds Total Debt
- RESTRUCTURING
  - Similarities with PolyGram
  - 3 Month Review with Management and BCG
  - Quickly Attack Costs - $61 million of Annualized Cost Savings Achieved by March 31st
  - Label / Overhead / Operation Consolidation to Address Fixed Costs
- MANAGEMENT
- Excitement About Traction of Legitimate Digital Distribution Model
- EMI's current market cap: $[ ] million

[redacted]



- RECORDED MUSIC
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Key Business Attributes

WCM's assets are well-suited for securitization due to the highly diversified catalog and corresponding steady-earning, stable growth nature of the business

- **Valuable Catalog Asset**
  - One of the most valuable libraries in the industry
  - Over 1.3 million copyrights and 65,000 songwriters and composers
  - [redacted]
- **Highly Diversified Catalog**
  - Highly diversified catalog, both by songwriter and song
  - Generates income from around the world and across royalty type
- **Leading Market Position**
  - Third-largest global music publishing company with approximately 16% market share [1]
- **Attractive Cash Flow Characteristics**
  - Stable revenue base derived from recurring sources
  - Strong OIBDA to free cash flow conversion
- **Experienced Management**
  - Experienced team with long tenure in music and the music publishing industry
  - Strong depth of management talent across Warner/Chappell Music

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- RECORDED MUSIC
  - Revenues Not Hit Driven
- MUSIC PUBLISHING
  - Stable Revenues
  - Highly Variable Cost Structure Produces Significant Free Cash Flow
  - Separable Business / Significant Asset Value Exceeds Total Debt
- RESTRUCTURING
  - Similarities with PolyGram
  - 3 Month Review with Management and BCG
  - Quickly Attack Costs - $61 million of Annualized Cost Savings Achieved by March 31st
  - Label / Overhead / Operation Consolidation to Address Fixed Costs
- MANAGEMENT
- Excitement About Traction of Legitimate Digital Distribution Model
- EMI's current market cap: $[ ] million

Music Publishing
Industry Overview

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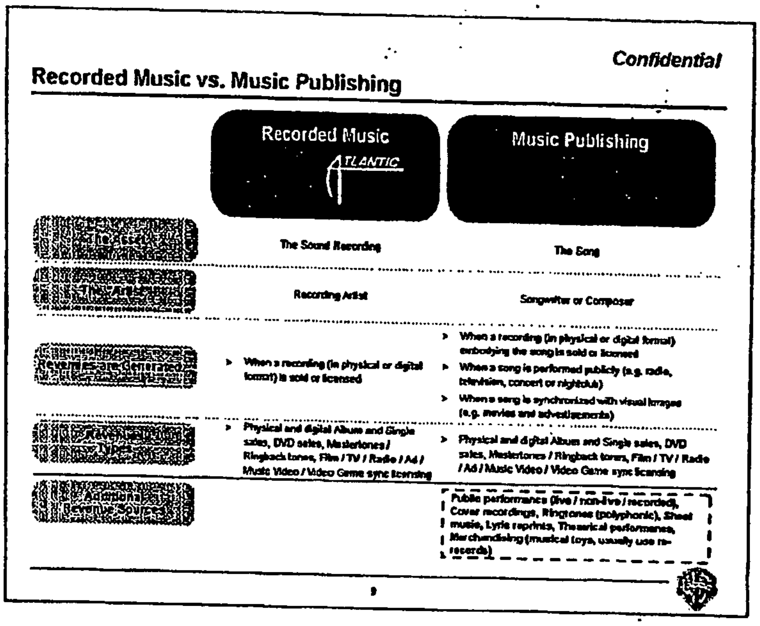

- Crown Jewel in the Music Business

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What Does a Music Publisher Do?

Identify Talent, Available Catalogs and Business Opportunities

- Identify songwriters and artists
- Identify and evaluate potential acquisition opportunities

Acquire Rights in Musical Compositions

- Exclusive songwriter agreements
- Co-publishing agreements
- Administration agreements
- Catalog acquisitions

Exploit Musical Compositions

- Procure uses in film, TV and commercials
- Link songwriters with suitable recording artists
- Pitch songs to artists for recordings ("covers")
- Aid in the development / marketing of artists

Administer Musical Compositions

- Register copyrights around the world
- Negotiate and issue licenses
- Protect copyrights via litigation
- Collect royalties and license fees
- Account to songwriters and copyright owners

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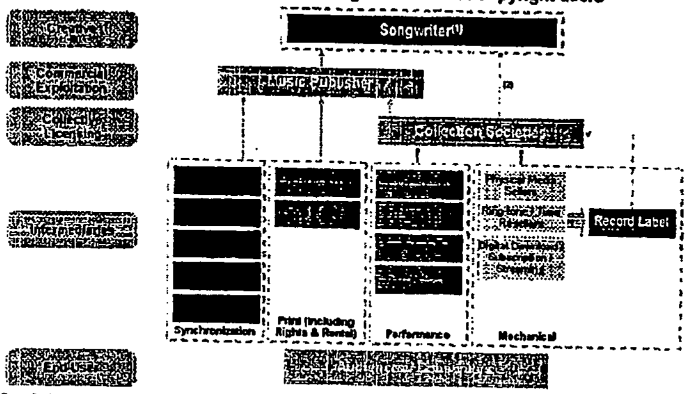
Business Model and Value Chain

Music publishers assist songwriters to manage copyrights and collect royalties through collective licensing and contractual agreements with copyright users



(1) Songwriter / composer and record artist may be the same.
(2) In the U.S., 50% of performance revenues flow to the songwriter.

Copyright Details

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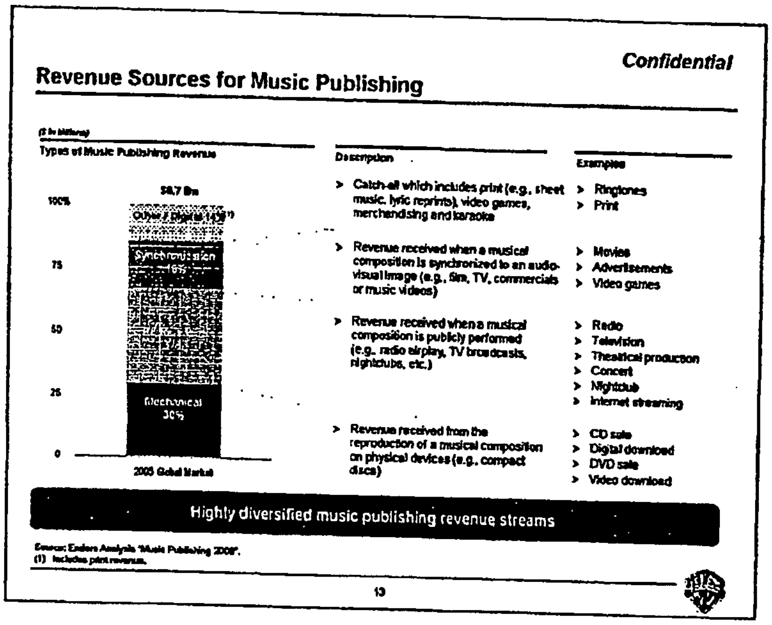
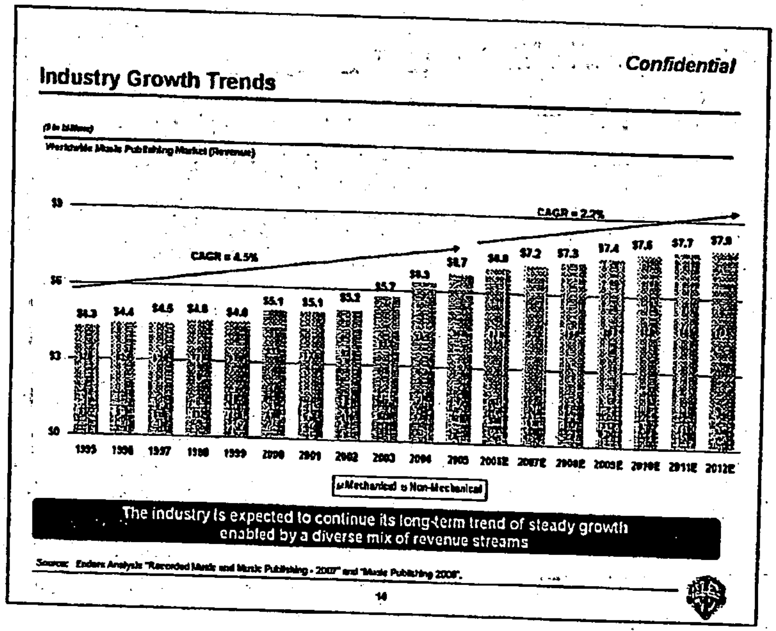
Term of Copyrights in the United States and Europe

- United States
  - In general, the term of a copyright in the United States is the author's life plus 70 years, or for "works made for hire" (i.e., a corporate owner / author), the earlier of 95 years from publication or 120 years from creation
- Europe
  - Prior to regulations introduced in 1995 to implement the EU Directive on Copyright Term Protection, copyrights ran for the author's life plus 50 years
  - The duration of copyrights for works created after 1995 is dependent on the country of origin of the work and the national status of the author
  - Where the country of origin is a European Economic Area ("EEA") state or the author is a national of an EEA state, the duration of the copyright is the author's life plus 70 years
  - If the country of origin of the work is not an EEA state and the author is not a national of an EEA state, the term of the copyright is the period applicable in the country of origin which is not less than the author's life plus 50 years and not more than the author's life plus 70 years



- Highly Diversified Revenues Spread Over:
  - Radio
  - Performance
  - TV
- Ring Tones a Growing Opportunity



- Publishing Revenues Less Impacted by Piracy
- Non-Mechanical Revenues Growing

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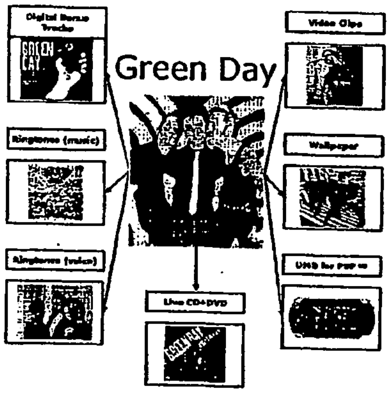
Digital Update

New Media Opportunities

- **Mechanical**
  - Availability of long tail of catalog
  - Permanent digital downloads
  - "Conditional" downloads (including those tied to advertising)
  - Downloads to mobile phones and other devices
  - Ringtones / mastertones, ring back tones
  - Mobile karaoke
- **Performance**
  - Subscription music services
  - On-demand streams
  - Internet and satellite radio
  - Personalized radio
  - Webcasts (concerts)
  - Digital background music services
  - Digital jukebox
- **Synchronization**
  - User-generated video spaces
  - Photo sharing and other community sites
  - Video games
  - Video downloads
  - Online synch licensing opportunities (ads, web-track, etc.)
- **Print**
  - Stand-alone digital print: lyrics, melodies, instrument tablature
  - Integrated lyric tools

(1) "Universal Media Disc."

Extended Product Lifecycle Example



Piracy Update

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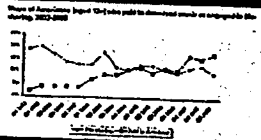
Anti-piracy initiatives and the development of a legitimate digital music economy have helped mitigate the impact of piracy on mechanical revenues

- Revenue streams such as performance, synchronization and other (~70% of music publishing industry revenues) are not exposed to piracy
- Impact of piracy on mechanical revenues greatly mitigated by depth of catalog

Evolution of Consumer Online Behavior (1)



Evolution of Physical Piracy

Strong Industry Anti-Piracy Efforts

- **Development of legitimate online services**
  - iTunes, Yahoo! Music, Walmart, Rhapsody, etc.
  - Settlements with several previous piracy enablers (Kazaa, Bearshare, allofmp3.com, Kuro, Napster)
- **Global campaign against file-sharing in 2006**
  - Legal actions against 10,000 individuals in 18 countries
  - Average settlement of €2,420
  - Uploaders to unauthorized P2P services targeted, including BitTorrent, eDonkey, Gnutella, Limewire, etc
- **Fear of legal action is a strong inhibitor**
  - In the US lawsuits were the most cited reason among Internet households for changing from unauthorized P2P to legal downloading

Source: IFPI and Enders Analysis.
(1) Ipsos Tempo: Keeping Pace with Digital Music Behavior, Q3 2006.

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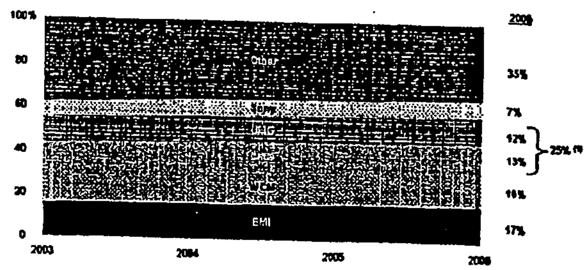
Music Publishing Market Share

(% of sales value)

Historical Global Music Publishing Market Shares

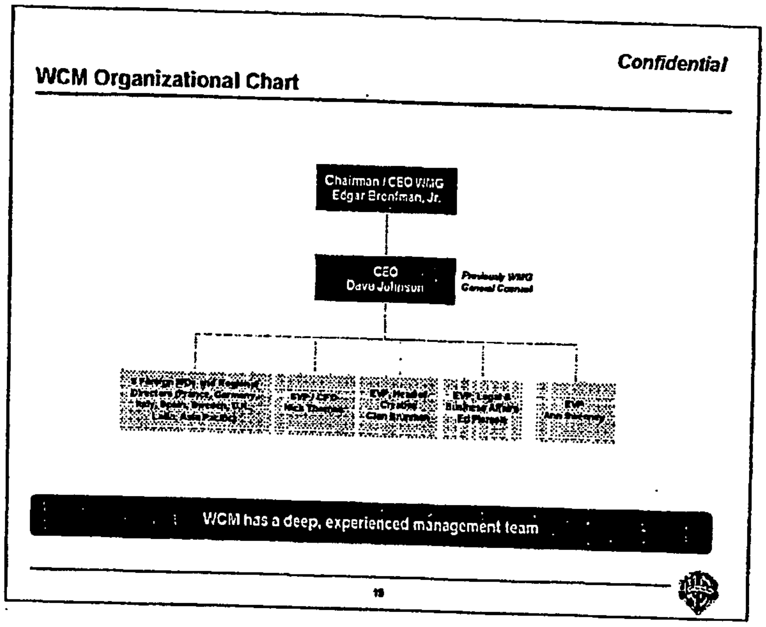


WCM has further strengthened its position as the third-largest global music publisher with recent market share gains

Source: Enders Analysis "Music Publishing 2006".
Note: Implied revenues do not tie to company financials.
(1) Universal and BMG market shares set pro forma for merger. Does not include regulatory divestitures.

- WMG Publishing (#2 Player) is a Valuable Asset
- Highly Fragmented Market

Warner/Chappell Music
Overview



- Growth in the Value of the Publishing Library – Decade After Decade
- Highly Diversified Revenue Source

Business Overview

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Warner/Chappell Music is one of the leading global music publishers

Valuable Catalog

- One of the most valuable libraries in the industry
- Over 1.3 million copyrights and 65,000 songwriters and composers
- Built over decades and includes many timeless classics such as "Happy Birthday to You" and "Winter Wonderland," as well as hit contemporary artists such as Green Day, Nickelback, Madonna and Sheryl Crow

Leading Market Position

- Third largest global music publishing company
- ~ 16% global market share [1]

[illegible]

- Highly diversified catalog, both by songwriter and song
- [redacted]
- Generates income from around the world and across royalty type
- [redacted]

Attractive Cash Flow Characteristics

- Stable revenue base derived from recurring sources
- Strong OIBDA to free cash flow conversion
- Favorable working capital dynamics and low capital requirements

Exciting New Media Opportunities

- WMG has distinguished itself as a digital music leader
- New media, including mobile and internet downloads, expected to experience significant growth

Experienced Management

- Experienced team with long tenure in music and the music publishing industry
- Strong depth of management talent across Warner/Chappell Music

(1) Enders Analysis "Music Publishing 2006".

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Industry Leading Publishing Library

1950's | 1960's | 1970's | 1980's | 1990's | TODAY

1950's
- Happy Birthday To You
- Rhapsody In Blue
- Night & Day
- The Lady Is A Tramp
- Too Marvelous for Words
- Dancing In The Dark
- Winter Wonderland
- Ain't She Sweet
- Frosty The Snowman
- When I Fall In Love
- Misty
- The Party's Over
- On The Street Where You Live
- Blueberry Hill

1960's
- People
- I Only Want To Be With You
- When A Man Loves A Woman
- I Got A Woman
- People Get Ready
- Love Is Blue
- For What It's Worth
- Everyday people
- Gimme Some Lovin'
- Never My Love

1970's
- Behind Closed Doors
- Ain't No Stopping Us Now
- For the Love Of Money
- A Horse With No Name
- [illegible]
- Peaceful Easy Feeling
- Layla
- Staying Alive
- Star Wars
- Stairway to Heaven
- Raindrops Keep Fallin' on My Head

1980's
- Eye of the Tiger
- [illegible]
- The Wind Beneath My Wings
- Endless Love
- [illegible]
- What You Need
- Beat It
- Jump
- We Are the World

1990's
- Unbelievable
- Creep
- Macarena
- Sunny Came Home
- Amazed
- This Kiss
- Believe
- Smooth
- Livin' La Vida Loca

TODAY
- Promiscuous
- Crazy
- [illegible]
- Leave The Pieces
- [illegible]
- How You Remind Me
- Complicated
- Crazy In Love
- In Da Club
- Cry Me A River
- Hung Up

> Over 1.3 million copyrights

> Over 65,000 songwriters and composers

One of the most valuable libraries in the industry, built over decades, includes many timeless classics

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- Growth in the Value of the Publishing Library – Decade After Decade
- Highly Diversified Revenue Source

- Growth in the Value of the Publishing Library – Decade After Decade
- Highly Diversified Revenue Source

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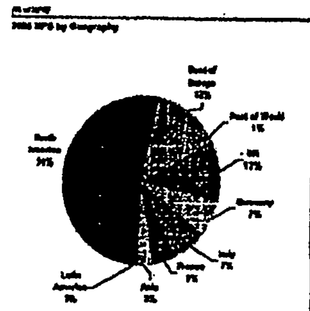
Global Publishing Operation



[redacted]

[redacted]

[redacted]

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WCM Strategy

- **Reverse historical underinvestment in content acquisition**
  - Growth in advances and new songwiter development
  - Ramp-up of A&R infrastructure to support new songwiter discovery and investment
  - Development of new production music business and library
  - Growth and expansion of urban genre presence
  - Increased global creative cooperation and collaboration
- **Develop new exploitation opportunities to expand the value in the existing catalog**
  - Investment in licensing department and synchronization staff to broaden reach and impact
  - Ongoing improvements in systems and infrastructure to streamline collections and administration functions
- **Continue to expand leadership position in digital music**
  - Development of dedicated digital team
  - Continue to play a leadership role in industry initiatives, platform development and standards setting
  - Maintain aggressive "deal driven" approach to create content distribution and licensing avenues
- **Broaden international reach and deepen global content**
  - Significant expansion in Latin America and Eastern Europe
  - Continued leverage of "hub and spoke" system into new territories, serviced cost effectively from existing offices

WCM is committed to maintaining a strategy focused on growth and profitability

- Growth in the Value of the Publishing Library – Decade After Decade
- Highly Diversified Revenue Source

Warner/Chappell Music
Financial Performance

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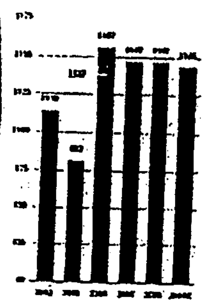
WCM Financial Performance

[redacted]



WCM's financial performance has been strong despite previous underinvestment in the business and management transition

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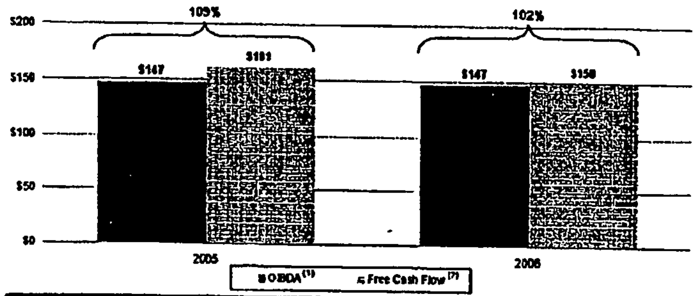
WCM Demonstrates Attractive Cash Flow Characteristics

($ in millions)

Cash Flow Conversion



Due to favorable working capital dynamics and low capital requirements, WCM generates excellent free cash flow conversion

Note: All data on FY (Sept 30) and on a constant currency basis.
(1) OIBDA figures are pre-FAS123 and includes corporate overhead allocations.
(2) Free Cash Flow is normalized and excludes tax adjustments from domestic / foreign jurisdictions and is defined as OIBDA less cash used for operating and investing activities.

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WCM Financial Performance Discussion

- Strong track record of growth, despite evolving industry landscape, driven by diverse business mix and leadership position in digital development
  - ~$30 million in new business created through digital development over the last four years with significant future growth potential
  - 2.8% growth in Synchronization and Performance revenue from 2003 to 2008 provides replacement for erosion of mechanical royalties as well as further growth potential
  - Decline in Mechanical revenue due to piracy mitigated by diverse geographic mix and depth of catalog
  - International diversity has provided additional growth with strong performance in Latin America, Spain and France
- Recent results significantly impacted by previous ownership's historical underinvestment in the business
  - Provided significant cash flow generation, but restricted growth from 2004 – 2007
  - Under new management, we have returned investment to normal levels, setting the stage for portfolio expansion and near-term growth
  - Increased investment will have near-term OIBDA implications, but will begin to generate a return immediately
- Long-term stability in NPS margins consistent with industry
- Significant cost reductions realized under Edgar Bronfman, Jr. with no deterioration of operational efficiency and efficacy
- Business continues to deliver exceptional cash flow conversion
  - Favorable working capital dynamics
  - Strong recoupment track record

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- Growth in the Value of the Publishing Library – Decade After Decade
- Highly Diversified Revenue Source

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Operational Cost Overview

Cost Description

- **Royalty expense**
  - Royalties paid to songwriters, co-publishers and other contract parties for income generated from the use of their copyrighted works
- **Selling, general and administrative costs**
  - Costs associated with general overhead, including A&R expenses
- **Advance Write-Offs**
  - Primarily reflects write-downs of advances to unproven songwriters as required by FAS 50
  - Provisions against advances paid to songwriters based on the expected recoverability (non-cash expenses)
- **Marketing costs**
  - Costs associated with the exploitation of copyrights

(% of total)

2006 Operating Cost Breakdown

[redacted]

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Songwriter Advance Strategy

Advance Description

- Advances represent the largest discretionary cash outflow of the business
- Historical underinvestment in new songwriters resulted in positive cash inflows in 2003 – 2005
- Anticipated investments in 2007 will drive long-term strategy at the expense of immediate cash outflows
- WCM focuses advances investment in key territories that represent music with a worldwide demand
- Recoupment of advances: in addition to its NPS, WCM receives 100% of a songwriter's royalty until advance has been recouped
- Even if advance is never fully recouped via a songwriter's contracted royalty percentage, a deal may still be profitable for WCM (NPS combined with portion of advance recouped may exceed advance and other costs of sales)

[redacted]

WCM's renewed investment in emerging talent will drive growth

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WCM OIBDA Discussion

Projection Assumptions

- 2006 – 2007 movement driven by growth in underlying NPS offset by increase in advance write- [redacted] offs and provisions
  - As investments are ramped-up, so too are advance [redacted] write-offs for unproven songwriters, consistent with [redacted] FAS 50
  - [redacted]
  - OIBDA excluding advance write-offs expected to grow $400K from 2006 to 2007

[redacted]

Note: All data are FY (Sept 30) and constant currency basis.
(1) OIBDA normalized for one-time items.

[redacted]

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[redacted]

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[redacted]

[redacted]

[redacted]

C008006S49

[redacted]

[redacted]

C008006851

Appendices

WCM's Top 500 Songs by NPS

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Local NPS (1) from Domestic Repertoire (2003-2006 Average)

[redacted]

(1) Represents local NPS generated from the countries of US, UK, [illegible], France, Italy, Spain, Brazil, Canada, Germany and Sweden as a total of global NPS and constant currency basis.

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WCM's Top 500 Songs by NPS (Cont'd)

[illegible] Local NPS (1) from Domestic Repertoire (2003-2006 Average)

[redacted]

(1) [illegible] NPS [illegible] from the countries of US, UK, [illegible], France, Italy, Spain, Brazil, Canada, Germany and [illegible] as a [illegible] of global NPS and [illegible] currency basis.

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WCM's Top 500 Songs by NPS (Cont'd)

Local NPS (1) from Domestic Repertoire (2003-2006 Average)

[redacted]

(1) [illegible]

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WCM's Top 500 Songs by NPS (Cont'd)

Local NPS (1) from Domestic Repertoire (2003-2006 Average)

[redacted]

(1) [illegible] of NPS [illegible] the countries of US, UK, [illegible], France, Italy, Spain, Brazil, Canada, Germany and Sweden [redacted] global NPS and constant currency basis.

WCM's Top 500 Songs by NPS (Cont'd)

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Local NPS (1) from Domestic Repertoire (2003-2005 Average)

[redacted]

(1) Represents local NPS generated from the countries of US, UK, Benelux, France, Italy, Spain, Brazil, Canada, Germany and [illegible] [illegible] global NPS and constant currency basis.

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WCM's Top 500 Songs by NPS (Cont'd)

Local NPS (1) from Domestic Repertoire (2003-2005 Average)

[redacted]

(1) [illegible] from the countries of US, UK, [illegible], France, Italy, Spain, Brazil, Canada, Germany and [redacted] total of global NPS and constant currency basis.

WCM's Top 500 Songs by NPS (Cont'd)

Confidential

Local NPS (1) from Domestic Repertoire (2003-2005 Average)

[redacted]

(1) Represents local NPS generated from the countries of US, UK, Sweden, France, Italy, Spain, Brazil, Canada, Germany and [redacted] of global NPS and constant currency basis.

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Contact Information

Lehman Brothers

[redacted]

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RIAA Ex. 127-RP

RIAA Ex. 127-RP

hfa

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HFA Collects almost $394 Million in Royalties for its nearly 35,000 Affiliated Publishers in 2007

Commission Free Opportunities and Innovative Licensing Arrangements Mark Year

March 17, 2008 – The Harry Fox Agency, Inc. (HFA), a leading U.S. music rights licensing organization, announced today that its total 2007 royalty collections from all sources was $393.5 million, an almost 4% increase from 2006. HFA issued over 1.51 million mechanical licenses in the year, bringing the total number of licenses under HFA's administration to over 13.9 million. The company represents almost 35,000 publishers, with over 1.9 million songs available for licensing.

"In the context of a declining market for CDs, HFA's continued positive performance validates our efforts over the past several years to upgrade our technology and business approach to licensing and, most important, to collections and compliance examination results," said Gary Churgin, HFA President & CEO. "Our licensing arrangements for tablature with MusicNotes, the collaboration agreement with AudibleMagic, and other new offers reflect our sustained effort to bring more valuable opportunities to the publishing market.

"In addition, we constantly examine our current business for areas of improvement," continued Churgin. "The changes to our online licensing service Songfile®, especially the reduction of the required minimum and the elimination of our commission on Songfile-generated royalties, deliver real benefit to publishers, licensees, and HFA."

- **Collections & Royalty Compliance Results**

Total license collections, excluding collections derived from Royalty Compliance Examinations, were $361.2 million, an increase of 3.4% from 2006. This increase reflects HFA's focus on proactively pursuing royalty collections on a current basis. For 2007, Royalty Compliance Examination collections were $21.1 million, a decrease from $29 million over the previous year. The decrease was due in part to the conclusion of a significant exam in 2006, and HFA's concentration on conducting more frequent exams covering shorter time periods. HFA actually closed several more exams in 2007 than in 2006. In total, 26 examinations were concluded, while 47 are in progress. Royalty Compliance is the process by which HFA examines the books and records of licensees to evaluate the accuracy of royalty statements submitted and payments remitted by licensees, and enters into settlements for additional monies owed.

HFA's collections period for mechanical royalties is 45 days after the close of the calendar quarter, which means HFA's reporting for 2007 reflects the actual retail sales period of October 1, 2006 through September 30, 2007.

The U.S. statutory mechanical rate for 2007 was 9.1¢ for compositions of 5 minutes or less in duration and 1.75¢ for those greater than five minutes. The schedule for the next five years of mechanical rates is currently under review by the Copyright Royalty Board (CRB). In April 2007, HFA's commission on distributed royalties increased from 6.75% to 7.75%, with the additional 1% directly funding the NMPA's efforts on behalf of the music publishing community before the CRB.

- **Licensing**

Of the almost 1.52 million mechanical licenses HFA issued in 2007, 82% were for digital formats, which include permanent digital downloads (DPDs), interactive streams, and limited downloads. In 2007, HFA added almost 200 new licensees to its bulk DPD licensing program, a standardized method of submitting large quantities of license requests by exchanging digital files, bringing the number of companies participating in this program to 813. HFA now administers almost 14 million mechanical licenses.

In addition, HFA issued over 2 million licenses for lyrics and tablature under its arrangements with LyricFind and Musicnotes. The Musicnotes deal was one of the innovative new licensing opportunities produced by HFA's Business Development team last year, and like LyricFind, it was extended to HFA's affiliate publishers on a commission-free basis. In 2007, the team met with over 650 companies regarding various licensing opportunities. Other new licensing arrangements offered in 2007 included those from ringtone provider Bullroarer, online music service Slacker, and digital background music company BusRadio. In addition, HFA closed a pioneering collaboration agreement with AudibleMagic, a leader in audio fingerprint technology. The companies are now working on a data interaction model, which may be useful to identifying compositions distributed on peer-to-peer services.

HFA also introduced significant changes to Songfile, its popular online mechanical licensing service targeted for customers seeking to license fewer than 2,500 copies of a recording. As of January 1, 2007, royalties collected from Songfile licensing activity are distributed to publishers with no commission deducted. In the year, Songfile users took over 50,000 licenses, resulting in over $4.4 million in royalties that were 100% distributed to the songs' publishers. In December 2007, based on feedback from publishers and Songfile customers, HFA lowered the required minimum quantities of licenses to 25, and introduced payment by checking account debit. Publishers can affiliate with HFA for Songfile licensing only.

- **Technology & Business Process Improvements**

As illustrated by the upgrade to Songfile, HFA continues to develop new web applications and improve currently available tools for use by publishers, licensees and its own employees. In 2007, HFA introduced a new automated process to consolidate duplicate song records while maintaining complete licensing histories; a web-based version of eSong, its song catalog management system; and upgraded its underlying reports technology. There were also a number of enhancements to HFA's back-office royalty processing systems.

Over 80% of HFA's mechanical licenses are requested and executed electronically, either using the company's eMechanical system or through the exchange of electronic files. Almost 253,000 new song entries (75%) were requested using HFA's eSong and the catalog administration application Common Works Registration (CWR), as compared to 130,000 (57%) the previous year. This level of automation has allowed HFA's 140 employees to focus their efforts in areas other than manual data entry. Nearly 28,000 calls and emails to the main line and email address were handled by the HFA Publisher Services team, and the Licensing department can generally process requests for physical product licenses that need individual attention within a week.

HFA continues to promote the effort to standardize the global exchange of data between rights organizations, publishers, and licensees. It is an active charter member of Digital Data Exchange (DDEX), an international organization which aims to create voluntary data exchange standards. In addition to sitting on its Board, HFA is a co-chair of two working groups, and the company has been working with partners to conduct the first tests of DDEX exchange messages for Electronic Release Notification (ERN).

- **Events**

HFA was also active at industry conferences and events in 2007, providing its perspective on licensing and music industry issues. HFA staff keynoted or participated on panels at Music 2.0, SXSW, CMJ, Digital Music Forum East & West, IAJE, and WIPO's Conference on Collective Management of Copyright and Related Rights in North America. HFA also exhibited at SXSW, Leadership Music Digital Summit, the ASCAP Expo, and CMJ.

Continuing its outreach efforts to the publisher community, HFA also participated in the National Music Publishers' Association's (NMPA) New York and Los Angeles publisher events, and hosted its own event for Nashville area affiliates at the Country Music Hall of Fame and Museum.

- **Copyright Royalty Board & Other Legal Matters**

HFA works closely with the NMPA on lobbying and legal actions to protect and promote copyright for the benefit of music publishers and songwriters and provides the bulk of its funding. The statutory mechanical rate hearings of the CRB and the Bertelsmann class actions were primary areas of collaboration in 2007.

The CRB proceedings began in January 2006, and are expected to conclude in the fall of 2008. In addition to determining the statutory mechanical royalties for physical products and permanent digital downloads, rates will be set for the first time for limited downloads and interactive streams.

In October, the U.S. District Court of Northern California preliminarily approved the proposed settlement of litigation between the NMPA, Bertelsmann AG and Bertelsmann, Inc. relating to Bertelsmann's relationship with Napster in 2000-2001. This action certified a settlement class consisting of all music publisher-principals of HFA during all or part of the time period from October 30, 2000 until October 1, 2007. Under the preliminary settlement, Bertelsmann will pay $130 million, of which up to $32 million will be applied to cover litigation expenses, including attorneys' fees. The Garden City Group, a class action settlement administrator, was appointed to act as the claims administrator. The settlement was approved in January 2008, and payments have commenced.

- **Office Relocation**

In August, HFA moved its offices from midtown Manhattan to 601 West 26th Street, Suite 500, New York, New York, 10001.

###

About HFA

Established in 1927 by the National Music Publishers' Association, HFA represents almost 35,000 music publishers for their licensing needs in the United States, issuing licenses and collecting and distributing the associated royalties. In addition to being the premier mechanical licensing agent in the U.S., HFA is dedicated to finding new ways for its affiliates publishers to recognize value for their catalogs, including lyrics and tablature. Further, HFA provides collection and monitoring services to its publisher clients for music distributed and sold in over 95 territories around the world. For more information about HFA, or to become an affiliate publisher or a licensee, see www.harryfox.com.

RIAA Ex. 128-RR

BMG Music Publishing

IFRS € Millions	2005 Actual	2006 Actual	2007 MARFCAST	2008 Plan	2009 Plan	2010 Plan	2011 Plan	2012 Plan
Mechanical	-	-	*80.0*	*163.2*	*164.9*	*163.2*	*161.6*	*160.0*
Performance	-	-	*53.4*	*112.2*	*116.7*	*121.4*	*126.4*	*131.7*
Synchronization	-	-	*37.1*	*79.7*	*81.4*	*85.0*	*90.1*	*94.9*
Print	-	-	*10.7*	*21.8*	*22.5*	*23.2*	*24.0*	*25.0*
Other	-	-	*10.8*	*22.0*	*23.0*	*24.0*	*25.0*	*26.0*
Intercompany Net Sales	-	-	-	-	-	-	-	-
Revenue	-	-	192.1	397.9	408.5	416.8	427.1	437.5
EBITDA			52.2	123.0	134.5	138.0	142.0	148.0
Restructuring Costs	-	-	*(22.4)*	*(27.0)*	-	-	-	-
EBITA			25.2	87.1	125.8	129.3	133.2	139.3
CFFO			*37.7*	*108.5*	*143.0*	*143.5*	*141.0*	*147.0*
CFAIT			70.7	108.5	143.0	143.5	141.0	147.0
CAPEX			(0.5)	(1.0)	(1.0)	(1.0)	(1.0)	(1.0)
Acquisitions			33.0	-	-	-	-	-
Headcount - Current			542	302	330	330	330	330

Revenue Growth 2008	2009	2010	2011	2012		Enders
2.0%	1.0%	-1.0%	-1.0%	-1.0%	0.0%	-0.7%
4.0%	5.0%	4.0%	4.1%	4.2%	4.3%	4.1%
7.3%	2.1%	4.5%	6.0%	5.3%	5.0%	4.7%
1.7%	3.2%	3.1%	3.4%	4.2%	3.1%	2.1%
2.1%	4.5%	4.3%	4.2%	4.0%	3.8%	2.1%
3.6%	2.7%	2.0%	2.5%	2.5%	CAGR 2.6%	2.2%
30.9%	32.9%	33.1%	33.3%	33.8%	CAGR 7.2%	

37.7

70.7
1.875331565

[redacted]

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RIAA Ex. 129-RR

RIAA Ex. 129-RR

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Warner/Chappell Music
On-Site Due Diligence Meeting

August 2007

CO08000273

Agenda

Topic	Time	Speaker
I. Introduction	**9:00 AM**	
A. Introductions of Warner/Chappell Music management team		**Dave Johnson**
B. Transaction overview / discussion on use of proceeds		**Lehman Brothers**
II. Music Publishing Industry Overview	**9:15 AM**	**Dave Johnson**
III. Overview of Warner/Chappell Operations	**9:30 AM**	
A. Organizational structure		**Dave Johnson**
B. Business strategy		**Dave Johnson and Ryan Cotton**
C. Description of services provided by WMG to WCM		**Nick Thomas and Annette Yocum**
D. Cash management / collections		
E. Risk management		
F. Accounting / internal controls and procedures		
G. Primary IT systems		
H. Legal and regulatory issues		
Break for Lunch	**12:00 PM**	
IV. Overview of the Warner/Chappell Catalog	**1:00 PM**	**Ryan Cotton**
A. Warner/Chappell Music Publishing Library		
B. Catalog Analysis		
V. Historical and Projected Financial Review	**2:00 PM**	**Nick Thomas, Ryan Cotton and Annette Yocum**
A. Review of WCM's historical financials		
B. WCM's performance YTD versus budget		
C. Primary drivers affecting WCM's performance and cash flow stability		
D. Cost structure		
E. Five-year plan / target growth projections		
VI. Closing Remarks and Next Steps	**4:00 PM**	

CO08000274

Introduction

Management Attendees

Dave Johnson
Chairman and Chief Executive Officer

Nick Thomas
SVP, Chief Financial Officer

Ed Pierson
EVP, Legal and Business Affairs

Annette Yocum
VP, Worldwide Controller

Ryan Cotton (1)
Office of the Chairman

(1) Mr. Cotton of Bain Capital is currently acting in several capacities for the Office of the Chairman.

Key Business Attributes

Warner/Chappell Music's ("WCM") assets are well-suited for securitization due to the highly diversified catalog and corresponding steady-earning, stable-growth nature of the business

> **Valuable Catalog Asset**
- One of the most valuable libraries in the industry
- Over 1.3 million copyrights and over 65,000 songwriters and composers
- [redacted]

> **Highly Diversified Catalog**
- Highly diversified catalog, both by songwriter and song
- Generates income from around the world and across royalty type

> **Leading Market Position**
- Third-largest global music publishing company with approximately 16% market share (1)

> **Attractive Cash Flow Characteristics**
- Stable revenue base derived from recurring sources
- Strong OIBDA to free cash flow conversion

> **Experienced Management**
- Experienced team with long tenure in music and the music publishing industry
- Strong depth of management talent across WCM

(1) Enders Analysis "Music Publishing 2006", pro forma for Universal / BMG.

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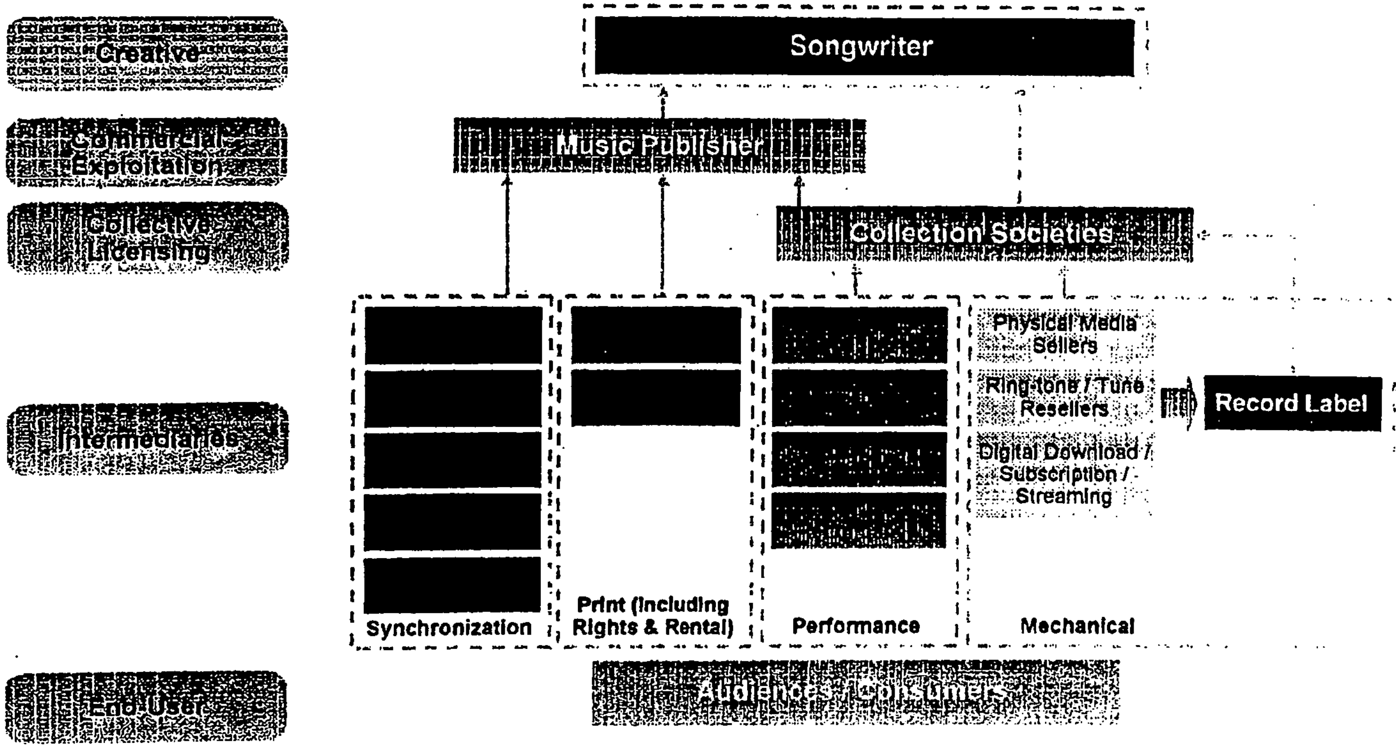
Transaction Overview

[redacted]

Music Publishing Industry Overview

Business Model and Value Chain

Music publishers assist songwriters to manage copyrights and collect royalties through collective licensing and contractual agreements with copyright users



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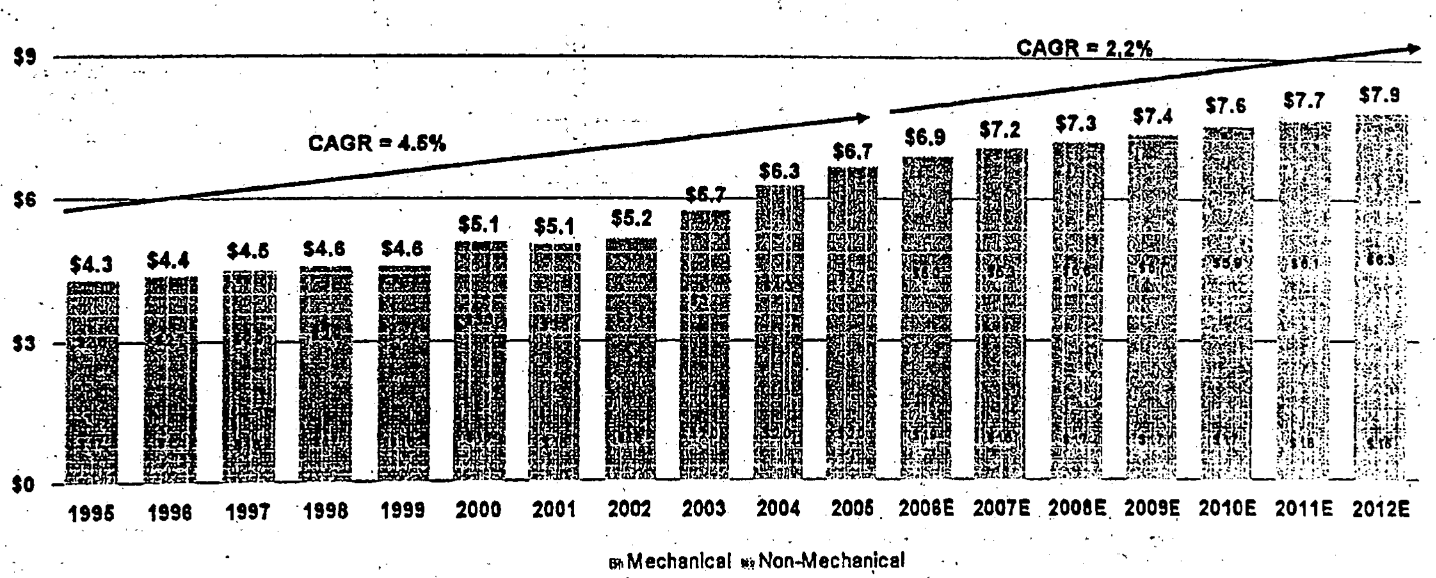
Industry Growth Trends

($ in billions)

Worldwide Music Publishing Market (Revenue)



The industry is expected to continue its long-term trend of steady growth enabled by a diverse mix of revenue streams

Source: Enders Analysis "Recorded Music and Music Publishing - 2007" and "Music Publishing 2006".

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Industry Growth Details

Music Publishing Industry CAGR of 2.2% from 2006 – 2012

> Key Assumptions

- Performance revenue growth of 4.3% CAGR
- Reproduction revenue to remain flat (assuming no change in U.S. licensing rates)
  - Decline in mechanical of ~3% CAGR offset by growth in synchronization of ~5%
- Distribution revenue, primarily printed music, to continue historical growth of 2.1% CAGR

> Key Factors affecting forecasts

- The U.S. copyright tribunal is to set the U.S. statutory mechanical rate at the end of this year to go into effect in 2008 and remain in effect until 2012
- The current U.S. statutory rate per track rate is $0.091
- NMPA (National Music Publishers Association) has proposed raising this to $0.125 physical and $0.15 digital rates
- RIAA (Recording Industry Association of America) has proposed lowering physical rates to $0.044
- DIMA (Digital Media Association) has proposed lowering digital rates to $0.022
- Industry forecasts status quo, but assuming NMPA rates would result in an extra $1.1bn over the next five years
- Assuming RIAA and DiMA rates would result in a reduction in forecasts of $1.5-1.7bn during the same period

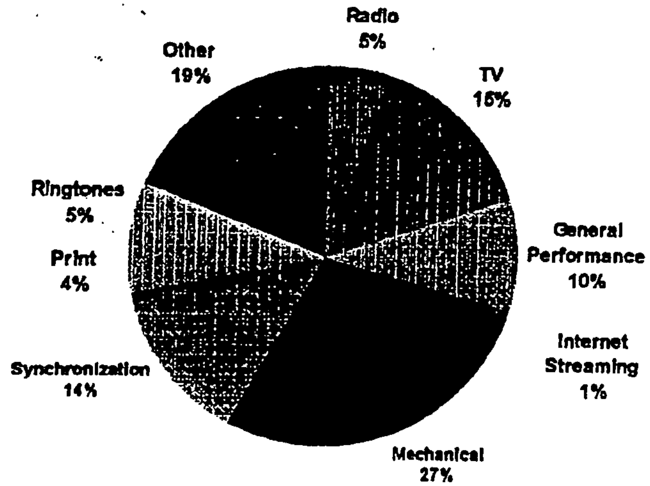
Source: Enders Analysis "Recorded Music and Music Publishing - 2007".

Music Publishing Agreements

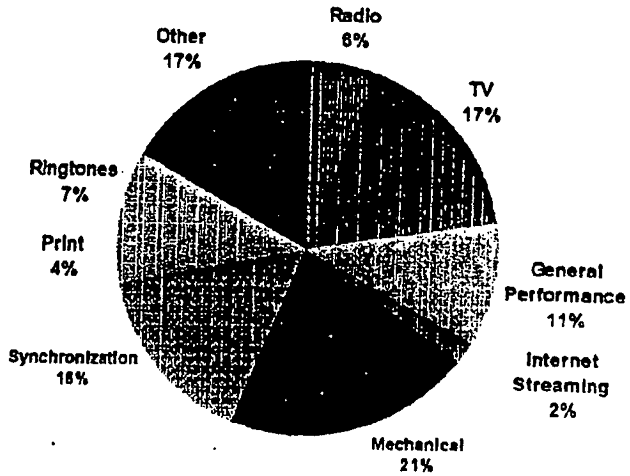
	Ownership of Copyright		Typical Revenue Share		Notes
	Songwriter and / or Publisher	Administrator / Publisher	Songwriter and / or Publisher	Administrator / Publisher	
Exclusive Songwriter Agreement or Full Publishing Agreement	0%	100%	50%	50%	➢ The administrator becomes the sole owner of the song's copyright and earns the full publisher's share (i.e. 50% of each dollar of revenue)
Co-Publishing Agreement	50%	50%	75%	25%	➢ The songwriter retains 50% ownership of the copyright and thus also receives 50% of the publisher's share ➢ Has a set acquisition period and retention period
Administration Agreement	100%	0%	75% - 5%	25% - 5%	➢ The administrator collects royalties and helps promote the catalog for an administration fee (typically 5% to 25%) ➢ Either has a set acquisition and retention period or a set lifespan

Shift in Revenue Generation

2006E Revenue



2012E Revenue



The decline in mechanical is expected to be offset by growth in other areas

Source: Enders Analysis "Recorded Music and Music Publishing - 2007".

CO08000284

Music Publishing Landscape

	U.S. / U.K. Standard Catalog	Pop	Christian	Film Libraries	TV	Production Music	Classical	Print
	[illegible]	✓	✓	✓	✓	✓		✓
BMG / Universal	40s-60s	✓	✓	✓	✓	✓	✓	✓
EMI	30s-60s	✓	✓	✓	✓	✓		
Sony / ATV / Famous	50s-60s	✓		✓	✓	✓		

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Current Successes

WCM Holds An Interest In...

- **6 of the top 10 songs on the Billboard Hot 100**
- **75 albums on the Billboard 200 including:**
  - Top 3 albums
  - 5 of the top 10 albums
- **4 of the top 10 country albums**
- **6 of the top 10 radio play songs as measured by the Hot 100 Airplay chart**

Hot 100 Top 10 Singles

Rank	Artist Name / Title		Weeks on
1	Sean Kingston / Beautiful Girls		12
2	Fergie / Big Girls Don't Cry		17
3	Timbaland f. Keri Hilson / The Way I Are		11
4	Plain White T's / Hey There Delilah		20
5	Rihanna f. Jay-Z / Umbrella		18
6	Kanye West / Stronger		3
7	T-Pain f. Akon / Bartender		11
8	Fabolous f. Ne-Yo / Make Me Better		12
9	Hurricane Chris / A Bay Bay		10
10	Plies f. T-Pain / Shawty		9

Source: Billboard charts as of 8/25/07.

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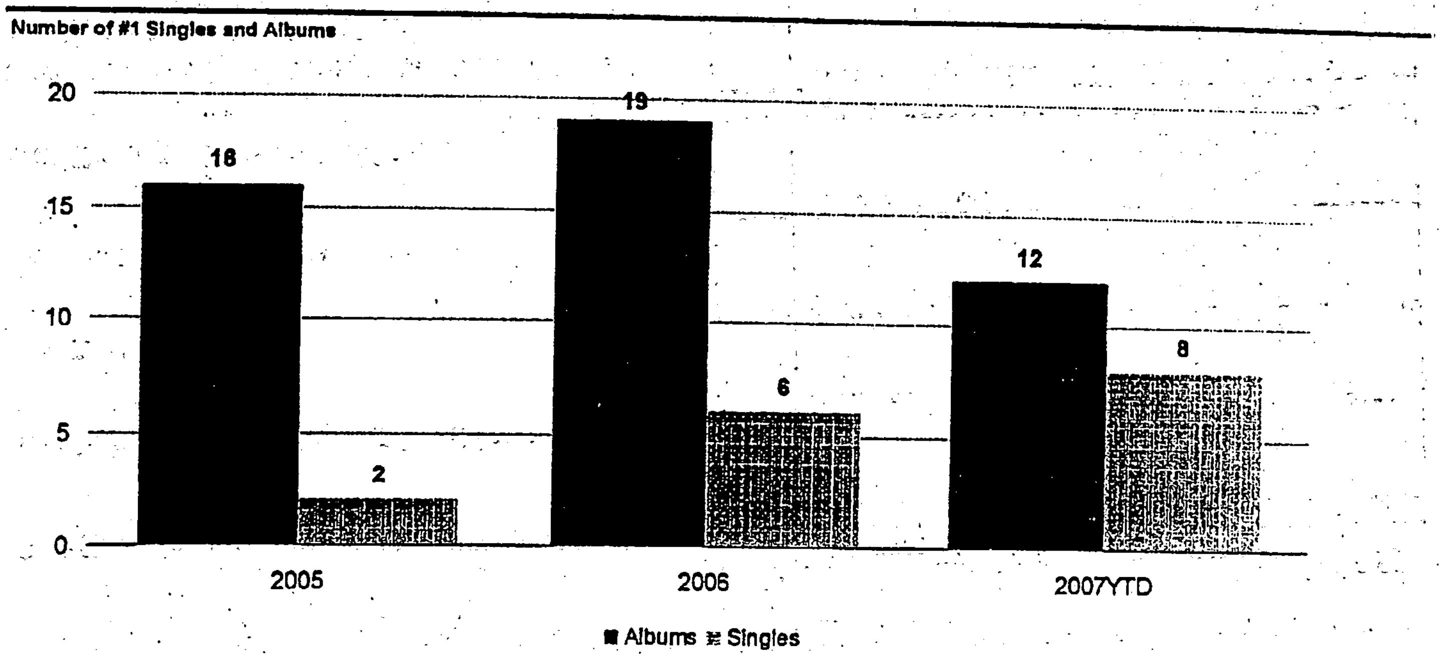
Recent WCM Chart Toppers



WCM continues to grow its catalog with 47 #1 albums and 16 #1 singles on U.S. Charts during the last three years

Overview of Warner/Chappell Operations

CO08000289

Warner/Chappell Music is one of the leading global music publishers

Valuable Catalog Asset

- One of the most valuable libraries in the industry
- Over 1.3 million copyrights and 65,000 songwriters and composers
- Built over decades and includes many timeless classics such as "Happy Birthday to You" and "Winter Wonderland," as well as hit contemporary artists such as Green Day, Nickelback, Madonna and Sheryl Crow

Leading Market Position

- Third-largest global music publishing company
- ~ 16% global market share (1)

Highly Diversified Catalog

- Highly diversified catalog, both by songwriter and song
  - [redacted]
- Generates income from around the world and across royalty type
  - [redacted]

Attractive Financial Characteristics

- Stable revenue base derived from recurring sources
- Strong OIBDA to free cash flow conversion
- Favorable working capital dynamics and low capital requirements

Exciting New Media Opportunities

- WMG has distinguished itself as a digital music leader
- New media, including mobile and internet downloads, expected to experience significant growth

Experienced Management

- Experienced team with long tenure in music and the music publishing industry
- Strong depth of management talent across WCM

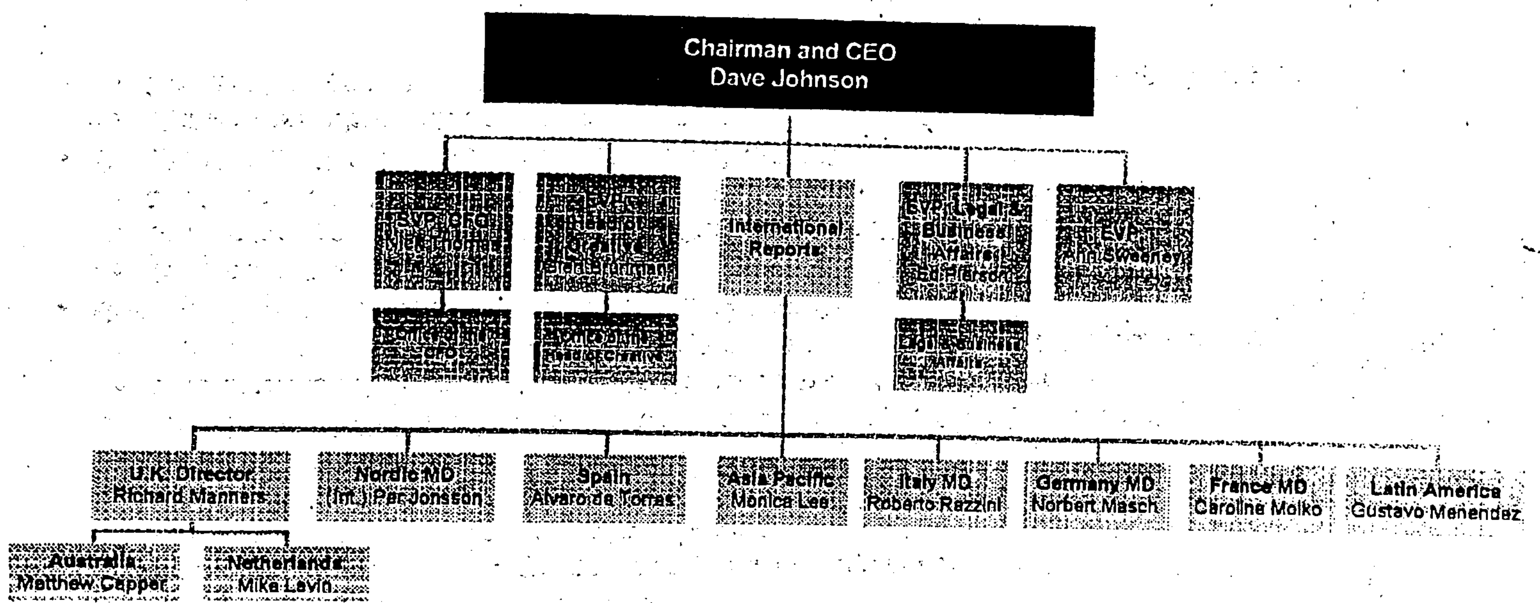
(1) Enders Analysis "Music Publishing 2006".

WCM Strategy

- **Reverse historical underinvestment in content acquisition**
  - Growth in advances and new songwriter development
  - Ramp-up of A&R infrastructure to support new songwriter discovery and investment
  - Development of new production music business and library
  - Growth and expansion of urban genre presence
  - Increased global creative cooperation and collaboration
- **Develop new exploitation opportunities to expand the value in the existing catalog**
  - Investment in licensing department and synchronization staff to broaden reach and impact
  - Ongoing improvements in systems and infrastructure to streamline collections and administration functions
- **Continue to expand leadership position in digital music**
  - Development of dedicated digital team
  - Continue to play a leadership role in industry initiatives, platform development and standards setting
  - Maintain aggressive "deal driven" approach to create content distribution and licensing avenues
- **Broaden international reach and deepen global content**
  - Significant expansion in Latin America and Eastern Europe
  - Continued leverage of "hub and spoke" system into new territories, serviced cost effectively from existing offices

WCM is committed to maintaining a strategy focused on growth and profitability

WCM Organizational Chart



WCM has an experienced management team

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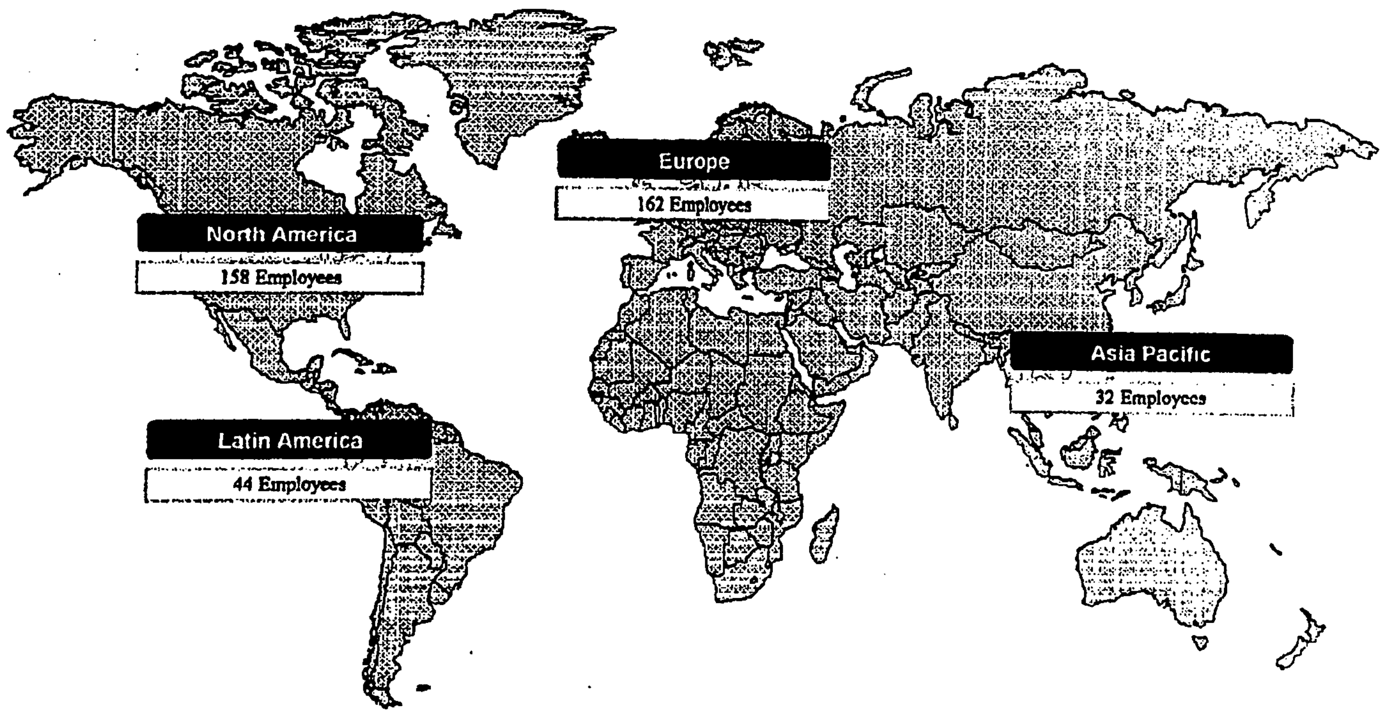
Global Operations

396 employees in more than 27 countries (1)

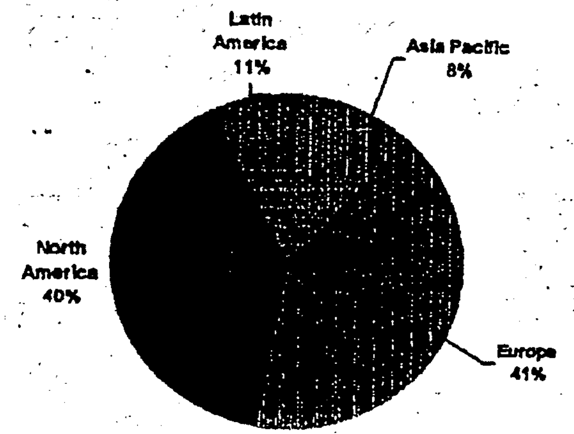


(1) As of July 2007.

Headcount (1)

(% of Employees)

Headcount by Geography



[redacted]

(1) As of July 2007.

[redacted]

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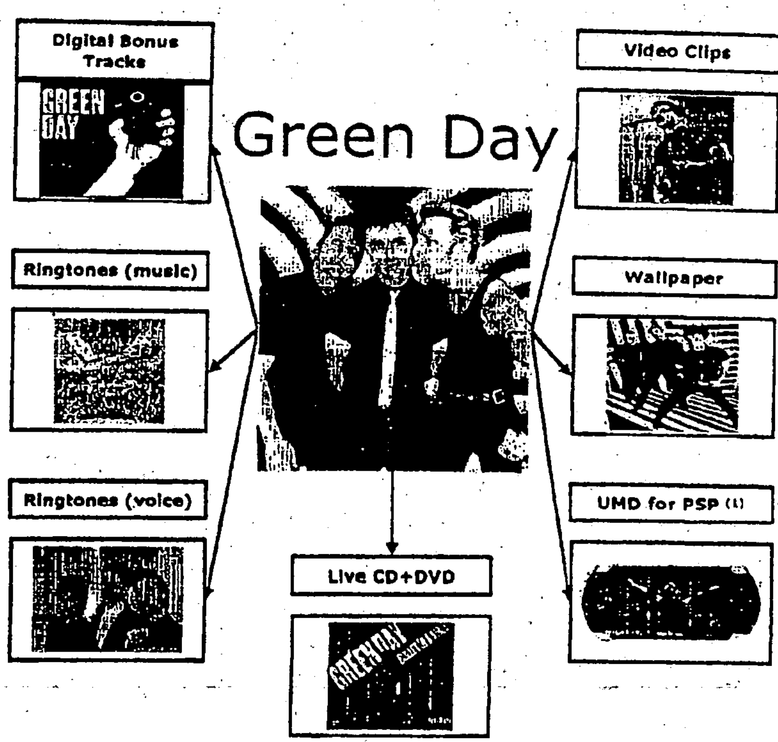
Digital Trends

New Media Opportunities

- **Mechanical**
  - Availability of long tail of catalog
  - Permanent digital downloads
  - "Conditional" downloads (including those tied to advertising)
  - Downloads to mobile phones and other devices
  - Ringtones / mastertones, ring back tones
  - Mobile karaoke
- **Performance**
  - Subscription music services
  - On-demand streams
  - Internet and satellite radio
  - Personalized radio
  - Webcasts (concerts)
  - Digital background music services
  - Digital jukebox
- **Synchronization**
  - User-generated video spaces
  - Photo sharing and other community sites
  - Video games
  - Video downloads
  - Online synch licensing opportunities (ads, web-track, etc.)
- **Print**
  - Stand-alone digital print: lyrics, melodies, instrument tablature
  - Integrated lyric tools

Extended Product Lifecycle Example



(1) "Universal Media Disc."

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Digital Update

Digital Opportunities Going Forward

Establish a parity principle – Get to the table early

- Requires education / PR initiative
- Requires willingness to license - reputation counts
- Friction with labels and societies

Control direction of societies

- CEO is now on the board of ASCAP, a U.S. performance collection society

Strengthen internal expertise

- Digital-specific revenue collection and tracking - best practices
- Creative strategy geared to digital rights

Digital Punch List – Deals

- YouTube and progeny
- imeem
- Slacker
- Photo-sharing sites
- Radiohead model

Digital Punch List – Significant Industry Initiatives

- PEDL initiative
- Collection of revenues in arrears
- Latin American regional license
- Terminate NDMAs
- Lawsuits

CO08000307

Digital Update

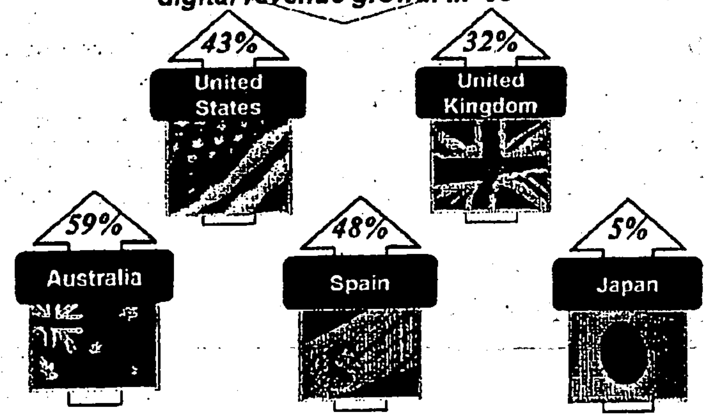
Budget 2008 Digital Revenue Highlights

Digital Revenue Growth

34%

Forecasting overall digital revenue growth of 34% B08 to FC07 to $40.1 million

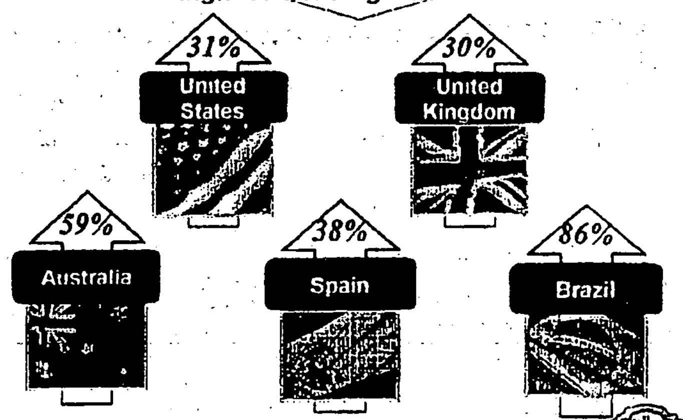
Key territories of projected total digital revenue growth in '08



Areas for Digital Growth

- For B08, most significant growth is expected in streaming digital (projected up 55% from FC07); digital downloads and mobile expected to remain largest drivers (up 33% & 25%, respectively, from FC07)
- Significant download revenue currently only in U.S., U.K., Italy and Northern Europe

Key territories with the expected highest mobile growth in '08



Acquisition of New Artists and Catalogs

Major Acquisitions

- Non-Stop (U.S.)
- Timbaland (U.S.)
- Rollins Estate (U.S.)
- Sigem (Brazil)
- A La Carte (Germany)
- Fuoritempo (Italy)

[redacted]

Acquisition of New Artists and Catalogs

Acquisition Strategy

- **Opportunistically and aggressively pursue the acquisition of catalogs, individual estates and independent publishers - recent examples include:**
  - Non-Stop (8/2007) - Large production music library
  - Timbaland (2006) - Rights to attractive urban and hip-hop catalog
  - Rollins Estate (2005) - Valuable standards including "Frosty the Snowman"
- **All acquisitions are evaluated using strict return targets**
  - Each potential revenue stream is projected using the history of the individual copyrights in the catalog
  - Expected returns must significantly exceed WCM's cost of capital
- **WCM is competitively advantaged in many acquisitions due to its deep and global industry expertise, history with many of the assets involved and leveragable exploitation and administration infrastructure**
- **Intensity of competition in recent publishing transactions points to strong asset value in catalog**

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Precedent Music Publishing Transaction Analysis

($ in millions)

Date Announced	Target	Acquiror	Stake Acquired	Enterprise Value (1)	Enterprise Value as a Multiple of: NPS (2)	Enterprise Value as a Multiple of: EBITDA (2)
30-May-07	Famous Music Publishing	Sony/ATV Music	100.0%	$370	8.8x	21.6x
6-Sep-06	BMG Music Publishing	Vivendi	100.0%	2,086	9.2x	18.7x
11-Nov-04	DreamWorks Music Publishing	Dimensional Music Publishing	100.0%	50	10.4x	NA
31-Mar-04	Jobete Music Co Inc	EMI Music Publishing Ltd	20.0%	400	20.0x	NA
18-Nov-03	Boosey & Hawkes	HG Capital	100.0%	128 (3)	11.6x	15.9x (4)
7-May-03	Trio and Quartet Music	Windswept Pacific	NA	60	17.1x	NA
10-Apr-03	Jobete Music Co Inc	EMI Music Publishing Ltd	30.0%	364	21.4x	NA
2003	Largo	Saban Capital	NA	6	11.5x	NA
Aug-02	Aerosmith Catalogue	Mosaic Music Publishing	50.0%	NA	20.0x	NA
2-Jul-02	Acuff Rose	Sony Corp	100.0%	157	16.2x	40.3x
2002	ZZ Top Catalogue	Mosaic Music Publishing	100.0%	NA	18.0x	NA
1-Mar-01	Chrysalis securitization	-	100.0%	251	19.6x	NA
2-Aug-00	Rondor Music	Universal Music (Vivendi)	100.0%	440	18.0x	NA
28-Jul-99	Windswept Pac Ent Co	EMI Group	100.0%	206	13.4x	27.1x
1-Jul-97	Jobete / Stone Diamond Music	EMI Group	50.0%	264	19.6x	NA
				Mean	15.7x	24.7x
				Median	17.1x	21.6x

Source: SDC, Bloomberg, company filings, company press releases, Wall Street research and Lehman Brothers estimates.
(1) Based on 100% of company.
(2) Due to differences in business mix between music publishing companies, conversion rates from NPS to EBITDA vary significantly.
(3) Based on a November 18, 2003 U.S.D / GBP exchange rate of 1.70.
(4) Based on LTM EBITDA.

Shared Resources with WMG

Office Stratification

	WCM Offices	Joint WGM/WCM Offices	3rd Party Offices
Asia	2	3	6
Australia	--	1	--
Latin America	--	3	6
Europe	1	9	14
North America	1	4	--

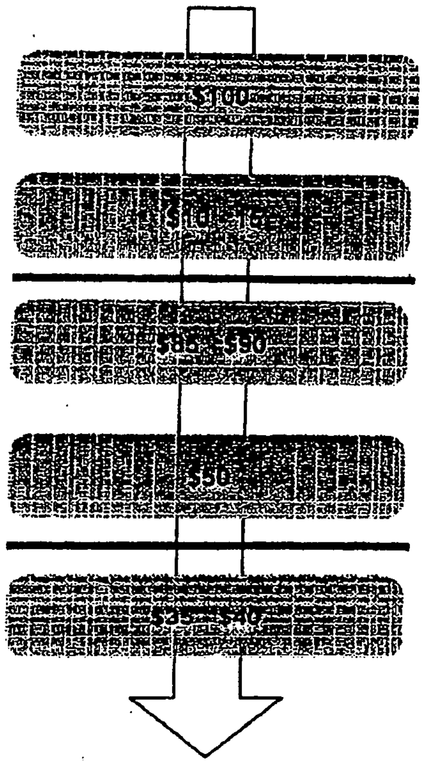
Shared Services

	Above OIBDA	Below OIBDA
Rent Expense	✓	
Accounting Support (International)	✓	
IT Support (Local)	✓	
IT Support (WMG – NY)		✓
Shared Services (Domestic) ➤ Tax ➤ Treasury		✓

$4 million allocated in financials to cover these costs

Cash Management and Collections

Collections 101 – An Example of an Owned Copyright
(Post Collection Societies)



- Total Revenue generated in a foreign jurisdiction by a foreign affiliate for a U.S. originated copyright
- Foreign affiliate retains 10% - 15%, depending on the underlying publishing agreement with the artist
- $10 - $15 is recognized as NPS by the respective foreign affiliate
- Remaining funds are remitted / transferred / distributed / recognized by the U.S. as publishing revenue
- U.S. Operations remits and pays respective royalty per the publishing agreement with the artist
- U.S. Operations recognizes the remaining funds as NPS

CO08000312

Royalty Collection Overview

Collection Societies

- **The principal role of collection societies is to administer certain rights on behalf of their members**
  - Licensing and collection of royalties from users
  - Distribution of royalties to rights owners
- **The majority of WCM's revenues are collected through collection societies**
- **Two main types of collection societies**
  - Mechanical rights societies
  - Performing rights societies
  - Both functions are typically handled by a single society in countries outside the U.S.
- **Collection societies primarily operate on a national basis and are membership organizations for composers, authors and publishers**
  - Can be directly or indirectly controlled by national governments
  - Most countries have only one organization responsible for collecting both mechanical and performance income

Active Collection Societies

	Mechanical Rights Society or Direct by Music Publisher	Performance Rights Society
Canada	CMRRA / Direct	SOCAN
U.S.	Harry Fox / Direct	ASCAP / BMI / SESAC
Germany	GEMA	GEMA
U.K.	MCPS	PRS
France	SDRM	SACEM
Belgium	SABAM	SABAM
The Netherlands	STEMRA	BUMA
Sweden	NCB	STIM
Italy	SIAE	SIAE
Spain	SGAE	SGAE
Hungary	Artijus	Artijus
Poland	Zaiks	Zaiks
Czech Republic	OSA	OSA
Mexico	Direct	SACM
Argentina	SADAIC	SADAIC
Brazil	Direct	ECAD
Japan	JASRAC	JASRAC
Australia	AMCOS / Direct	APRA
South Africa	NORM / Direct	SAMRO
Hong Kong	Direct	CASH
Taiwan	Direct	MUST
Malaysia	Direct	MACP
Singapore	Direct	COMPASS
Korea	KOMCA / Direct	KOMCA

Collection Societies Remittance

Collections Timetable (Performance)

	2006			2007								
	October	November	December	January	February	March	April	May	June	July	August	September
Canada		✓			✓			✓			✓	
Argentina			✓				✓				✓	
Brazil	✓			✓			✓			✓		
Chile		✓			✓			✓			✓	
Mexico				✓		✓			✓			✓
Australia		✓						✓				
Hong Kong									✓			
China												
Japan			✓			✓			✓			✓
Korea			✓			✓			✓			✓
Malaysia											✓	
Philippines												
Singapore			✓					✓				
Taiwan												✓
Thailand												
Austria												
France				✓						✓		
Germany			✓			✓			✓			✓
Greece			✓						✓			
Italy				✓						✓		
Netherlands	✓											
Nordic Territory			✓			✓			✓			✓
Spain			✓			✓			✓			✓
Switzerland							✓			✓		
United Kingdom	✓		✓									
Czech			✓			✓			✓			✓
Hungary	✓		✓			✓		✓	✓			
Poland			✓			✓			✓			✓
Russia			✓			✓			✓			✓
United States	✓		✓	✓		✓			✓			✓

Collection Societies Remittance

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Collections Timetable (Mechanical)

	2006			2007								
	October	November	December	January	February	March	April	May	June	July	August	September
Canada			✓			✓			✓			✓
Argentina			✓				✓				✓	
Brazil		✓			✓			✓			✓	
Chile			✓			✓			✓			✓
Mexico			✓			✓			✓			✓
Australia			✓			✓			✓			✓
Hong Kong			✓			✓		✓	✓			✓
China												
Japan			✓			✓			✓			✓
Korea												
Malaysia							✓					✓
Philippines												
Singapore						✓						✓
Taiwan	✓	✓	✓			✓	✓	✓	✓			✓
Thailand												
Austria	✓		✓			✓			✓	✓		✓
France	✓			✓			✓			✓		
Germany			✓			✓			✓			✓
Greece				✓					✓			
Italy				✓						✓		
Netherlands			✓						✓			
Nordic Territory			✓						✓			
Spain		✓		✓		✓	✓			✓		✓
Switzerland												
United Kingdom		✓			✓						✓	
Czech			✓			✓			✓			✓
Hungary	✓			✓			✓			✓		
Poland			✓			✓			✓			✓
Russia			✓			✓			✓			✓
United States			✓			✓			✓			✓

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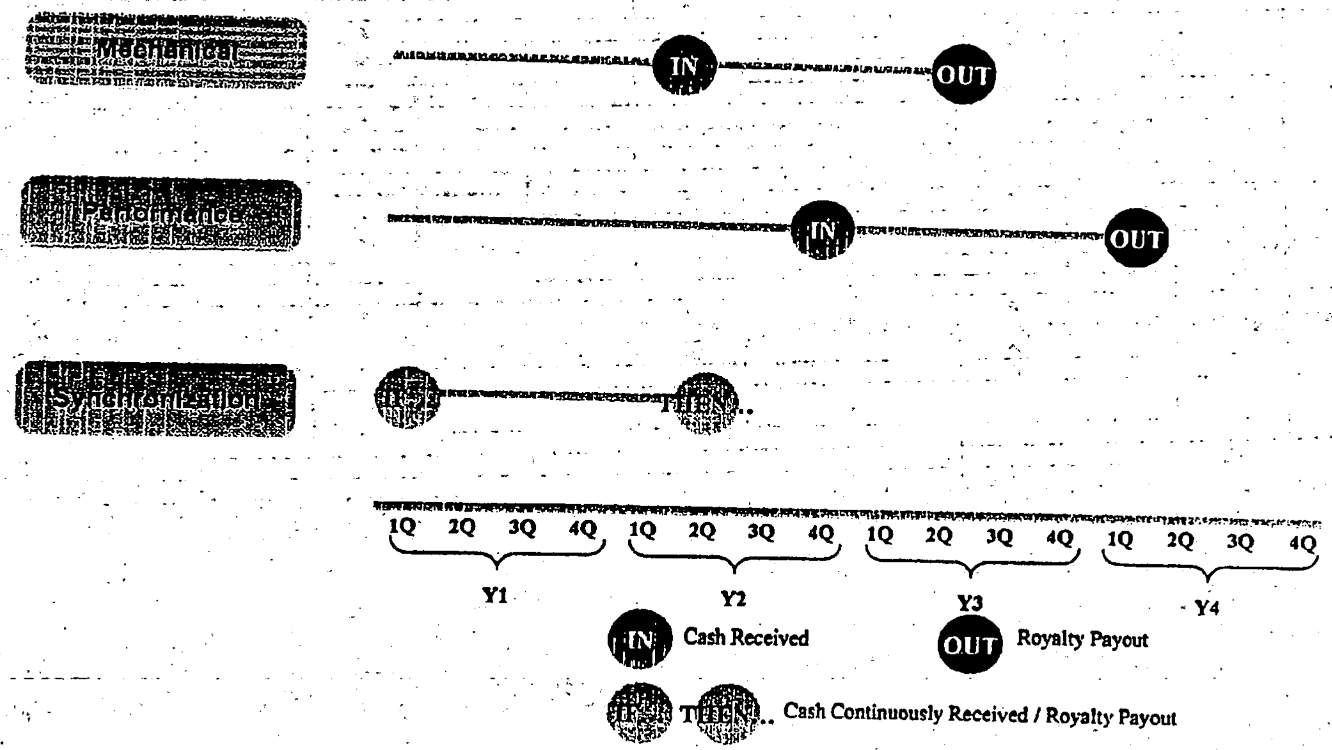
Cash Management and Collections

Working Capital



[redacted]

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[redacted]

Cash Management and Collections

Bank Accounts and Liquidity

U.S. system and procedures

- Participates in WMG's domestic cash management systems
  - Cash concentration
  - Accounts payable processes
- WCM does not manage or maintain its own bank accounts
  - All accounts held by WMG
  - WMG's Shared Service Center (SCC) manages the collection and payables of all WMG domestic companies
- Collections
  - Collections flow into the SCC lock box / collection accounts (Mellon Bank)
  - Concentrated at Bank of America
  - Commingled with intercompany accounting credit for receipts collected
  - Payables sent to the SCC AP department
    - Make all AP payments for all companies via intercompany debit

Cash Management and Collections

Bank Accounts and Liquidity

> **International system and procedures**

- Each company maintains separate bank accounts in the country they operate for each legal entity
  - Banks utilized vary from country to country
  - Each legal entity may have more than one bank account
- Collections and payables are administered locally
  - Where WCM has a small presence, the local Warner Music Recorded Music subsidiary will provide certain back office functions (finance and administration) on behalf of WCM
  - WCM participates in a local country cash pooling arrangement with other WMG entities
  - In all cases where cash pools exist, the recorded music entity acts as cash pool manager
- If WCM entities have surplus funds, they will make them available to WMG
  - Participation in the local country cash pool
  - Loans to the WMG Irish Finance company (Finco)
  - Deposits with the WMG global cross-border cross-currency cash pool maintained in Holland with Bank Mendes Gans ("BMG pool")
- If WCM entities have cash deficits
  - Draw against the group balances available in either the in-country cash pools or the BMG pool
  - Will borrow directly under a bi-lateral loan facility with Finco

Cash Management and Collections

Cross-Border Cash Movements

- **WCM payments to 3rd parties (domestic and international)**
  - Local vendor payments (i.e. regular accounts payable)
  - Artist royalties / advances
    - Typically relate to the domestic local repertoire, and are paid locally
    - Some countries pay royalties to artists outside their jurisdiction (i.e. WCM U.K. pays artists resident in the U.S.)
      - Typically handled via check
- **Cross-border intercompany payment flows**
  - Royalties
    - Generated from the collection of royalties locally where the copyright is owned by another WCM entity
      - Example
        - A song is owned by WCM U.S. and WCM U.K. collects royalties for local radio play
        - A percentage of the collections are retained locally by WCM U.K.
        - The balance paid to WCM U.S. as per their bi-lateral royalty agreement
  - Intercompany cross-border charges (i.e. IT or management service fee recharges)
  - All cross-border intercompany payments made via the "netting"
    - Cross-border payment tool managed by WMG Treasury and hosted by Deutsche Bank
    - Each WCM company participates in the netting and receives and pays intercompany royalties
    - Runs 2 or 3 times a month
    - Large royalty payments are paid through the netting twice per year
      - 2nd and 4th fiscal quarters (exception the U.S. and Brazil pay quarterly)
    - All countries participate with very few exceptions (i.e. Korea and Brazil)

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Risk Management

Foreign Exchange Exposure

- **All foreign WCM entities pay intercompany cross-border royalties, but the bulk of the payments are to the U.S.**
  - ~75% of the amounts received in the U.S. are due to the artists and therefore represents no exposure to WCM
  - The remaining portion of royalties (25%) represent an exposure to WCM U.S.
- **Currently policy is to hedge up to one year of rolling forecast royalty exposure**
  - WMG reviews royalty flows / exposure (which are paid on a semi-annual semester basis) and hedge as a percentage of net exposure based on the following factors
    - Certainty of forecasts
    - Timing of cash flows
    - Market conditions
- **In addition to these hedges, were WCM to have any transaction exposures (i.e. a future artist royalty or advance denominated in a different currency than the functional currency of the company making the payment), WMG policy would dictate that the exposure be hedged**
  - For WCM this is extremely rare as WCM almost always lays the FX risk off to the artist

Piracy Update

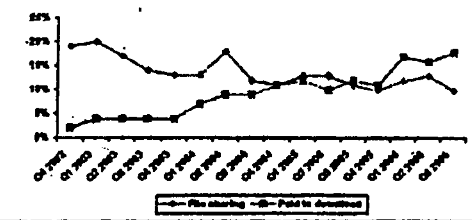
Anti-piracy initiatives and the development of a legitimate digital music economy have helped mitigate the impact of piracy on mechanical revenues

> Revenue streams such as performance, synchronization and other (~70% of music publishing industry revenues) are not exposed to piracy

> Impact of piracy on mechanical revenues greatly mitigated by depth of catalog

Evolution of Consumer Online Behavior (1)

Share of Americans (aged 12+) who paid to download music or engaged in file-sharing, 2002-2006



Evolution of Physical Piracy

(units in millions)

Strong Industry Anti-Piracy Efforts

> **Development of legitimate online services**
- iTunes, Yahoo! Music, Walmart, Rhapsody, etc.
- Settlements with several previous piracy enablers (Kazaa, Bearshare, allofmp3.com, Kuro, Napster)

> **Global campaign against file-sharing in 2006**
- Legal actions against 10,000 individuals in 18 countries
- Average settlement of €2,420
- Uploaders to unauthorized P2P services targeted, including BitTorrent, eDonkey, Gnutella, Limewire, etc

> **Fear of legal action is a strong inhibitor**
- In the U.S. lawsuits were the most cited reason among Internet households for changing from unauthorized P2P to legal downloading

Source: IFPI and Enders Analysis.
(1) Ipsos Tempo: Keeping Pace with Digital Music Behavior, Q3 2006.

Risk Management

Global Business Insurance

- **General Business Coverage**
  - Workers Compensation
  - Automotive Liability
  - Worldwide Property Insurance

- **Extended Coverage**
  - $100 million Excess General Liability coverage
  - $125 million Directors and Officers Liability program
  - $15 million Blanket Crime coverage
    - Includes employee dishonesty
  - $15 million Employee Practices Liability policy
    - Covers discrimination, wrongful termination, harassment suits
  - $25 million Employee Benefit Plan Fiduciary Liability insurance
  - $15 million Entertainment Errors and Omissions policy
    - Covers such things as copyright infringement, libel and privacy invasion
  - Accidental death and disability coverage for certain of its recording artists
  - Commercial insolvency and default coverage of its European trading partners

Primary Business Systems and Technology

World AMPS

A&R System
- New Release & Song Delivery
- Writer Bio
- Casting/Pitching System
- Artist & Album System
- Record/Demo Library
- CD Request & APM

Cue Sheet System
- Film/TV
- Cue Sheet CIR
- Central Cue Sheet System
- ASCAP EZCue
- BMI MusicCue
- CISAC AV Works

A&R Licensing System
- Sync Licensing System
- Sync Quote System
- AR/Third Party Print System
- AR/Plays System
- Hire/Rental Library System

Contract System
- Main Contract Brief
- Affiliates Contract System
- Society Contract System
- Third Party Sub-Publisher
- Print Contract System
- Legal Project Manager

Mechanical License System
- Direct MLS System
- MLS EDI System

Cash Receipt System
- CR&Royalty Reconciliation
- CR Integration to AR Sync
- CR Integration to AR Plays
- CR Integration to AR TPP
- CR Integration to Oracle Financial
- CR Integration to JDE

Copyright System
- ECOC
- CWR & Society Registration
- Song CIR EDI System
- Release Distribution
- Song Sampling System

Global e-Tracking System
- DW Bronze
- DW Gold
- PCAT Reporting
- Song Claim History
- Album Song History
- Tracking Project Manager

Charge Back System
- Demo Charge Back
- Session Charge Back
- Copyright Adm Cost
- Charge Back
- Oracle Financial Interface to CB

Catalog Research System
- Songwriter Research System
- Song Renewal System
- 39/20 Year Termination System
- Post 77 Termination System

APOLLO System
- Label Claim System
- Label Claim EDI System
- APOLLO Matching
- Suspense Management

Financial System
- WorldAMPS to Oracle EDI
- WorldAMPS to JDEdwards EDI
- WorldAMPS to DKS EDI

Royalty System
- Royalty Data Entry
- Royalty EDI System
- Royalty & CR Reconciliation
- Royalty Income Allocation
- Royalty Run
- Royalty – Financial Interfaces
- Localizations
- Tax witholding
- Local Tax

Executive Information System
- Top Songs and Clients
- Song and Client Analysis
- Deal Analysis
- NPS Calculation
- Advance Schedule
- Income Paythrough Analysis
- Income Source History/Terr
- Mirage Client (MCC)
- Group Payment Schedule

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Primary Business Systems and Technology

B2B Websites

B2B URLs

- Warnerchappell.com
- Warnerchappell.co.U.K.
- Warnerchappell.nl
- Warnerchappell.it
- Warnerchappell.se
- Warnerchappell.br
- Warnerchappell.com.br
- Warnerchappell.hk
- Warnerchappell.com.my
- Warnerchappell.com.tw
- Warnerspecialproducts.com
- Wordmusicpublishing.com
- OneStopTrax.com
- eLicenseClub.com

B2B Systems

- Song Search Engine
- Benji Player
- Sync License Request
- Mechanical License Request
- Credit Card Transaction
- My Projects
- LPM (License Project Manager)
- APM (Asset Project Manager)
- Featured Writers
- News & New Releases
- Charts
- Music Shop
- Rhyming Dictionary
- Dictionary of Musical Terms
- New signings
- Worldwide Directory

OneStopTrax

- Pre-cleared License
- Credit Card Transaction
- Download MP3 / WAV file
- CD Request

eLicenseClub

- Portal for non-Warner Catalog promotions and licensing
- Label Claims
- Direct Licensing

CPA/CRM

Client Portfolio Access

- Clients/Songwriters Account Inquiry
- Royalty Statements Distribution
- Update Account Information

Client Relationship Management

- Customer service
- Call center
- License fulfillment
- Client relationship

Data Warehousing

EISA

- FX Services
- EISA OLAP
- EISA Reporting
- EISA NPS

Get (Global e-Tracking)

- DW Bronze
- DW Gold
- GeT OLAP
- GeT Reporting

Extranet

Extranet URL

- WCMCenter.com
- NetAMPS.com

Extranet System

- A&R: Bulletin Board, Writer Bios, Music Charts, New Signings
- Human Resources: Time Sheet Manager, LA Phone Directory, Worldwide Directory, HR Form Center
- Newsletter
- Copyright: Song Inquiry, New Releases, Song Delivery, Cue Sheet CIR
- Archive: Lyrics/Leadsheets, Cue Sheets, Clients, Songs, Royalty Statements
- Licensing: MCPS/PLR, Product Release, Sync Request, Mech License
- Royalty: Client Inquiry, Top Songs
- Tracking: Suspense Listing
- Finance: Finance Form Center, Exchange Rates
- Legal: Contract Inquiry, Contract Update, Form C Inquiry
- Information Technology: Site Administration

Other Extranet

- SharePoint System
  - Help Desk
  - Knowledge Base
  - System Documentation
  - News/Announcements
  - IT Documentation
  - IT PPR
- HATS
  - WorldAMPS HTML version
- NetAMPS 2.0
  - WorldAMPS Java version
- Web Services
  - Royalty EDI
  - APOLLO

E-Deco

E-Deco URL

- Warnerchappell.com/edeco

E-Deco System

- Advance Search Engine
- My Playlist
- Upload/Download/Streaming Audio
- Lyrics
- e-Pitching System
- Contact Management
- Sync Project Manager
- Sync Quote System
- A&R Project Manager
- Songwriter Demo Submission
- Asset Categorization
- Asset Sharing System

ADM

Archival Document Management

- Imaging system
- Contract
- Affiliate Contract Servicing
- Client
- Song File
- AR/Sync Licenses
- Lyrics/Leadsheets
- Cue Sheets

COLD (Metafile)

- Royalty Run Reports
- Royalty Statements
- CD ROM Distribution

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Accounting and Internal Controls

Internal Audit Procedures

- WCM is a part of a U.S. public company, WMG, and subject to financial statement audits and Sarbanes-Oxley ("SOX") reporting requirements
- Financial statement audits are performed in all territories locally for statutory books and the consolidated entity is audited by Ernst & Young out of the U.S.
- SOX auditing is performed on both a consolidated level as well as at all significant territories including: U.S., U.K., Germany, Benelux, Spain, Italy, Nordics, France and Japan
- WMG Internal Audit initiated audit coverage of WCM and its Affiliates in FY2007
  - Audits of WCM entities will be performed every three to four years depending on a number of factors including risk and size

Delegation of Authority

- Established to define the limits of authority designated to specified positions of responsibility within the Company and to establish the types and maximum amount of obligations that may be approved by individuals
- Available to senior WMG employees through our WMG internal web-based application, Sharepoint, since December 2005
- Employees are made aware that conduct that violates the policy set forth is always considered outside the scope of their employment
  - All managers are instructed to periodically consult with their staff members to determine that appropriate procedures for implementation of the policy have been developed and are being followed
  - Individuals who violate these policies are subject to appropriate disciplinary action by the Company, including possible termination of employment
- Compliance with the policy is tested as part of our SOX testing
- The policy covers authorization schedules for actions including, among other things
  - Music publishing agreements and related repertoire licensing
  - Acquisition and divestments
  - Capital expenditures
  - Employment matters

Legal and Regulatory Issues

Intra-Company Licensing Agreements

- Comprehensive global services agreement ("GLA") in place with all key territories and international affiliates
- Covers all content transfer costs and royalty payment schedules
- Allows bi-directional transfer of rights (e.g. U.S. content licensed to Germany; German content licensed to U.S.)
- Key terms include:
  - Blanket license for all copyrights in respective catalogs (where WCM has international exploitation rights)
  - General royalty rate of 85% (subject to certain changes on a case-by-case basis)
  - Specific terms for non-standard exploitations including print editions and cover recordings
- Currently undergoing global review, expansion and update

Legal and Regulatory Issues

Litigation – Key Topics

Plaintiff Litigation Profile	Defendant Litigation Profile

WARNER/CHAPPELL

Overview of Catalog

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[redacted]

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Songwriter and Title Diversification

[redacted]

Highly diversified catalog both by Songwriter and Song / Composition

(1) Represents local NPS generated from the countries of U.S., U.K., Benelux, France, Italy, Spain, Brazil, Canada, Germany and Sweden as a total of global NPS on constant currency basis.

Top 500 Songs by Publication Date

[redacted]

Roll-Forward of Top 500 Songs in 1992

($ in millions)

[redacted]

"All I Wanna' Do" (Sheryl Crow) Annuity Example

[redacted]

"Longview" (Green Day) Annuity Example

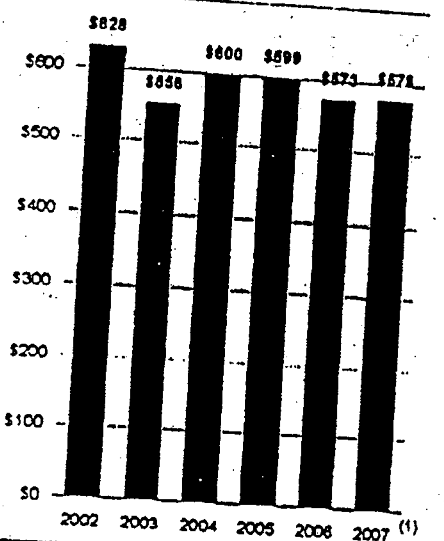
[redacted]

Historical and Projected Financial Review

WCM Financial Performance

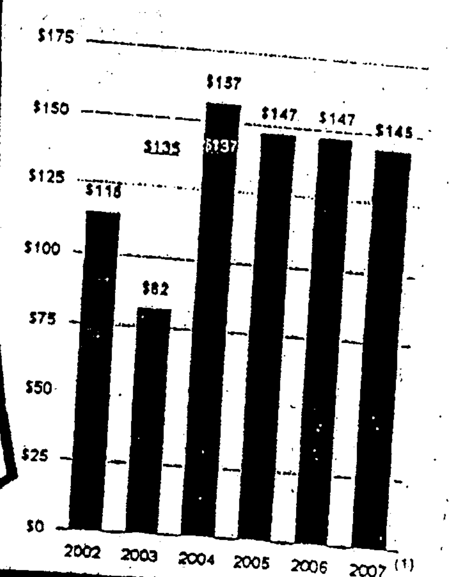
Proprietary and Confidential

($ in millions)
Revenue



[redacted]

($ in millions)
OIBDA



WCM's financial performance has been strong despite previous underinvestment in the business and management transition

(1) Reflects 2007 YTD and Remaining 2007 Forecasted
Note: All data on FY (Sept 30) constant currency basis and adjusted for various one-time items.
Note: NPS and OIBDA normalized for one-time items and OIBDA calculated post corporate overhead allocations.
Note: Underlines represent PF reversal of $49MM A/R write-off to clean-up balance sheet in '03 and issues associated with year-end change in '04.

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WCM Financial Performance Discussion

- **Strong track record of growth, despite evolving industry landscape, driven by diverse business mix and leadership position in digital development**
  - ~$30 million in new business created through digital development over the last four years with significant future growth potential
  - 2.8% growth in Synchronization and Performance revenue from 2003 to 2006 provides replacement for erosion of mechanical royalties as well as further growth potential
  - Decline in Mechanical revenue due to piracy mitigated by diverse geographic mix and depth of catalog
  - International diversity has provided additional growth with strong performance in Latin America, Spain and France
- **Recent results significantly impacted by previous ownership's historical underinvestment in the business**
  - Provided significant cash flow generation, but restricted growth from 2004 – 2007
  - Under new management, WCM has returned investment to normal levels, setting the stage for portfolio expansion and near-term growth
  - Increased investment will have near-term OIBDA implications, but will begin to generate a return immediately
- **Long-term stability in NPS margins consistent with industry**
- **Significant cost reductions realized under Edgar Bronfman, Jr. with no deterioration of operational efficiency and efficacy**
- **Business continues to deliver exceptional cash flow conversion**
  - Favorable working capital dynamics
  - Strong recoupment track record

Songwriter Advance Strategy

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Advance Description

- Advances represent the largest discretionary cash outflow of the business
- Historical underinvestment in new songwriters resulted in positive cash inflows in 2003 – 2005
- Anticipated investments in 2007 will drive long-term strategy at the expense of immediate cash outflows.
- WCM focuses advances investment in key territories that represent music with a worldwide demand
- Recoupment of advances: in addition to its NPS, WCM receives 100% of a songwriter's royalty until advance has been recouped
- Even if advance is never fully recouped via a songwriter's contracted royalty percentage, a deal may still be profitable for WCM (NPS combined with portion of advance recouped may exceed advance and other costs of sales)

[redacted]

WCM's renewed investment in emerging talent will drive growth

(1) Reflects 2007 YTD and Remaining 2007 Forecasted

WCM OIBDA Discussion

($ in millions)

OIBDA (1)

[redacted]

Note: All data on FY (Sept 30) and constant currency basis.
(1) OIBDA normalized for one-time items.
(2) Reflects 2007 YTD and Remaining 2007 Forecasted

Performance Metrics

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2007 Forecasted (1) Performance v. Budgeted (2)

[redacted]

Reflects some degree of conservatism in the budget as well as management's ability to control the business

(1) Reflects 2007 YTD and Remaining 2007 Forecasted
(2) Both NPS and OIBDA are reflected before adjustments for one-time items

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Performance Metrics

Primary Drivers

- **WCM's catalog of deep standards and classics provides substantial year-over-year stability in revenues**

- **WCM's continued growth above run-rate exploitation levels is contingent upon both finding new avenues to exploit existing catalog of assets (e.g. digital opportunities and expanded sync licensing) and the acquisition of new creative content (e.g. new songwriters and territory deals)**

- **Mechanical revenues are largely driven by the market for recorded music and, as such, have historically and are expected to continue to experience a decline**
  - This is partially mitigated, however, by non-CD mechanical income such as TV and DVDs

- **Performance income remains steady due to its diversity and the continued appetite for musical consumption across a vast array of venues**

- **Synchronization royalties represent a substantial opportunity for WCM**
  - Strong, stable base again provided by WCM's catalog of standards such as "Happy Birthday," "Winter Wonderland" and "As Time Goes By"
  - Currently investing in U.S. licensing infrastructure to expand reach of synchronization efforts
  - Additional investments in production music (e.g. Non-Stop acquisition) to expand range of sync offerings

Performance Metrics

Primary Drivers (continued)

- Digital presents a very attractive and exciting growth opportunity
- Virtually all "Costs of Goods Sold" are variable providing tremendous scalability and flexibility in the business model
- Management has the ability over the short to medium term to scale overhead in response to requirements of the business and changes in revenue profile
- Limited / negative working capital and small CapEx requirements provide for tremendous free cash flow conversion
- Advances provide unique and powerful lever to control the degree of free cash flow conversion
  - In worst case scenario, can always "shut off the spigot" and induce high levels of cash flow
  - 2003-2005 provides empirical case study
  - Comes at the cost, however, of near term growth (reflected in 2006-2008 results)

Operational Cost Overview

Cost Description

- **Royalty expense**
  - Royalties paid to songwriters, co-publishers and other contract parties for income generated from the use of their copyrighted works
- **Selling, general and administrative costs**
  - Costs associated with general overhead, including A&R expenses
- **Advance Write-Offs**
  - Primarily reflects write-downs of advances to unproven songwriters as required by FAS 50
  - Provisions against advances paid to songwriters based on the expected recoverability (non-cash expenses)
- **Marketing costs**
  - Costs associated with the exploitation of copyrights

(% of costs)

2006 Operating Cost Breakdown

[redacted]

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Cost Structure

(% of SG&A)

2007[1] Components of SG&A

[redacted]

(1) Reflects 2007 YTD and Remaining 2007 Forecasted

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Performance Metrics

Production Methodology

- **2007**
  - 9 + 3 forecast from individual territories
  - Undergoes extensive review by CEO and CFO

- **2008**
  - Budgeted performance
  - Built on a country-by-country basis by territory GMs and controllers
  - Undergoes extensive executive review and oversight

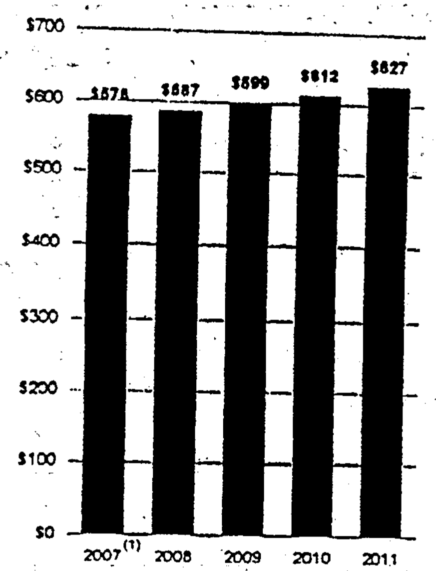
- **2009+**
  - Revenue projections built on country-by-country basis by type of income (mechanical, sync, performance, digital, other) with input from country GMs and controllers, review by CFO, and triangulation against market projection and industry pundits
  - Projections consider impact of recent in-country developments, WCM investments (e.g. increased advances in the U.S. and increased investment in licensing in the U.S. and U.K.) and catalog retention and reversion issues
  - NPS margins held constant at 2008 budget rates as management believes these to be representative of steady-state business conditions
  - Fixed overhead grown at relevant inflation rates (no significant overhead investments planned post 2008)

Proprietary and Confidential

WCM Projected Financial Performance

($ in millions)

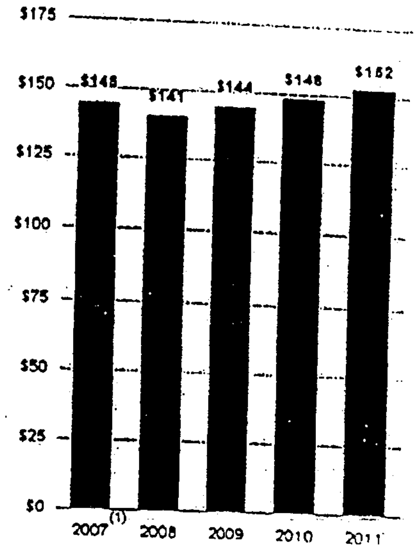
Revenue



[redacted]

($ in millions)

OIBDA



(1) Reflects 2007 YTD and Remaining 2007 Forecasted
Note: All data on FY (Sept 30) constant currency basis and adjusted for various one-time items.
Note: NPS and OIBDA normalized for one-time items and OIBDA calculated post corporate overhead allocations.

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Revenue Projections

Mechanical Revenue Growth in Key Jurisdictions

[redacted]

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Revenue Projections

Synchronization Revenue Growth in Key Jurisdictions

[redacted]

(¹) Average growth rate weighted by total revenues.

Forecasted Composition of Operations – Revenue

By Geography

(% of Revenue)[a]

[redacted]

Forecasted Composition of Operations – NPS

By Geography

[redacted]

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Appendices

WCM's Top 500 Songs by NPS

Local NPS (1) from Domestic Repertoire (2003-2006 Average)

[redacted]

(1) Represents local NPS as a total of global NPS.

WCM's Top 500 Songs by NPS (Cont'd)

Local NPS (1) from Domestic Repertoire (2003-2006 Average)

[redacted]

(1) Represents local NPS as a total of global NPS.

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WCM's Top 500 Songs by NPS (Cont'd)

Local NPS [1] from Domestic Repertoire (2003-2006 Average)

[redacted]

(1) Represents local NPS as a total of global NPS.

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WCM's Top 500 Songs by NPS (Cont'd)

Local NPS [1] from Domestic Repertoire (2003-2006 Average)

[redacted]

(1) Represents local NPS as a total of global NPS.

WCM's Top 500 Songs by NPS (Cont'd)

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Local NPS (1) from Domestic Repertoire (2003-2006 Average)

[redacted]

(1) Represents local NPS as a total of global NPS.

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WCM's Top 500 Songs by NPS (Cont'd)

Local NPS (1) from Domestic Repertoire (2003-2006 Average)

[redacted]

(1) Represents local NPS as a total of global NPS.

WCM's Top 500 Songs by NPS (Cont'd)

Local NPS (1) from Domestic Repertoire (2003-2006 Average)

[redacted]

(1) Represents local NPS as a total of global NPS.

Artist Advances

International Anticipated Time-to-Recover

Years

[redacted]

■ Gross ■ Net

Historical Net Working Capital

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CO08000363

[redacted]

Contact Information

Lehman Brothers

[redacted]

RIAA Ex. 130-RR

Consolidated Income Statement

(€ in millions)	2003	2004	2005	Projected Fiscal Year Ended December 31, 2006E	2007E	2008E	2009E	2010E
Total Net Revenues	€339.8	€345.5	€368.3	€374.5	€389.3	€409.6	€428.4	€448.9
Royalty Expense	(170.7)	(175.7)	(197.4)	(197.5)	(205.6)	(217.2)	(228.2)	(240.3)
NPS	€169.0	€169.7	€170.9	€176.9	€183.7	€192.5	€200.2	€208.5
Marketing Costs	(3.8)	(4.3)	(4.4)	(4.7)	(4.4)	(4.5)	(4.5)	(4.5)
Provision against Advances	(6.5)	(5.5)	(5.4)	(5.1)	(5.1)	(5.1)	(5.1)	(5.1)
Other Cost of Sales	(4.5)	(3.8)	(3.8)	(5.4)	(4.6)	(4.8)	(4.6)	(4.6)
SG&A (incl. Rent)	(75.4)	(73.1)	(72.0)	(75.2)	(75.1)	(75.9)	(77.7)	(79.6)
Intercompany Charges	(4.5)	(2.3)	(1.2)	(0.8)	(0.8)	(0.8)	(0.8)	(0.8)
Other Operating Income / (Exp.)	(0.1)	0.3	1.4	1.0	1.0	1.0	1.0	1.0
Adjusted EBITDA	€74.2	€80.9	€85.6	€86.9	€94.8	€102.7	€108.6	€115.0
Total D&A	(58.2)	(27.1)	(28.8)	(28.7)	(29.4)	(30.5)	(31.1)	(31.7)
Adjusted EBIT	€16.0	€53.8	€56.8	€58.1	€65.3	€72.2	€77.5	€83.3
Zomba Revenue Recognition	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
MP3.com Advances	2.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Grantsville Writers Royalty Audit	1.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Zomba Accrual Adjustment	0.0	0.0	(1.4)	0.0	0.0	0.0	0.0	0.0
MTV Settlement	0.0	0.0	0.5	0.0	0.0	0.0	0.0	0.0
German Tariff Settlement	0.0	0.0	0.5	0.0	0.0	0.0	0.0	0.0
IS&T One-Time Charges	0.0	0.0	(0.8)	(1.5)	0.0	0.0	0.0	0.0
Restructuring Costs	(1.2)	(3.7)	(0.5)	(0.4)	(2.0)	0.0	0.0	0.0
Separation Costs	0.0	(2.1)	(4.4)	0.0	0.0	0.0	0.0	0.0
Impairments	(12.5)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	€7.0	€48.0	€50.8	€56.2	€63.3	€72.2	€77.5	€83.3
Operating Statistics:								
% Growth								
Net Revenue	–	1.7%	6.6%	1.7%	4.0%	5.2%	4.6%	4.8%
NPS	–	0.4	0.7	3.5	3.8	4.8	4.0	4.1
Adjusted EBITDA	–	9.0	5.8	1.5	9.1	8.4	5.7	5.9
Adjusted EBIT	–	NM	5.4	2.4	12.4	10.5	7.3	7.4
% Margin								
NPS	49.7%	49.1%	46.4%	47.2%	47.2%	47.0%	46.7%	46.5%
Adjusted EBITDA	21.8	23.4	23.2	23.2	24.3	25.1	25.4	25.6
Adjusted EBIT	4.7	15.6	15.4	15.5	16.8	17.6	18.1	18.5

Net Asset Schedule

(€ in millions)	2004	2005	2006F	2007F	2008F	2009F	2010F
			Projected Fiscal Year Ending December 31,				
Trade & Other Accounts Receivable	39.9	43.1	43.6	44.9	46.8	48.5	50.4
Royalty Accounts Receivable	167.7	186.8	192.9	200.5	211.0	220.7	231.2
Advances	99.2	115.4	103.3	108.3	96.0	100.0	104.9
Inventories	5.7	6.5	7.5	7.0	7.0	7.1	7.1
Total Current Assets	€312.5	€351.8	€347.3	€360.7	€360.8	€376.2	€393.6
Property, Plant and Equipment	€4.7	€9.6	€11.0	€11.1	€12.5	€13.9	€14.0
Long-Term Investments	37.2	12.7	12.8	13.2	13.5	13.9	14.2
Intangible Assets	312.8	330.7	320.1	317.8	301.3	284.3	266.7
Goodwill	91.2	95.8	95.8	95.8	95.8	95.8	95.8
Total Assets	€758.2	€800.8	€787.1	€798.6	€784.0	€784.1	€784.4
Trade & Other Accounts Payable	€35.6	€43.1	€45.2	€47.1	€49.8	€52.5	€55.4
Royalty Accounts Payable	302.5	345.3	351.0	358.0	367.7	376.7	386.4
Total Current Liabilities	€338.1	€388.4	€396.1	€405.1	€417.6	€429.1	€441.7
Provisions for Pension	6.1	5.9	5.9	5.9	5.9	5.9	5.9
Other Provisions	6.4	2.9	2.9	2.9	2.9	2.9	2.9
Total Liabilities	€350.6	€397.3	€405.0	€414.0	€426.4	€438.0	€450.6
Net Operating Assets	€407.6	€403.4	€382.1	€384.6	€357.6	€346.1	€333.8

Consolidated Cash Flow Statement

(€ in millions)	2004	2005	Projected Fiscal Year Ending December 31, 2006E	2007E	2008E	2009E	2010E
EBIT	€48 0	€50.6	€56.2	€63.3	€72.2	€77.5	€85.3
Depreciation of PP&E and Sheet Rental Music	1 5	1.8	2.1	2.1	2.1	2.1	2.1
Amortization of Rights and Licenses	25 5	27.1	26.8	27.3	28.4	29.0	29.6
Bad Debt Expense	0 5	0.5	0.5	0.5	0.5	0.5	0.5
Provision Against Advances	5 5	5.4	5.1	5.1	5.1	5.1	5.1
Other Provisions	0 6	0.4	0.0	0.0	0.0	0.0	0.0
APM Investment Income	(0 9)	(0.7)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)
APM Dividends	0 0	0.0	0.8	0.5	0.5	0.5	0.5
Other	(0 4)	(0.3)	0.0	0.0	0.0	0.0	0.0
Pre-Tax Funds From Operations	**€80.4**	**€84.7**	**€90.4**	**€98.0**	**€107.9**	**€113.8**	**€120.2**
(Inc.) Dec. in Trade and Other Accounts Receivable	(€3 6)	(€0.9)	(€1.0)	(€1.7)	(€2.4)	(€2.2)	(€2.4)
(Inc.) Dec. in Royalty Accounts Receivable	(6 8)	(19.4)	(6.1)	(7.6)	(10.5)	(9.7)	(10.5)
(Inc.) Dec. in Net Advances	13 3	(32.4)	7.0	(10.0)	7.2	(9.0)	(10.0)
(Inc.) Dec. in Inventory / CD Production	0 4	(0.8)	(1.0)	0.4	(0.0)	(0.0)	(0.0)
Inc. (Dec.) in Trade and Other Accounts Payable	(1 7)	2.2	2.1	1.9	2.8	2.6	2.9
Inc. (Dec.) in Royalty Accounts Payable	8 6	42.8	5.6	7.1	9.7	8.9	9.7
Pre-Tax Cash Flow From Operating Activities	**€90.7**	**€78.2**	**€97.1**	**€88.0**	**€114.7**	**€104.8**	**€109.8**
Investments in Tangible Assets (Capex)	(2 1)	(8.2)	(3.5)	(2.2)	(3.5)	(3.5)	(2.2)
Pre-Tax Free Cash Flow	**€88.6**	**€70.0**	**€93.6**	**€85.8**	**€111.2**	**€101.0**	**€107.6**
Investments in Intangible Assets (Acquisitions)	(€4 2)	(€29.1)	(€16.0)	(€25.0)	(€12 0)	(€12.0)	(€12.0)
Pre-Tax Free Cash Flow Post Acquisitions	**€84.3**	**€40.9**	**€77.6**	**€60.8**	**€99.2**	**€89.0**	**€95.6**

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2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Consolidated Business
WORLDWIDE PUBLISHING
(€ 000's)

WITH ACQUISITIONS

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	151,592	155,049	158,588	162,169	165,833
Performance	99,204	103,020	107,106	111,258	115,587
Sync	73,097	74,848	78,578	82,486	86,605
New Media	7,812	9,759	12,680	16,477	21,412
Print	22,873	23,106	23,344	23,419	23,901
Foreign	-	-	-	-	-
Acquisition	1,030	4,148	9,547	12,571	15,595
Other	18,915	19,351	19,803	20,054	20,318
Total Revenue	374,493	389,292	409,644	420,432	448,850
Royalty Expense					
Mechanical	(97,555)	(99,782)	(102,063)	(104,381)	(106,752)
Performance	(43,415)	(45,128)	(46,977)	(48,881)	(50,867)
Sync	(34,143)	(34,738)	(36,647)	(38,659)	(40,786)
New Media	(5,942)	(7,424)	(9,648)	(12,539)	(16,297)
Print	(4,676)	(4,740)	(4,805)	(4,849)	(4,864)
Foreign	-	-	-	-	-
Acquisition	(730)	(2,642)	(5,885)	(7,703)	(9,521)
Other	(3,020)	(3,066)	(3,114)	(3,111)	(3,109)
Total Royalty Expense	(189,501)	(197,523)	(209,138)	(220,122)	(232,228)
Cost of Sales	(8,006)	(8,086)	(8,086)	(8,117)	(8,140)
UK International Addback	40	40	40	40	40
NPS	176,946	183,723	192,482	200,222	208,514
	1,870	2,335	3,032	3,937	5,115
Marketing Costs	(4,659)	(4,439)	(4,470)	(4,502)	(4,534)
Provision against Advances	(5,059)	(5,059)	(5,059)	(5,059)	(5,059)
Depreciation Rights and Licenses incl.Tech Tra	(26,638)	(27,332)	(28,407)	(29,007)	(29,607)
Oapr of Sheet Music Rental	(330)	(380)	(380)	(380)	(380)
Other Cost of Sales	(5,430)	(4,571)	(4,571)	(4,571)	(4,571)
Total Cost of Sales (excl royalty exp)	(42,136)	(41,782)	(42,888)	(43,520)	(44,152)
Adjusted NPS	134,909	141,940	149,573	156,712	164,382
SG&A (excl items below)	(69,505)	(69,358)	(70,050)	(71,801)	(73,596)
Depreciation Tangible Assets	(1,728)	(1,728)	(1,728)	(1,728)	(1,728)
Rent	(5,676)	(5,761)	(5,847)	(5,935)	(6,024)
BMG Publishing Intercompany Charge	8	8	8	8	8
Bertelsmann I/C Charge	(809)	(809)	(809)	(809)	(809)
Internal Service Charge	(1)	(1)	(1)	(1)	(1)
Total SG&A	(77,709)	(77,848)	(79,426)	(80,265)	(82,149)
Results and Depreciation of Investments	194	194	194	194	194
Other Operating Inc/(Ded)	855	855	855	855	855
Restructuring Expenses	(1,930)	(2,000)	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	(881)	(951)	1,049	1,049	1,049
Total Impairments & Amortization	-	-	-	-	-
EBIT	56,218	63,341	72,196	77,498	83,261
EBIT (before extraordinary)	58,149	65,118	72,196	77,498	82,261
EBITDA	84,964	92,781	102,711	108,611	114,976
NPS % Revenues	47.2%	47.2%	47.0%	46.7%	46.5%
TOTAL SG&A % Revenues	21%	20%	19%	19%	18%
TOTAL SG&A % NPS	44%	42%	41%	40%	39%
EBIT ROS% (before extraordinary)	15.5%	16.7%	17.6%	18.1%	18.5%
EBIT ROS%	15.0%	16.3%	17.6%	18.1%	18.5%
EBITDA ROS%	22.7%	23.8%	25.1%	25.4%	25.6%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN

PROFIT AND LOSS STATEMENT
Core Business
WORLDWIDE PUBLISHING
(€ 000's)

WITH ACQUISITIONS

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	147,091	150,473	153,935	157,476	161,098
Performance	78,554	81,804	85,281	88,905	92,683
Sync	37,670	33,853	35,352	38,181	40,548
New Media	7,785	9,732	12,652	16,447	21,391
Print	11,620	11,860	12,097	12,339	12,500
Foreign	-	-	-	-	-
Acquisition	1,000	4,198	9,347	12,571	15,595
Other	5,826	6,059	6,302	6,554	6,816
Total Revenue	285,555	297,932	315,765	332,473	350,708
Royalty Expense					
Mechanical	(96,281)	(98,496)	(100,761)	(103,079)	(105,450)
Performance	(39,900)	(41,533)	(43,298)	(45,138)	(47,057)
Sync	(23,601)	(23,780)	(25,254)	(26,820)	(28,483)
New Media	(5,929)	(7,411)	(9,635)	(12,525)	(15,282)
Print	(3,197)	(3,251)	(3,316)	(3,392)	(3,450)
Foreign	-	-	-	-	-
Acquisition	(750)	(2,642)	(5,885)	(7,733)	(9,521)
Other	(285)	(297)	(308)	(321)	(334)
Total Royalty Expense	(169,934)	(177,410)	(188,458)	(198,948)	(210,576)
Cost of Sales	(3,917)	(3,917)	(3,917)	(3,917)	(3,917)
UK International Addback	40	40	40	40	40
NPS	111,744	116,844	123,430	129,627	136,254
Marketing Costs	(2,387)	(2,387)	(2,387)	(2,387)	(2,387)
Provision against Advances	(5,053)	(5,053)	(5,053)	(5,053)	(5,053)
Depreciation Rights and Licenses incl.Tech Tra	(21,732)	(22,397)	(23,472)	(24,072)	(24,672)
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	(1,498)	(1,096)	(1,095)	(1,096)	(1,096)
Total Cost of Sales (excl royalty exp)	(30,838)	(30,933)	(32,008)	(32,608)	(33,208)
Adjusted NPS	81,208	85,711	91,423	97,020	103,047
SG&A (excl items below)	(50,474)	(50,615)	(51,220)	(52,500)	(53,812)
Depreciation Tangible Assets	(1,242)	(1,242)	(1,242)	(1,242)	(1,242)
Rent	(4,112)	(4,174)	(4,235)	(4,330)	(4,365)
BMG Publishing Intercompany Charge	1,050	1,050	1,050	1,050	1,050
Bertelsmann I/C Charge	(561)	(561)	(561)	(561)	(561)
Internal Service Charge	3,671	3,671	3,671	3,671	3,671
Total SG&A	(51,669)	(51,871)	(52,539)	(53,883)	(55,260)
Results and Depreciation of Investments	194	194	194	194	194
Other Operating Inc/(Ded)	6	6	6	6	6
Restructuring Expenses	(1,775)	(1,502)	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	(1,576)	(1,302)	199	199	199
Total Impairments & Amortization	-	-	-	-	-
EBIT	27,861	32,537	39,083	43,336	47,988
EBIT (before extraordinary)	29,636	34,039	39,083	43,336	47,988
EBITDA	50,806	56,176	62,798	68,651	73,900
NPS % Revenues	39%	39%	39%	39%	39%
TOTAL SG&A % Revenues	18%	17%	17%	16%	16%
TOTAL SG&A % NPS	46%	44%	43%	42%	41%
EBIT ROS% (before extraordinary)	10.4%	11.4%	12.4%	13.0%	13.7%
EBIT ROS%	9.8%	10.9%	12.4%	13.0%	13.7%
EBITDA ROS%	17.8%	18.9%	20.2%	20.6%	21.1%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Production Music

WORLDWIDE PUBLISHING
(€ 000's)
WITH ACQUISITIONS

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	1,778	1,853	1,931	2,012	2.094
Performance	14,050	14,626	15,225	15,850	16.530
Sync	30,229	39,796	41,420	43,125	44.094
New Media	25	27	28	29	30
Print	18	19	20	21	22
Foreign	-	-	-	-	-
Other	1,404	1,461	1,521	1,583	1,648
Total Revenue	55,504	57,782	60,153	62,621	65,188
Royalty Expense					
Mechanical	(321)	(334)	(348)	(363)	(378)
Performance	(1,950)	(2,040)	(2,124)	(2,211)	(2,302)
Sync	(10,160)	(10,505)	(11,019)	(11,471)	(11,941)
New Media	(13)	(13)	(14)	(14)	(15)
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	(12,442)	(12,973)	(13,506)	(14,060)	(14,636)
Cost of Sales	(28)	(28)	(28)	(28)	(28)
UK International Addback	-	-	-	-	-
NPS	43,014	44,780	46,619	48,533	50,524
Marketing Costs	(1,774)	(1,554)	(1,585)	(1,617)	(1,649)
Provision against Advances	(6)	(6)	(6)	(6)	(6)
Depreciation Rights and Licenses incl.Tech Tra	(3,339)	(3,339)	(3,339)	(3,339)	(3,339)
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	(3,623)	(3,355)	(3,355)	(3,355)	(3,355)
Total Cost of Sales (excl royalty exp)	(8,743)	(8,255)	(8,286)	(8,317)	(8,350)
Adjusted NPS	34,271	36,526	38,333	40,216	42,174
SG&A (excl items below)	(11,928)	(11,819)	(11,910)	(12,208)	(12,513)
Depreciation Tangible Assets	(282)	(282)	(282)	(282)	(282)
Rent	(823)	(835)	(848)	(861)	(873)
BMG Publishing Intercompany Charge	(1,151)	(1,151)	(1,151)	(1,151)	(1,151)
Bertelsmann I/C Charge	(166)	(166)	(166)	(166)	(166)
Internal Service Charge	(1,622)	(1,622)	(1,622)	(1,622)	(1,622)
Total SG&A	(15,972)	(15,875)	(15,980)	(16,290)	(16,608)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	863	863	863	863	863
Restructuring Expenses	(80)	(275)	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	783	588	863	863	863
Total Impairments & Amortization	-	-	-	-	-
EBIT	19,082	21,238	23,217	24,789	26,429
EBIT (before extraordinary)	19,162	21,513	23,217	24,789	26,429
EBITDA	22,703	24,860	26,838	28,410	30,050
NPS % Revenue	77%	77%	78%	78%	78%
TOTAL SG&A % Revenues	29%	27%	27%	26%	25%
TOTAL SG&A % NPS	37%	35%	34%	34%	33%
EBIT ROS% (before extraordinary)	34.5%	37.2%	38.6%	39.6%	40.5%
EBIT ROS%	34.4%	36.8%	38.6%	39.6%	40.5%
EBITDA ROS%	40.9%	43.0%	44.6%	45.4%	46.1%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Printed Music
WORLDWIDE PUBLISHING
(€ 000's)
WITH ACQUISITIONS

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	1	1	1	1	1
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	10,829	10,829	10,829	10,667	10,507
Foreign	-	-	-	-	-
Other	150	150	150	150	150
Total Revenue	10,981	10,981	10,981	10,818	10,658
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	(1,429)	(1,429)	(1,429)	(1,407)	(1,386)
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	(1,429)	(1,429)	(1,429)	(1,407)	(1,386)
Cost of Sales	(3,602)	(3,602)	(3,602)	(3,634)	(3,665)
UK International Addback	-	-	-	-	-
NPS	5,949	5,949	5,949	5,777	5,607
Marketing Costs	(265)	(265)	(265)	(265)	(265)
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl Tech Tra	(24)	(24)	(24)	(24)	(24)
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	(132)	(12)	(12)	(12)	(12)
Total Cost of Sales (excl royalty exp)	(421)	(301)	(301)	(301)	(301)
Adjusted NPS	5,528	5,648	5,648	5,476	5,306
SG&A (excl items below)	(2,812)	(2,882)	(2,954)	(3,028)	(3,104)
Depreciation Tangible Assets	(119)	(119)	(119)	(119)	(119)
Rent	(449)	(456)	(463)	(470)	(477)
BMG Publishing Intercompany Charge	13	13	13	13	13
Bertelsmann I/C Charge	(21)	(21)	(21)	(21)	(21)
Internal Service Charge	(384)	(384)	(384)	(384)	(384)
Total SG&A	(3,772)	(3,849)	(3,928)	(4,009)	(4,092)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	14	14	14	14	14
Restructuring Expenses	(75)	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	(61)	14	14	14	14
Total Impairments & Amortization	-	-	-	-	-
EBIT	1,695	1,813	1,734	1,481	1,228
EBIT (before extraordinary)	1,770	1,813	1,734	1,481	1,228
EBITDA	1,829	1,958	1,878	1,624	1,372
NPS % Revenues	54%	54%	54%	53%	53%
TOTAL SG&A % Revenues	34%	35%	36%	37%	38%
TOTAL SG&A % NPS	63%	65%	66%	69%	73%
EBIT ROS% (before extraordinary)	16.1%	16.5%	15.8%	13.7%	11.5%
EBIT ROS%	15.4%	16.5%	15.8%	13.7%	11.5%
EBITDA ROS%	16.7%	17.8%	17.1%	15.0%	12.9%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Rights & Rentals
WORLDWIDE PUBLISHING
(€ 000's)

WITH ACQUISITIONS

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	2,720	2,720	2,720	2,680	2,639

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Performance	6,600	6,600	6,500	6,501	6,404
Sync	1,198	1,198	1,198	1,180	1,153
New Media	1	1	1	1	1
Print	398	398	398	392	386
Foreign	-	-	-	-	-
Other	11,539	11,691	11,830	11,767	11,703
Total Revenue	22,452	22,598	22,748	22,520	22,296
Royalty Expense					
Mechanical	(953)	(953)	(953)	(939)	(925)
Performance	(1,555)	(1,555)	(1,555)	(1,531)	(1,509)
Sync	(373)	(373)	(373)	(368)	(362)
New Media	-	-	-	-	-
Print	(60)	(60)	(60)	(59)	(58)
Foreign	-	-	-	-	-
Other	(2,735)	(2,770)	(2,805)	(2,790)	(2,775)
Total Royalty Expense	(5,677)	(5,713)	(5,746)	(5,687)	(5,629)
Cost of Sales	(538)	(538)	(538)	(538)	(538)
UK International Addback	-	-	-	-	-
NPS	16,298	16,349	16,483	16,295	16,129
Marketing Costs	(233)	(233)	(233)	(233)	(233)
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	(1,573)	(1,573)	(1,573)	(1,573)	(1,573)
Depr of Sheet Music Rental	(380)	(380)	(380)	(380)	(380)
Other Cost of Sales	(148)	(108)	(100)	(109)	(100)
Total Cost of Sales (excl royalty exp)	(2,334)	(2,294)	(2,294)	(2,294)	(2,294)
Adjusted NPS	13,904	14,055	14,169	14,001	13,835
SG&A (excl items below)	(4,291)	(4,043)	(3,965)	(4,063)	(4,167)
Depreciation Tangible Assets	(84)	(84)	(84)	(84)	(84)
Rent	(291)	(295)	(300)	(304)	(309)
BMG Publishing Intercompany Charge	96	96	96	96	96
Bertelsmann I/C Charge	(62)	(62)	(62)	(62)	(62)
Internal Service Charge	(1,665)	(1,665)	(1,665)	(1,635)	(1,565)
Total SG&A	(6,296)	(6,052)	(5,980)	(6,083)	(6,190)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	(27)	(27)	(27)	(27)	(27)
Restructuring Expenses	-	(223)	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	(27)	(250)	(27)	(27)	(27)
Total Impairments & Amortization	-	-	-	-	-
EBIT	7,581	7,752	8,162	7,890	7,618
EBIT (before extraordinary)	7,581	7,752	8,162	7,890	7,618
EBITDA	9,617	9,789	10,198	9,928	9,654
NPS % Revenues	72%	72%	72%	72%	72%
TOTAL SG&A % Revenues	28%	27%	26%	27%	28%
TOTAL SG&A % NPS	39%	37%	36%	37%	38%
EBIT ROS% (before extraordinary)	33.8%	34.3%	35.9%	35.0%	34.2%
EBIT ROS%	33.8%	34.3%	35.9%	35.0%	34.2%
EBITDA ROS%	42.8%	43.3%	44.8%	44.1%	43.2%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Classical Music
WORLDWIDE PUBLISHING
(€ 000's)

WITH ACQUISITIONS

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	2,722	2,722	2,722	2,681	2,641
Performance	6,600	6,600	6,500	6,501	6,404
Sync	1,190	1,198	1,190	1,100	1,153
New Media	1	1	1	1	1
Print	11,227	11,227	11,227	11,059	10,892

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Foreign	-	-	-	-	-
Other	11,685	11,821	11,880	11,917	11,852
Total Revenue	33,433	33,579	33,728	33,338	32,954
Royalty Expense					
Mechanical	(953)	(953)	(953)	(939)	(925)
Performance	(1,555)	(1,555)	(1,555)	(1,531)	(1,509)
Sync	(373)	(373)	(373)	(368)	(362)
New Media	-	-	-	-	-
Print	(1,489)	(1,489)	(1,489)	(1,457)	(1,445)
Foreign	-	-	-	-	-
Other	(2,735)	(2,720)	(2,805)	(2,790)	(2,773)
Total Royalty Expense	(7,105)	(7,140)	(7,175)	(7,095)	(7,015)
Cost of Sales	(4,141)	(4,141)	(4,141)	(4,172)	(4,203)
UK International Addback	-	-	-	-	-
NPS	22,187	22,298	22,412	22,072	21,738
Marketing Costs	(499)	(499)	(499)	(499)	(499)
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl Tech Tra	(1,597)	(1,597)	(1,597)	(1,597)	(1,597)
Depr of Sheet Music Rental	(380)	(380)	(380)	(380)	(380)
Other Cost of Sales	(280)	(120)	(120)	(120)	(120)
Total Cost of Sales (excl royalty exp)	(2,755)	(2,595)	(2,595)	(2,595)	(2,595)
Adjusted NPS	19,432	19,703	19,817	19,476	19,140
SGBA (excl items below)	(7,102)	(6,925)	(6,920)	(7,093)	(7,271)
Depreciation Tangible Assets	(203)	(203)	(203)	(203)	(203)
Rent	(740)	(752)	(763)	(774)	(785)
BMG Publishing Intercompany Charge	109	109	109	109	109
Bertelsmann I/C Charge	(82)	(82)	(82)	(82)	(82)
Internal Service Charge	(2,049)	(2,049)	(2,049)	(2,049)	(2,049)
Total SGBA	(10,068)	(9,901)	(9,908)	(10,092)	(10,281)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	(13)	(13)	(13)	(13)	(13)
Restructuring Expenses	(75)	(223)	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	(88)	(236)	(13)	(13)	(13)
Total Impairments & Amortization	-	-	-	-	-
EBIT	9,276	9,566	9,896	9,371	8,846
EBIT (before extraordinary)	9,351	9,788	9,896	9,371	8,846
EBITDA	11,455	11,748	12,075	11,550	11,035
NPS % Revenue	66%	66%	66%	66%	66%
TOTAL SGBA % Revenues	30%	29%	29%	30%	31%
TOTAL SGBA % NPS	45%	44%	44%	46%	47%
EBIT ROS% (before extraordinary)	28.0%	28.5%	29.3%	28.1%	26.8%
EBIT ROS%	27.7%	28.5%	29.3%	28.1%	26.8%
EBITDA ROS%	34.3%	35.0%	35.8%	34.6%	33.5%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Consolidated Business
ELIMINATION
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	(62,274)	(63,729)	(65,219)	(66,743)	(68,301)
Performance	(28,302)	(29,461)	(30,699)	(31,956)	(33,327)
Sync	(15,226)	(15,481)	(16,330)	(17,226)	(18,174)
New Media	-	-	-	-	-
Print	(2,111)	(2,111)	(2,111)	(2,079)	(2,048)
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	(4,890)	(4,952)	(5,015)	(4,999)	(4,962)
Total Revenue	(112,803)	(115,735)	(119,375)	(123,023)	(126,811)
Royalty Expense					
Mechanical	62,274	63,729	65,219	66,743	68,301
Performance	28,302	29,461	30,699	31,956	33,127
Sync	15,226	15,481	16,330	17,226	18,174
New Media	-	-	-	-	-
Print	10	10	10	10	10
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	4,890	4,952	5,015	4,999	4,962
Total Royalty Expense	110,702	113,634	117,274	120,952	124,772
Cost of Sales	2,101	2,101	2,101	2,059	2,038
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount	-	-	-	-	-
NPS % Revenue	0%	0%	0%	0%	0%
TOTAL SG&A % Revenue	0%	0%	0%	0%	0%
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	0%	0%	0%	0%	0%
EBIT ROS%	0%	0%	0%	0%	0%
EBITDA ROS%	0%	0%	0%	0%	0%
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BMG MUSIC PUBLISHING
2006 BUSINESS PLAN

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PROFIT AND LOSS STATEMENT
Core Business
ELIMINATION
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
	-25%	-25%	-25%	-25%	-25%
Mechanical	(60,687)	(62,082)	(63,510)	(64,971)	(66,465)
Performance	(26,105)	(27,183)	(28,340)	(29,545)	(30,800)
Sync	(10,309)	(10,364)	(11,007)	(11,690)	(12,414)
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	(97,100)	(99,632)	(102,857)	(106,205)	(109,680)
Royalty Expense					
Mechanical	60,687	62,082	63,510	64,971	66,465
Performance	25,105	27,183	28,340	29,545	30,800
Sync	10,309	10,364	11,007	11,690	12,414
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	97,100	99,632	102,857	106,205	109,680
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount	-	-	-	-	-
NPS % Revenues	0%	0%	0%	0%	0%
TOTAL SG&A % Revenues	0%	0%	0%	0%	0%
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	0%	0%	0%	0%	0%
EBIT ROS%	0%	0%	0%	0%	0%
EBITDA ROS%	0%	0%	0%	0%	0%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Production Music

ELIMINATION
(€ 000's)

	-13%	-13%	-13%	-13%	-13%
	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	(1,427)	(1,487)	(1,549)	(1,614)	(1,680)
Performance	(1,934)	(2,013)	(2,095)	(2,151)	(2,271)
Sync	(4,940)	(5,038)	(5,245)	(5,450)	(5,683)
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	(8,200)	(8,538)	(8,889)	(9,255)	(9,634)
Royalty Expense					
Mechanical	1,427	1,487	1,549	1,614	1,680
Performance	1,934	2,013	2,095	2,191	2,271
Sync	4,940	5,038	5,245	5,450	5,683
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	8,200	8,538	8,889	9,255	9,634
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount	-	-	-	-	-
NPS % Revenue	0%	0%	0%	0%	0%
TOTAL SG&A % Revenue	0%	0%	0%	0%	0%
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	0%	0%	0%	0%	0%
EBIT ROS%	0%	0%	0%	0%	0%
EBITDA ROS%	0%	0%	0%	0%	0%

BMG MUSIC PUBLISHING
2008 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Printed Music
ELIMINATION
(€ 000's)

-16%	-16%	-16%	-15%	-16%

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	(2,101)	(2,101)	(2,101)	(2,059)	(2,038)
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	(2,101)	(2,101)	(2,101)	(2,059)	(2,038)
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	2,101	2,101	2,101	2,059	2,038
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount	-	-	-	-	-
NPS % Revenues	0%	0%	0%	0%	0%
TOTAL SG&A % Revenues	0%	0%	0%	0%	0%
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	0%	0%	0%	0%	0%
EBIT ROS%	0%	0%	0%	0%	0%
EBITDA ROS%	0%	0%	0%	0%	0%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Rights & Rentals
ELIMINATION
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
	-19%	-19%	-19%	-19%	-19%
Mechanical	(160)	(160)	(160)	(158)	(155)

Performance	(264)	(264)	(264)	(250)	(256)
Sync	(78)	(78)	(78)	(77)	(76)
New Media	-	-	-	-	-
Print	(10)	(10)	(10)	(10)	(10)
Foreign	-	-	-	-	-
Other	(4,890)	(4,952)	(5,015)	(4,999)	(4,962)
Total Revenue	(5,403)	(5,465)	(5,528)	(5,493)	(5,459)
Royalty Expense					
Mechanical	160	160	160	150	155
Performance	264	264	264	250	256
Sync	78	78	79	77	76
New Media	-	-	-	-	-
Print	10	10	10	10	10
Foreign	-	-	-	-	-
Other	4,890	4,952	5,015	4,999	4,962
Total Royalty Expense	5,403	5,465	5,528	5,493	5,459
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses Incl Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount	-	-	-	-	-
NPS % Revenues	0%	0%	0%	0%	0%
TOTAL SG&A % Revenues	0%	0%	0%	0%	0%
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	0%	0%	0%	0%	0%
EBIT ROS%	0%	0%	0%	0%	0%
EBITDA ROS%	0%	0%	0%	0%	0%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Classical Music
ELIMINATION
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	(160)	(160)	(160)	(159)	(155)
Performance	(264)	(264)	(264)	(250)	(256)
Sync	(78)	(78)	(78)	(77)	(76)
New Media	-	-	-	-	-
Print	(2,111)	(2,111)	(2,111)	(2,079)	(2,048)

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Foreign	-	-	-	-	-
Other	(4,890)	(4,952)	(5,015)	(4,989)	(4,962)
Total Revenues	(7,504)	(7,565)	(7,629)	(7,583)	(7,497)
Royalty Expense					
Mechanical	160	160	160	158	153
Performance	264	264	264	250	256
Sync	78	78	78	77	78
New Media	-	-	-	-	-
Print	10	10	10	10	10
Foreign	-	-	-	-	-
Other	4,890	4,952	5,019	4,989	4,962
Total Royalty Expense	5,403	5,465	5,529	5,493	5,459
Cost of Sales	2,101	2,101	2,101	2,059	2,038
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount	-	-	-	-	-
NPS % Revenues	0%	0%	0%	0%	0%
TOTAL SG&A % Revenues	0%	0%	0%	0%	0%
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	0%	0%	0%	0%	0%
EBIT ROS%	0%	0%	0%	0%	0%
EBITDA ROS%	0%	0%	0%	0%	0%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Consolidated Business
WORLDWIDE BEFORE ELIMINATION
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	213,965	218,778	223,807	228,911	234,134
Performance	127,506	132,491	137,806	143,242	148,914
Sync	88,324	90,328	94,908	99,714	104,779
New Media	7,912	9,759	12,680	16,477	21,412
Print	24,984	25,217	25,455	25,498	25,549
Foreign	-	-	-	-	-
Acquisition	1,000	4,148	9,547	12,571	15,595
Other	23,809	24,304	24,010	25,042	25,279
Total Revenue	487,296	505,026	529,021	551,454	575,661
Royalty Expense					
Mechanical	(159,829)	(163,513)	(167,282)	(171,123)	(175,053)
Performance	(71,717)	(74,590)	(77,678)	(80,867)	(84,194)
Sync	(49,369)	(50,219)	(52,977)	(55,885)	(58,960)
New Media	(5,942)	(7,424)	(9,648)	(12,539)	(16,297)
Print	(4,686)	(4,750)	(4,815)	(4,859)	(4,904)
Foreign	-	-	-	-	-
Acquisition	(750)	(2,642)	(5,005)	(7,763)	(9,521)
Other	(7,911)	(8,019)	(8,129)	(8,099)	(8,070)
Total Royalty Expense	(300,203)	(311,156)	(326,412)	(341,075)	(357,001)
Cost of Sales	(10,187)	(10,187)	(10,187)	(10,187)	(10,187)
UK International Addback	40	40	40	40	40
NPS	176,946	183,723	192,462	200,232	208,514
Marketing Costs	(4,659)	(4,439)	(4,470)	(4,502)	(4,534)
Provision against Advances	(5,059)	(5,059)	(5,059)	(5,059)	(5,059)
Depreciation Rights and Licenses incl.Tech Tra	(26,538)	(27,332)	(28,407)	(29,007)	(29,607)
Depr of Sheet Music Rental	(380)	(380)	(380)	(380)	(380)
Other Cost of Sales	(5,400)	(4,571)	(4,571)	(4,571)	(4,571)
Total Cost of Sales (excl royalty exp)	(42,136)	(41,782)	(42,888)	(43,520)	(44,152)
Adjusted NPS	134,809	141,940	149,573	156,712	164,362
SG&A (excl items below)	(69,505)	(69,358)	(70,050)	(71,801)	(73,596)
Depreciation Tangible Assets	(1,728)	(1,728)	(1,728)	(1,728)	(1,728)
Rent	(5,676)	(5,761)	(5,847)	(5,935)	(6,024)
BMG Publishing Intercompany Charge	8	8	8	8	8
Bertelsmann I/C Charge	(809)	(809)	(809)	(809)	(809)
Internal Service Charge	(1)	(1)	(1)	(1)	(1)
Total SG&A	(77,709)	(77,648)	(78,426)	(80,265)	(82,149)
Results and Depreciation of Investments	194	194	194	194	194
Other Operating Inc/(Ded)	855	855	855	855	855
Restructuring Expenses	(1,930)	(2,000)	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	(881)	(951)	1,049	1,049	1,049
Total Impairments & Amortization	-	-	-	-	-
EBIT	56,218	63,341	72,196	77,496	83,201
EBIT (before extraordinary)	58,149	65,118	72,196	77,496	83,201
EBITDA	84,964	92,781	102,711	108,611	114,976
Headcount	-	-	-	-	-
NPS % Revenues	36%	36%	36%	36%	36%
TOTAL SG&A % Revenues	16%	15%	15%	15%	14%
TOTAL SG&A % NPS	44%	42%	41%	40%	39%
EBIT ROS% (before extraordinary)	12%	13%	14%	14%	14%
EBIT ROS%	12%	13%	14%	14%	14%
EBITDA ROS%	17%	18%	19%	20%	20%

PROFIT AND LOSS STATEMENT
Core Business
WORLDWIDE BEFORE ELIMINATION
(€ 000's)

212,557
211,934

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	207,778	212,557	217,446	222,447	227,563
Performance	104,659	108,989	113,621	118,450	123,484
Sync	43,979	44,218	46,959	49,870	52,962
New Media	7,786	9,732	12,652	16,447	21,301
Print	11,526	11,860	12,097	12,339	12,586
Foreign	-	-	-	-	-
Acquisition	1,000	4,148	9,547	12,571	15,595
Other	5,826	6,059	6,202	6,554	6,016
Total Revenue	382,655	397,563	418,623	438,678	460,388
Royalty Expense					
Mechanical	(159,968)	(160,378)	(164,271)	(168,030)	(171,919)
Performance	(65,004)	(68,716)	(71,638)	(74,683)	(77,857)
Sync	(33,910)	(34,145)	(36,262)	(38,510)	(40,897)
New Media	(5,929)	(7,411)	(9,635)	(12,525)	(16,282)
Print	(3,187)	(3,251)	(3,316)	(3,382)	(3,450)
Foreign	-	-	-	-	-
Acquisition	(750)	(2,642)	(5,885)	(7,703)	(5,521)
Other	(285)	(297)	(308)	(321)	(334)
Total Royalty Expense	(267,034)	(277,041)	(291,315)	(305,173)	(320,258)
Cost of Sales	(3,917)	(3,917)	(3,917)	(3,917)	(3,917)
UK International Addback	40	40	40	40	40
NPS	111,744	116,644	123,430	129,627	136,254
Marketing Costs	(2,387)	(2,387)	(2,387)	(2,387)	(2,387)
Provision against Advances	(5,053)	(5,053)	(5,053)	(5,053)	(5,053)
Depreciation Rights and Licenses incl.Tech Tra	(21,702)	(22,397)	(23,472)	(24,072)	(24,672)
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	(1,496)	(1,096)	(1,096)	(1,096)	(1,096)
Total Cost of Sales (excl royalty exp)	(30,638)	(30,933)	(32,008)	(32,608)	(33,208)
Adjusted NPS	81,106	85,711	91,423	97,020	103,047
SG&A (excl items below)	(50,474)	(50,615)	(51,220)	(52,500)	(53,813)
Depreciation Tangible Assets	(1,242)	(1,242)	(1,242)	(1,242)	(1,242)
Rent	(4,112)	(4,174)	(4,236)	(4,300)	(4,365)
BMG Publishing Intercompany Charge	1,050	1,050	1,050	1,050	1,050
Bertelsmann I/C Charge	(561)	(561)	(561)	(561)	(561)
Internal Service Charge	3,671	3,671	3,671	3,671	3,671
Total SG&A	(51,669)	(51,871)	(52,539)	(53,883)	(55,260)
Results and Depreciation of Investments	194	194	194	194	194
Other Operating Inc/(Ded)	6	6	6	6	6
Restructuring Expenses	(1,775)	(1,502)	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	(1,576)	(1,303)	199	199	199
Total Impairments & Amortization	-	-	-	-	-
EBIT	27,861	32,537	39,083	43,236	47,986
EBIT (before extraordinary)	29,636	34,039	39,082	43,236	47,986
EBITDA	50,806	58,176	63,798	68,651	73,800
Headcount	-	-	-	-	-
NPS % Revenues	29%	29%	29%	30%	30%
TOTAL SG&A % Revenues	14%	13%	13%	12%	12%
TOTAL SG&A % NPS	46%	44%	43%	42%	41%
EBIT ROS% (before extraordinary)	8%	9%	9%	10%	10%
EBIT ROS%	7%	8%	9%	10%	10%
EBITDA ROS%	13%	14%	15%	16%	16%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Production Music

WORLDWIDE BEFORE ELIMINATION
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	3,205	3,340	3,480	3,626	3,775
Performance	15,983	16,639	17,321	18,031	18,770
Sync	43,068	44,834	46,672	48,586	50,578
New Media	25	27	28	29	30
Print	18	19	20	21	22
Foreign	-	-	-	-	-
Other	1,404	1,461	1,521	1,583	1,648
Total Revenue	63,704	66,319	69,042	71,876	74,823
Royalty Expense					
Mechanical	(1,748)	(1,821)	(1,898)	(1,977)	(2,058)
Performance	(3,894)	(4,053)	(4,220)	(4,393)	(4,573)
Sync	(15,008)	(15,624)	(16,264)	(16,930)	(17,625)
New Media	(13)	(13)	(14)	(14)	(15)
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	(20,662)	(21,511)	(22,395)	(23,315)	(24,270)
Cost of Sales	(28)	(28)	(28)	(28)	(28)
UK International Addback	-	-	-	-	-
NPS	43,014	44,780	46,619	48,533	50,524
Marketing Costs	(1,774)	(1,554)	(1,585)	(1,617)	(1,649)
Provision against Advances	(6)	(6)	(6)	(6)	(6)
Depreciation Rights and Licenses incl.Tech Tra	(3,339)	(3,339)	(3,339)	(3,339)	(3,339)
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	(3,623)	(3,355)	(3,355)	(3,355)	(3,355)
Total Cost of Sales (excl royalty exp)	(8,743)	(8,253)	(8,286)	(8,317)	(8,350)
Adjusted NPS	34,271	36,526	38,333	40,216	42,174
SG&A (excl Items below)	(11,928)	(11,819)	(11,910)	(12,208)	(12,513)
Depreciation Tangible Assets	(282)	(282)	(282)	(282)	(282)
Rent	(523)	(835)	(848)	(861)	(873)
BMG Publishing Intercompany Charge	(1,151)	(1,151)	(1,151)	(1,151)	(1,151)
Bertelsmann I/C Charge	(166)	(166)	(166)	(166)	(166)
Internal Service Charge	(1,922)	(1,622)	(1,622)	(1,622)	(1,622)
Total SG&A	(15,972)	(15,875)	(15,980)	(16,290)	(16,608)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	863	863	863	863	863
Restructuring Expenses	(80)	(275)	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	783	588	863	863	863
Total Impairments & Amortization	-	-	-	-	-
EBIT	19,082	21,238	23,217	24,789	26,429
EBIT (before extraordinary)	19,162	21,513	23,217	24,789	26,429
EBITDA	22,703	24,960	26,838	28,410	30,050
Headcount	-	-	-	-	-
NPS % Revenues	68%	68%	68%	68%	68%
TOTAL SG&A % Revenues	25%	24%	23%	23%	22%
TOTAL SG&A % NPS	37%	35%	34%	34%	33%
EBIT ROS% (before extraordinary)	30%	32%	34%	34%	35%
EBIT ROS%	30%	32%	34%	34%	35%
EBITDA ROS%	36%	37%	39%	40%	40%

BMG MUSIC PUBLISHING
2008 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Printed Music
WORLDWIDE BEFORE ELIMINATION
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	1	1	1	1	1
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	12,930	12,930	12,930	12,736	12,545
Foreign	-	-	-	-	-
Other	150	150	150	150	150
Total Revenue	13,081	13,081	13,081	12,887	12,696
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	(1,429)	(1,429)	(1,429)	(1,407)	(1,386)
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	(1,429)	(1,429)	(1,429)	(1,407)	(1,386)
Cost of Sales	(5,703)	(5,703)	(5,703)	(5,703)	(5,703)
UK International Addback	-	-	-	-	-
NPS	5,949	5,949	5,949	5,777	5,607
Marketing Costs	(265)	(265)	(265)	(265)	(265)
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	(24)	(24)	(24)	(24)	(24)
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	(132)	(12)	(12)	(12)	(12)
Total Cost of Sales (excl royalty exp)	(421)	(301)	(301)	(301)	(301)
Adjusted NPS	5,528	5,648	5,648	5,476	5,306
SG&A (excl items below)	(2,512)	(2,882)	(2,954)	(3,028)	(3,104)
Depreciation Tangible Assets	(119)	(119)	(119)	(119)	(119)
Rent	(449)	(456)	(463)	(470)	(477)
BMG Publishing Intercompany Charge	13	13	13	13	13
Bertelsmann I/C Charge	(21)	(21)	(21)	(21)	(21)
Internal Service Charge	(394)	(394)	(394)	(394)	(394)
Total SG&A	(3,772)	(3,849)	(3,928)	(4,009)	(4,092)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	14	14	14	14	14
Restructuring Expenses	(75)	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	(61)	14	14	14	14
Total Impairments & Amortization	-	-	-	-	-
EBIT	1,695	1,813	1,734	1,481	1,228
EBIT (before extraordinary)	1,770	1,813	1,734	1,481	1,228
EBITDA	1,839	1,958	1,878	1,624	1,272
Headcount	-	-	-	-	-
NPS % Revenues	45%	45%	45%	45%	44%
TOTAL SG&A % Revenues	29%	29%	30%	31%	32%
TOTAL SG&A % NPS	63%	65%	66%	69%	73%
EBIT ROS% (before extraordinary)	14%	14%	13%	11%	10%
EBIT ROS%	13%	14%	13%	11%	10%
EBITDA ROS%	14%	15%	14%	13%	11%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Rights & Rentals
WORLDWIDE BEFORE ELIMINATION
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	2,381	2,601	2,001	2,837	2,795

Performance	6,864	6,864	6,864	6,761	6,660
Sync	1,277	1,277	1,277	1,257	1,239
New Media	1	1	1	1	1
Print	408	408	406	402	396
Foreign	-	-	-	-	-
Other	16,425	16,633	16,846	16,755	16,665
Total Revenue	27,855	28,063	28,275	28,017	27,755
Royalty Expense					
Mechanical	(1,113)	(1,113)	(1,113)	(1,097)	(1,080)
Performance	(1,819)	(1,819)	(1,819)	(1,791)	(1,764)
Sync	(452)	(452)	(452)	(445)	(438)
New Media	-	-	-	-	-
Print	(70)	(70)	(70)	(69)	(68)
Foreign	-	-	-	-	-
Other	(7,625)	(7,722)	(7,821)	(7,779)	(7,737)
Total Royalty Expense	(11,079)	(11,176)	(11,274)	(11,180)	(11,088)
Cost of Sales	(538)	(538)	(538)	(538)	(538)
UK International Addback	-	-	-	-	-
NPS	16,238	16,349	16,463	16,295	16,129
Marketing Costs	(233)	(233)	(233)	(233)	(233)
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	(1,573)	(1,573)	(1,573)	(1,573)	(1,573)
Depr of Sheet Music Rental	(380)	(380)	(380)	(380)	(380)
Other Cost of Sales	(148)	(108)	(108)	(108)	(108)
Total Cost of Sales (excl royalty exp)	(2,334)	(2,294)	(2,294)	(2,294)	(2,294)
Adjusted NPS	13,904	14,055	14,169	14,001	13,835
SG&A (excl items below)	(4,291)	(4,043)	(3,966)	(4,065)	(4,167)
Depreciation Tangible Assets	(84)	(84)	(84)	(84)	(84)
Rent	(291)	(295)	(300)	(304)	(309)
BMG Publishing Intercompany Charge	96	96	96	96	96
Bertelsmann I/C Charge	(62)	(62)	(62)	(62)	(62)
Internal Service Charge	(1,665)	(1,665)	(1,665)	(1,665)	(1,665)
Total SG&A	(6,296)	(6,052)	(5,980)	(6,083)	(6,190)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	(27)	(27)	(27)	(27)	(27)
Restructuring Expenses	-	(223)	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	(27)	(250)	(27)	(27)	(27)
Total Impairments & Amortization	-	-	-	-	-
EBIT	7,581	7,753	8,162	7,890	7,618
EBIT (before extraordinary)	7,581	7,753	8,162	7,890	7,618
EBITDA	9,617	9,789	10,198	9,926	9,654
Headcount	-	-	-	-	-
NPS % Revenues	58%	58%	58%	58%	58%
TOTAL SG&A % Revenues	23%	22%	21%	22%	22%
TOTAL SG&A % NPS	39%	37%	36%	37%	38%
EBIT ROS% (before extraordinary)	27%	28%	29%	28%	27%
EBIT ROS%	27%	28%	29%	28%	27%
EBITDA ROS%	35%	35%	36%	35%	35%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Classical Music
WORLDWIDE BEFORE ELIMINATION
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	2,082	2,082	2,082	2,039	2,796
Performance	6,864	6,864	6,864	6,761	6,660
Sync	1,277	1,277	1,277	1,257	1,239
New Media	1	1	1	1	1
Print	13,328	13,238	13,338	13,138	12,941

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Foreign	-	-	-	-	-
Other	16,573	16,783	16,996	16,905	16,815
Total Revenue	40,936	41,144	41,357	40,901	40,451
Royalty Expense					
Mechanical	(1,113)	(1,113)	(1,113)	(1,097)	(1,080)
Performance	(1,819)	(1,819)	(1,819)	(1,791)	(1,764)
Sync	(452)	(452)	(452)	(445)	(438)
New Media	-	-	-	-	-
Print	(1,499)	(1,499)	(1,495)	(1,476)	(1,454)
Foreign	-	-	-	-	-
Other	(7,825)	(7,722)	(7,821)	(7,779)	(7,737)
Total Royalty Expense	(12,508)	(12,604)	(12,703)	(12,588)	(12,474)
Cost of Sales	(6,242)	(6,242)	(6,242)	(6,242)	(6,242)
UK International Addback	-	-	-	-	-
NPS	22,187	22,298	22,412	22,072	21,736
Marketing Costs	(499)	(499)	(499)	(499)	(499)
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	(1,597)	(1,597)	(1,597)	(1,397)	(1,597)
Depr of Sheet Music Rental	(300)	(300)	(300)	(300)	(300)
Other Cost of Sales	(280)	(120)	(120)	(120)	(120)
Total Cost of Sales (excl royalty exp)	(2,755)	(2,595)	(2,595)	(2,595)	(2,595)
Adjusted NPS	19,432	19,703	19,817	19,476	19,140
SG&A (excl items below)	(7,102)	(6,925)	(6,920)	(7,093)	(7,271)
Depreciation Tangible Assets	(203)	(203)	(203)	(203)	(203)
Rent	(740)	(752)	(763)	(774)	(786)
RMG Publishing Intercompany Charge	109	109	109	109	109
Bertelsmann I/C Charge	(82)	(82)	(82)	(82)	(82)
Internal Service Charge	(2,049)	(2,049)	(2,049)	(2,049)	(2,049)
Total SG&A	(10,068)	(9,901)	(9,900)	(10,092)	(10,281)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	(13)	(13)	(13)	(13)	(13)
Restructuring Expenses	(75)	(223)	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	(88)	(236)	(13)	(13)	(13)
Total Impairments & Amortization	-	-	-	-	-
EBIT	9,276	9,566	9,898	9,371	8,846
EBIT (before extraordinary)	9,351	9,866	9,898	9,371	8,846
EBITDA	11,453	11,745	12,079	11,590	11,023
Headcount	-	-	-	-	-
NPS % Revenues	54%	54%	54%	54%	54%
TOTAL SG&A % Revenues	25%	24%	24%	25%	25%
TOTAL SG&A % NPS	45%	44%	44%	46%	47%
EBIT ROS% (before extraordinary)	23%	23%	24%	23%	22%
EBIT ROS%	23%	23%	24%	23%	22%
EBITDA ROS%	28%	29%	29%	28%	27%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Consolidated Business
UNITED STATES- TOTAL
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	62,827	64,275	65,755	67,270	68,819
Performance	23,237	24,209	25,231	26,297	27,407
Sync	39,560	39,267	41,274	43,387	45,613
New Media	3,747	4,683	6,089	7,915	10,290
Print	9,345	9,736	9,930	10,129	10,332
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	1,915	1,992	2,072	2,155	2,241
Total Revenue	140,932	144,182	150,351	157,152	164,702
Royalty Expense					
Mechanical	(44,790)	(45,821)	(46,874)	(47,953)	(49,036)
Performance	(11,587)	(12,073)	(12,586)	(13,121)	(13,678)
Sync	(19,557)	(18,845)	(19,916)	(21,049)	(22,248)
New Media	(2,329)	(3,536)	(4,597)	(5,976)	(7,768)
Print	(1,310)	(1,846)	(1,883)	(1,921)	(1,959)
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	(80,573)	(82,121)	(85,858)	(90,019)	(94,710)
Cost of Sales	(3,900)	(3,900)	(3,900)	(3,900)	(3,900)
UK International Addback	205	205	205	205	205
NPS	56,664	58,346	60,799	63,438	66,297
Marketing Costs	(1,594)	(1,517)	(1,540)	(1,563)	(1,587)
Provision against Advances	(2,152)	(2,152)	(2,152)	(2,152)	(2,152)
Depreciation Rights and Licenses incl.Tech Tra	(6,017)	(6,017)	(6,017)	(6,017)	(6,017)
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	(387)	(391)	(391)	(391)	(391)
Total Cost of Sales (excl royalty exp)	(10,151)	(10,077)	(10,100)	(10,124)	(10,147)
Adjusted NPS	46,513	48,269	50,699	53,315	56,149
	-	-	-	-	-
SG&A (excl items below)	(18,118)	(18,083)	(18,195)	(18,649)	(19,116)
Depreciation Tangible Assets	(352)	(352)	(352)	(352)	(352)
Rent	(1,440)	(1,462)	(1,484)	(1,506)	(1,529)
BMG Publishing Intercompany Charge	(686)	(686)	(686)	(686)	(686)
Bertelsmann I/C Charge	(232)	(232)	(232)	(232)	(232)
Internal Service Charge	-	-	-	-	-
Total SG&A	(20,828)	(20,817)	(20,948)	(21,425)	(21,914)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	877	877	877	877	877
Restructuring Expenses	-	(261)	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	877	518	877	877	877
Total Impairments & Amortization	-	-	-	-	-
EBIT	26,562	27,968	30,628	32,768	35,112
EBIT (before extraordinary)	26,562	28,329	30,628	32,768	35,112
EBITDA	32,932	34,338	36,998	39,136	41,482
Headcount	-	-	-	-	-
NPS % Revenues	40%	40%	40%	40%	40%
TOTAL SG&A % Revenues	15%	14%	14%	14%	13%
TOTAL SG&A % NPS	37%	36%	34%	34%	33%
EBIT ROS% (before extraordinary)	18.8%	19.7%	20.4%	20.9%	21.3%
EBIT ROS%	18.8%	19.4%	20.4%	20.9%	21.3%
EBITDA ROS%	23.4%	23.8%	24.6%	24.9%	25.2%

PROFIT AND LOSS STATEMENT
Core Business
UNITED STATES- TOTAL
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	62,717	64,160	65,636	67,145	68,690
Performance	18,953	19,749	20,585	21,463	22,376
Sync	20,070	19,874	20,044	21,287	22,507
New Media	3,747	4,683	6,089	7,915	10,290
Print	9,545	9,738	9,930	10,129	10,332
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	1,715	1,784	1,855	1,929	2,007
Total Revenue	116,747	118,986	124,142	129,869	136,299
Royalty Expense					
Mechanical	(44,789)	(45,819)	(46,873)	(47,951)	(49,054)
Performance	(11,460)	(11,942)	(12,449)	(12,978)	(13,530)
Sync	(15,090)	(14,195)	(15,076)	(16,010)	(17,003)
New Media	(2,929)	(3,536)	(4,597)	(5,976)	(7,768)
Print	(1,310)	(1,046)	(1,083)	(1,921)	(1,959)
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	(75,578)	(77,239)	(80,078)	(84,836)	(89,314)
Cost of Sales	(3,900)	(3,900)	(3,900)	(3,900)	(3,900)
UK International Addback	205	205	205	205	205
NPS	37,074	37,952	39,569	41,338	43,290
Marketing Costs	(371)	(371)	(371)	(371)	(371)
Provision against Advances	(2,152)	(2,152)	(2,152)	(2,152)	(2,152)
Depreciation Rights and Licenses incl.Tech Tra	(2,777)	(2,777)	(2,777)	(2,777)	(2,777)
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	(178)	(178)	(178)	(178)	(178)
Total Cost of Sales (excl royalty exp)	(5,477)	(5,477)	(5,477)	(5,477)	(5,477)
Adjusted NPS	31,598	32,475	34,092	35,860	37,813
SG&A (excl items below)	(11,015)	(11,077)	(11,147)	(11,426)	(11,712)
Depreciation Tangible Assets	(187)	(187)	(187)	(187)	(187)
Rent	(970)	(985)	(999)	(1,014)	(1,030)
BMG Publishing Intercompany Charge	336	336	336	336	336
Bertelsmann I/C Charge	(141)	(141)	(141)	(141)	(141)
Internal Service Charge	-	-	-	-	-
Total SG&A	(11,977)	(12,054)	(12,139)	(12,432)	(12,733)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	(111)	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	(111)	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	19,619	20,311	21,954	23,428	25,080
EBIT (before extraordinary)	19,619	20,421	21,954	23,428	25,080
EBITDA	22,582	23,275	24,918	26,392	28,044
Headcount					
NPS % Revenues	32%	32%	32%	32%	32%
TOTAL SG&A % Revenues	10%	10%	10%	10%	9%
TOTAL SG&A % NPS	32%	32%	31%	30%	29%
EBIT ROS% (before extraordinary)	17%	17%	18%	18%	18%
EBIT ROS%	17%	17%	18%	18%	18%
EBITDA ROS%	19%	20%	20%	20%	21%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Production Music

UNITED STATES- TOTAL
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	110	115	120	125	130
Performance	4,284	4,460	4,643	4,833	5,031
Sync	19,590	20,393	21,230	22,100	23,006
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	200	208	217	226	235
Total Revenue	24,185	25,176	26,209	27,283	28,402
Royalty Expense					
Mechanical	(1)	(1)	(1)	(1)	(1)
Performance	(126)	(132)	(137)	(143)	(148)
Sync	(4,467)	(4,650)	(4,841)	(5,019)	(5,246)
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	(4,594)	(4,783)	(4,979)	(5,163)	(5,395)
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	19,590	20,394	21,230	22,101	23,007
Marketing Costs	(1,224)	(1,146)	(1,169)	(1,193)	(1,217)
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	(3,240)	(3,240)	(3,240)	(3,240)	(3,240)
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	(209)	(213)	(213)	(213)	(213)
Total Cost of Sales (excl royalty exp)	(4,673)	(4,600)	(4,623)	(4,646)	(4,670)
Adjusted NPS	14,917	15,794	16,607	17,454	18,337
SG&A (excl items below)	(7,103)	(7,008)	(7,047)	(7,224)	(7,404)
Depreciation Tangible Assets	(165)	(165)	(165)	(165)	(165)
Rent	(470)	(478)	(485)	(492)	(499)
BMG Publishing Intercompany Charge	(1,022)	(1,022)	(1,022)	(1,022)	(1,022)
Bertelsmann I/C Charge	(91)	(91)	(91)	(91)	(91)
Internal Service Charge	-	-	-	-	-
Total SG&A	(8,851)	(8,763)	(8,810)	(8,993)	(9,181)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	877	877	877	877	877
Restructuring Expenses	-	(250)	-	-	-
Seperation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	877	627	877	877	877
Total Impairments & Amortization	-	-	-	-	-
EBIT	6,943	7,657	8,674	9,338	10,032
EBIT (before extraordinary)	6,943	7,907	8,674	9,338	10,032
EBITDA	10,349	11,083	12,080	12,744	13,428
Headcount					
NPS % Revenue	81%	81%	81%	81%	81%
TOTAL SG&A % Revenue	37%	35%	34%	33%	32%
TOTAL SG&A % NPS	45%	43%	41%	41%	40%
EBIT ROS% (before extraordinary)	29%	31%	33%	34%	35%
EBIT ROS%	29%	30%	33%	34%	35%
EBITDA ROS%	43%	44%	46%	47%	47%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Printed Music
UNITED STATES- TOTAL
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenues	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount					
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2008 BUSINESS PLAN

.OSS STATEMENT
& Rentals
'ATES- TOTAL
000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-

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	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount					
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

: PUBLISHING
:INESS PLAN
.OSS STATEMENT
:al Music
/ATES- TOTAL
)00's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-

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Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount	-	-	-	-	-
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Core Business Assumptions
UNITED STATES- TOTAL

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	0.0%	2.3%	2.3%	2.3%	2.3%
Performance	0.0%	4.2%	4.3%	4.3%	4.3%
Sync	0.0%	6.0%	6.3%	6.2%	6.2%
New Media	0.0%	25.0%	30.0%	30.0%	30.0%
Print	0.0%	2.0%	2.0%	2.0%	2.0%
Foreign	0.0%	3.8%	3.8%	3.8%	3.8%
Acquistion		0.0%	0.0%	0.0%	0.0%
Other	0.0%	4.0%	4.0%	4.0%	4.0%
Royalty Expense					
Mechanical	-71.4%	2.3%	2.3%	2.3%	2.3%

Performance					
Sync	-60.5%	4.2%	4.3%	4.3%	4.3%
New Media	-75.2%	6.0%	6.2%	6.2%	6.2%
Print	-75.5%	25.0%	10.0%	10.0%	10.0%
Foreign	-19.0%	2.0%	2.0%	2.0%	2.0%
Acquisition	0.0%	3.8%	3.8%	3.8%	3.8%
Other		0.0%	0.0%	0.0%	0.0%
Total Royalty Expense	0.0%	4.0%	4.0%	4.0%	4.0%
Cost of Sales					
UK International Addback	0.0%	0%	0.0%	0.0%	0.0%
NPS	0.0%	0%	0.0%	0.0%	0.0%
Marketing Costs					
Provision against Advances	(203)	0%	0%	0.0%	0.0%
Depreciation Rights and Licenses incl.Tech Tra	(2,049)	0%	0%	0.0%	0.0%
Depr of Sheet Music Rental	(1,767)	0%	0%	0.0%	0.0%
Other Cost of Sales	-	0%	0%	0.0%	0.0%
Total Cost of Sales (excl royalty exp)	(138)	0%	0%	0%	0%
Adjusted NPS					
SG&A Savings		403	202		
SG&A (excl items below)					
Depreciation Tangible Assets	(9,352)	2.5%	2.5%	2.5%	2.5%
Rent	(169)	0.0%	0.0%	0.0%	0.0%
BMG Publishing Intercompany Charge	(797)	1.5%	1.5%	1.5%	1.5%
Bertelsmann I/C Charge	596	0.0%	0.0%	0.0%	0.0%
Internal Service Charge	(115)	0.0%	0.0%	0.0%	0.0%
Total SG&A	-	0.0%	0.0%	0.0%	0.0%
Results and Depreciation of Investments					
Other Operating Inc/(Ded)	0.0%	0.0%	0.0%	0.0%	0.0%
Restructuring Expenses	0.3%	0.0%	0.0%	0.0%	0.0%
Separation Expenses	0.0%	-100.0%	-100.0%	0.0%	0.0%
Other Technical Transfers	0.0%	-100.0%	0.0%	0.0%	0.0%
Total Other Operating Inc/(Ded)	0.0%	0.0%	0.0%	0.0%	0.0%
Total Impairments & Amortization	0.0%	0.0%	0.0%	0.0%	0.0%

BMG MUSIC PUBLISHING
2008 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Production Music Assumptions
UNITED STATES- TOTAL

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	0.0%	4.2%	4.2%	4.2%	4.1%
Performance	0.0%	4.1%	4.1%	4.1%	4.1%
Sync	0.0%	4.1%	4.1%	4.1%	4.1%
New Media	0.0%	4.1%	4.1%	4.1%	4.1%
Print	0.0%	4.1%	4.1%	4.1%	4.1%
Foreign	0.0%	4.1%	4.1%	4.1%	4.1%
Other	0.0%	4.1%	4.1%	4.1%	4.1%
Royalty Expense					
Mechanical	-1.0%	4.2%	4.2%	4.2%	4.1%
Performance	-2.9%	4.1%	4.1%	4.1%	4.1%
Sync	-22.8%	4.1%	4.1%	4.1%	4.1%
New Media	0.0%	4.1%	4.1%	4.1%	4.1%
Print	0.0%	4.1%	4.1%	4.1%	4.1%
Foreign	0.0%	4.1%	4.1%	4.1%	4.1%
Other	0.0%	4.1%	4.1%	4.1%	4.1%
Total Royalty Expense					
Cost of Sales	0.0%	0.0%	0.0%	0.0%	0.0%
UK International Addback	0.0%	0.0%	0.0%	0.0%	0.0%
NPS					
Marketing Costs Savings		100.0			
Marketing Costs	(1,224)	2%	2%	2%	2%
Provision against Advances	-	0%	0%	0.0%	0.0%
Depreciation Rights and Licenses incl.Tech Tra	(3,240)	0%	0%	0.0%	0.0%
Depr of Sheet Music Rental	-	0%	0%	0.0%	0.0%
Other Cost of Sales	0%	2%	0%	0%	0%
Total Cost of Sales (excl royalty exp)					
Adjusted NPS					
SG&A Savings		266	133		
SG&A (excl items below)	(7,103)	2.5%	2.5%	2.5%	2.5%
Depreciation Tangible Assets	(165)	0.0%	0.0%	0.0%	0.0%
Rent	(470)	1.5%	1.5%	1.5%	1.5%
BMG Publishing Intercompany Charge	(1,322)	0.0%	0.0%	0.0%	0.0%

Bertelsmann I/C Charge	(91)	0.0%	0.0%	0.0%	0.0%
Internal Service Charge	•	0.0%	0.0%	0.0%	0.0%
Total SG&A					
Results and Depreciation of Investments	3.4%	0.0%	0.0%	0.0%	0.0%
Other Operating Inc/(Ded)	0.6%	0.0%	0.0%	0.0%	0.0%
Restructuring Expenses	0.0%	-100.0%	-100.0%	0.0%	0.0%
Separation Expenses	0.0%	-100.0%	0.0%	0.0%	0.0%
Other Technical Transfers	0.0%	0.0%	0.0%	0.0%	0.0%
Total Other Operating Inc/(Ded)					
Total Impairments & Amortization	0.0%	0.0%	0.0%	0.0%	0.0%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Printed Music Assumptions
UNITED STATES- TOTAL

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	0.0%	0.0%	0.0%	-1.5%	-1.5%
Performance	0.0%	0.0%	0.0%	-1.5%	-1.5%
Sync	0.0%	0.0%	0.0%	-1.5%	-1.5%
New Media	0.0%	0.0%	0.0%	-1.5%	-1.5%
Print	0.0%	0.0%	0.0%	-1.5%	-1.5%
Foreign	0.0%	0.0%	0.0%	-1.5%	-1.5%
Other	0.0%	0.0%	0.0%	-1.5%	-1.5%
	0.0%	0.0%	0.0%	0.0%	0.0%
Royalty Expense					
Mechanical	0.0%	0.0%	0.0%	-1.5%	-1.5%
Performance	0.0%	0.0%	0.0%	-1.5%	-1.5%
Sync	0.0%	0.0%	0.0%	-1.5%	-1.5%
New Media	0.0%	0.0%	0.0%	-1.5%	-1.5%
Print	0.0%	0.0%	0.0%	-1.5%	-1.5%
Foreign	0.0%	0.0%	0.0%	-1.5%	-1.5%
Other	0.0%	0.0%	0.0%	-1.5%	-1.5%
Total Royalty Expense	0.0%	0.0%	0.0%	0.0%	0.0%
Cost of Sales	0.0%	0.0%	0.0%	0.0%	0.0%
UK International Addback	0.0%	0.0%	0.0%	0.0%	0.0%
NPS					
Nurturing Costs	-	0%	0%	0.0%	0.0%
Provision against Advances	-	0%	0%	0.0%	0.0%
Depreciation Rights and Licenses incl.Tech Tra	-	0%	0%	0.0%	0.0%
Depr of Sheet Music Rental	-	0%	0%	0.0%	0.0%
Other Cost of Sales	-	0%	0%	0.0%	0.0%
Total Cost of Sales (excl royalty exp)	-	0%	0%	0%	0%
Adjusted NPS					
SG&A Savings					
SG&A (excl items below)	0%	2.5%	2.5%	2.5%	2.5%
Depreciation Tangible Assets	0%	0.0%	0.0%	0.0%	0.0%
Rent	0%	1.5%	1.5%	1.5%	1.5%
BMG Publishing Intercompany Charge	0%	0.0%	0.0%	0.0%	0.0%
Bertelsmann I/C Charge	0%	0.0%	0.0%	0.0%	0.0%
Internal Service Charge	0%	0.0%	0.0%	0.0%	0.0%
Total SG&A					
Results and Depreciation of Investments	0.0%	0.0%	0.0%	0.0%	0.0%
Other Operating Inc/(Ded)	0.0%	0.0%	0.0%	0.0%	0.0%
Restructuring Expenses	0.0%	-100.0%	-100.0%	0.0%	0.0%
Separation Expenses	0.0%	-100.0%	0.0%	0.0%	0.0%
Other Technical Transfers	0.0%	0.0%	0.0%	0.0%	0.0%
Total Other Operating Inc/(Ded)					
Total Impairments & Amortization	0.0%	0.0%	0.0%	0.0%	0.0%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Rights & Rental Assumptions
UNITED STATES- TOTAL

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	0.0%	0.0%	0.0%	-1.5%	-1.5%
Performance	0.0%	0.0%	0.0%	-1.5%	-1.5%
Sync	0.0%	0.0%	0.0%	-1.5%	-1.5%
New Media	0.0%	0.0%	0.0%	-1.5%	-1.5%

Print	0.0%	0.0%	0.0%	-1.5%	-1.5%
Foreign	0.0%	0.0%	0.0%	-1.5%	-1.5%
Other	0.0%	1.3%	1.3%	-0.5%	-0.5%
Royalty Expense					
Mechanical	0.0%	0.0%	0.0%	-1.5%	-1.5%
Performance	0.0%	0.0%	0.0%	-1.5%	-1.5%
Sync	0.0%	0.0%	0.0%	-1.5%	-1.5%
New Media	0.0%	0.0%	0.0%	-1.5%	-1.5%
Print	0.0%	0.0%	0.0%	-1.5%	-1.5%
Foreign	0.0%	0.0%	0.0%	-1.5%	-1.5%
Other	0.0%	0.0%	0.0%	-1.5%	-1.5%
Total Royalty Expense	0.0%	1.3%	1.3%	-0.5%	-0.5%
Cost of Sales	0.0%	0.0%	0.0%	0.0%	0.0%
UK International Addback	0.0%	0.0%	0.0%	0.0%	0.0%
NPS					
Marketing Costs	0%	0%	0%	0.0%	0.0%
Provision against Advances	0%	0%	0%	0.0%	0.0%
Depreciation Rights and Licenses incl.Tech Tra	0%	0%	0%	0.0%	0.0%
Dept of Sheet Music Rental	0%	0%	0%	0.0%	0.0%
Other Cost of Sales	0%	0%	0%	0.0%	0.0%
Total Cost of Sales (excl royalty exp)	0%	0%	0%	0%	0%
Adjusted NPS					
SG&A Savings					
SG&A (excl items below)	0%	2.5%	2.5%	2.5%	2.5%
Depreciation Tangible Assets	0%	0.0%	0.0%	0.0%	0.0%
Rent	0%	1.5%	1.5%	1.5%	1.5%
BMG Publishing Intercompany Charge	0%	0.0%	0.0%	0.0%	0.0%
Bertelsmann I/C Charge	0%	0.0%	0.0%	0.0%	0.0%
Internal Service Charge	0%	0.0%	0.0%	0.0%	0.0%
Total SG&A					
Results and Depreciation of Investments	0.0%	0.0%	0.0%	0.0%	0.0%
Other Operating Inc/(Ded)	0.0%	0.0%	0.0%	0.0%	0.0%
Restructuring Expenses	0.0%	-100.0%	-100.0%	0.0%	0.0%
Separation Expenses	0.0%	-100.0%	0.0%	0.0%	0.0%
Other Technical Transfers	0.0%	0.0%	0.0%	0.0%	0.0%
Total Other Operating Inc/(Ded)					
Total Impairments & Amortization	0.0%	0.0%	0.0%	0.0%	0.0%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Consolidated Business
CANADA
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	2,739	2,802	2,866	2,932	2,999
Performance	3,105	3,236	3,373	3,516	3,666
Sync	266	282	300	318	338
New Media	-	-	-	-	-
Print	9	9	9	10	10
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	127	132	137	143	149
Total Revenue	6,246	6,461	6,686	6,919	7,162
Royalty Expense					
Mechanical	(2,476)	(2,533)	(2,591)	(2,651)	(2,711)
Performance	(2,384)	(2,484)	(2,590)	(2,700)	(2,815)
Sync	(158)	(168)	(178)	(189)	(201)
New Media	-	-	-	-	-
Print	(9)	(9)	(9)	(9)	(9)
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	(5,027)	(5,194)	(5,368)	(5,549)	(5,737)
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	1,219	1,267	1,318	1,370	1,425
Marketing Costs	-	-	-	-	-
Provision against Advances	6	6	6	6	6
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	6	6	6	6	6
Adjusted NPS	1,226	1,274	1,324	1,377	1,432
SG&A (excl items below)	(109)	(111)	(114)	(117)	(120)
Depreciation Tangible Assets	(5)	(5)	(5)	(5)	(5)
Rent	(16)	(17)	(17)	(17)	(17)
BMG Publishing Intercompany Charge	(182)	(182)	(182)	(182)	(182)
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	(312)	(315)	(318)	(321)	(324)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	914	959	1,006	1,056	1,108
EBIT (before extraordinary)	914	959	1,006	1,056	1,108
EBITDA	919	964	1,011	1,061	1,113
Headcount	-	-	-	-	-
NPS % Revenue	20%	20%	20%	20%	20%
TOTAL SG&A % Revenues	5%	5%	5%	5%	5%
TOTAL SG&A % NPS	26%	25%	24%	23%	23%
EBIT ROS% (before extraordinary)	15%	15%	15%	15%	15%
EBIT ROS%	15%	15%	15%	15%	15%
EBITDA ROS%	15%	15%	15%	15%	16%

PROFIT AND LOSS STATEMENT
Core Business
CANADA
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	2,739	2,802	2,866	2,932	2,999
Performance	3,105	3,236	3,373	3,516	3,666
Sync	266	282	300	318	338
New Media	-	-	-	-	-
Print	9	9	9	10	10
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	127	132	137	143	149
Total Revenue	6,248	6,461	6,686	6,919	7,162
Royalty Expense					
Mechanical	(2,476)	(2,533)	(2,591)	(2,651)	(2,711)
Performance	(2,384)	(2,484)	(2,590)	(2,700)	(2,815)
Sync	(158)	(168)	(178)	(189)	(201)
New Media	-	-	-	-	-
Print	(9)	(9)	(9)	(9)	(9)
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	(5,027)	(5,194)	(5,368)	(5,549)	(5,737)
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	1,219	1,267	1,318	1,370	1,425
Marketing Costs	-	-	-	-	-
Provision against Advances	6	6	6	6	6
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	6	6	6	6	6
Adjusted NPS	1,226	1,274	1,324	1,377	1,432
SG&A (excl items below)	(109)	(111)	(114)	(117)	(120)
Depreciation Tangible Assets	(5)	(5)	(5)	(5)	(5)
Rent	(16)	(17)	(17)	(17)	(17)
BMG Publishing Intercompany Charge	(182)	(182)	(182)	(182)	(182)
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	(312)	(315)	(318)	(321)	(324)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	924	959	1,006	1,056	1,108
EBIT (before extraordinary)	924	959	1,006	1,056	1,108
EBITDA	929	964	1,011	1,061	1,113
Headcount					
NPS % Revenues	20%	20%	20%	20%	20%
TOTAL SG&A % Revenues	5%	5%	5%	5%	5%
TOTAL SG&A % NPS	26%	25%	24%	23%	23%
EBIT ROS% (before extraordinary)	15%	15%	15%	15%	15%
EBIT ROS%	15%	15%	15%	15%	15%
EBITDA ROS%	15%	15%	15%	15%	16%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Production Music

CANADA
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Investments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount					
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2008 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Printed Music
CANADA
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses Incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount					
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Rights & Rentals
CANADA
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-

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Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount					
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Classical Music
CANADA
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-

Foreign					
Other					
Total Revenue					
Royalty Expense					
Mechanical					
Performance					
Sync					
New Media					
Print					
Foreign					
Other					
Total Royalty Expense					
Cost of Sales					
UK International Addback					
NPS					
Marketing Costs					
Provision against Advances					
Depreciation Rights and Licenses incl.Tech Tra					
Depr of Sheet Music Rental					
Other Cost of Sales					
Total Cost of Sales (excl royalty exp)					
Adjusted NPS					
SG&A (excl items below)					
Depreciation Tangible Assets					
Rent					
BMG Publishing Intercompany Charge					
Bertelsmann I/C Charge					
Internal Service Charge					
Total SG&A					
Results and Depreciation of Investments					
Other Operating Inc/(Ded)					
Restructuring Expenses					
Separation Expenses					
Other Technical Transfers					
Total Other Operating Inc/(Ded)					
Total Impairments & Amortization					
EBIT					
EBIT (before extraordinary)					
EBITDA					
Headcount					
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Core Business Assumptions
CANADA

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	0.0%	2.3%	2.3%	2.3%	2.3%
Performance	0.0%	4.2%	4.3%	4.3%	4.3%
Sync	0.0%	6.0%	6.2%	6.2%	6.2%
New Media	0.0%	25.0%	30.0%	30.0%	33.0%
Print	0.0%	2.0%	2.0%	2.0%	2.0%
Foreign	0.0%	3.6%	3.8%	3.8%	3.0%
Acquisition		0.0%	0.0%	0.0%	0.0%
Other	0.0%	4.0%	4.0%	4.0%	4.0%
Royalty Expense					
Mechanical	-90.4%	2.3%	2.3%	2.3%	2.3%

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Performance	-76.8%	4.2%	4.3%	4.3%	4.3%
Sync	-59.5%	6.0%	6.2%	6.2%	6.2%
New Media	0.0%	25.0%	30.0%	30.0%	31.0%
Print	-96.6%	2.0%	2.0%	2.0%	2.0%
Foreign	0.0%	3.8%	3.8%	3.8%	3.8%
Acquisition		0.0%	0.0%	0.0%	0.0%
Other	0.0%	4.0%	4.0%	4.0%	4.0%
Total Royalty Expense					
Cost of Sales	0.0%	0%	0.0%	0.0%	0.0%
UK International Addback	0.0%	0%	0.0%	0.0%	0.0%
NPS					
Marketing Costs	-	0%	0%	0.0%	0.0%
Provision against Advances	6	0%	0%	0.0%	0.0%
Depreciation Rights and Licenses incl.Tech Tra	-	0%	0%	0.0%	0.0%
Depr of Sheet Music Rental	-	0%	0%	0.0%	0.0%
Other Cost of Sales	-	0%	0%	0%	0%
Total Cost of Sales (excl royalty exp)					
Adjusted NPS					
SG&A Savings					
SG&A (excl items below)	(109)	2.5%	2.5%	2.5%	2.5%
Depreciation Tangible Assets	(5)	0.0%	0.0%	0.0%	0.0%
Rent	(16)	1.5%	1.5%	1.5%	1.5%
BMG Publishing Intercompany Charge	(182)	0.0%	0.0%	0.0%	0.0%
Bertelsmann I/C Charge	-	0.0%	0.0%	0.0%	0.0%
Internal Service Charge	-	0.0%	0.0%	0.0%	0.0%
Total SG&A					
Results and Depreciation of Investments	0.0%	0.0%	0.0%	0.0%	0.0%
Other Operating Inc/(Ded)	0.0%	0.0%	0.0%	0.0%	0.0%
Restructuring Expenses	0.0%	-100.0%	-100.0%	0.0%	0.0%
Separation Expenses	0.0%	-100.0%	0.0%	0.0%	0.0%
Other Technical Transfers	0.0%	0.0%	0.0%	0.0%	0.0%
Total Other Operating Inc/(Ded)					
Total Impairments & Amortization	0.0%	0.0%	0.0%	0.0%	0.0%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Production Music Assumptions
CANADA

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	0.0%	4.2%	4.2%	4.2%	4.1%
Performance	0.0%	4.1%	4.1%	4.1%	4.1%
Sync	0.0%	4.1%	4.1%	4.1%	4.1%
New Media	0.0%	4.1%	4.1%	4.1%	4.1%
Print	0.0%	4.1%	4.1%	4.1%	4.1%
Foreign	0.0%	4.1%	4.1%	4.1%	4.1%
Other	0.0%	4.1%	4.1%	4.1%	4.1%
Royalty Expense					
Mechanical	0.0%	4.2%	4.2%	4.2%	4.1%
Performance	0.0%	4.1%	4.1%	4.1%	4.1%
Sync	0.0%	4.1%	4.1%	4.1%	4.1%
New Media	0.0%	4.1%	4.1%	4.1%	4.1%
Print	0.0%	4.1%	4.1%	4.1%	4.1%
Foreign	0.0%	4.1%	4.1%	4.1%	4.1%
Other	0.0%	4.1%	4.1%	4.1%	4.1%
Total Royalty Expense					
Cost of Sales	0.0%	0.0%	0.0%	0.0%	0.0%
UK International Addback	0.0%	0.0%	0.0%	0.0%	0.0%
NPS					
Marketing Costs Savings					
Marketing Costs	-	2%	2%	2%	2%
Provision against Advances	-	0%	0%	0.0%	0.0%
Depreciation Rights and Licenses incl.Tech Tra	-	0%	0%	0.0%	0.0%
Depr of Sheet Music Rental	-	0%	0%	0.0%	0.0%
Other Cost of Sales	0%	2%	0%	0%	0%
Total Cost of Sales (excl royalty exp)					
Adjusted NPS					
SG&A (excl items below)	-	2.5%	2.5%	2.5%	2.5%
Depreciation Tangible Assets	-	0.0%	0.0%	0.0%	0.0%
Rent	-	1.5%	1.5%	1.5%	1.5%
BMG Publishing Intercompany Charge	-	0.0%	0.0%	0.0%	0.0%

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Bertelsmann I/C Charge		0.0%	0.0%	0.0%	0.0%
Internal Service Charge		0.0%	0.0%	0.0%	0.0%
Total SG&A					
Results and Depreciation of Investments	0.0%	0.0%	0.0%	0.0%	0.0%
Other Operating Inc/(Ded)	0.0%	0.0%	0.0%	0.0%	0.0%
Restructuring Expenses	0.0%	-100.0%	0.0%	0.0%	0.0%
Separation Expenses	0.0%	-100.0%	0.0%	0.0%	0.0%
Other Technical Transfers	0.0%	0.0%	0.0%	0.0%	0.0%
Total Other Operating Inc/(Ded)					
Total Impairments & Amortization	0.0%	0.0%	0.0%	0.0%	0.0%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Printed Music Assumptions
CANADA

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	0.0%	0.0%	0.0%	-1.5%	-1.5%
Performance	0.0%	0.0%	0.0%	-1.5%	-1.5%
Sync	0.0%	0.0%	0.0%	-1.5%	-1.5%
New Media	0.0%	0.0%	0.0%	-1.5%	-1.5%
Print	0.0%	0.0%	0.0%	-1.5%	-1.5%
Foreign	0.0%	0.0%	0.0%	-1.5%	-1.5%
Other	0.0%	0.0%	0.0%	0.0%	0.0%
Royalty Expense					
Mechanical	0.0%	0.0%	0.0%	-1.5%	-1.5%
Performance	0.0%	0.0%	0.0%	-1.5%	-1.5%
Sync	0.0%	0.0%	0.0%	-1.5%	-1.5%
New Media	0.0%	0.0%	0.0%	-1.5%	-1.5%
Print	0.0%	0.0%	0.0%	-1.5%	-1.5%
Foreign	0.0%	0.0%	0.0%	-1.5%	-1.5%
Other	0.0%	0.0%	0.0%	0.0%	0.0%
Total Royalty Expense					
Cost of Sales	0.0%	0.0%	0.0%	0.0%	0.0%
UK International Addback	0.0%	0.0%	0.0%	0.0%	0.0%
NPS					
Marketing Costs		0%	0%	0.0%	0.0%
Provision against Advances		0%	0%	0.0%	0.0%
Depreciation Rights and Licenses Incl.Tech Tra		0%	0%	0.0%	0.0%
Depr of Sheet Music Rental		0%	0%	0.0%	0.0%
Other Cost of Sales		0%	0%	0%	0%
Total Cost of Sales (excl royalty exp)					
Adjusted NPS					
SG&A (excl items below)		2.5%	2.5%	2.5%	2.5%
Depreciation Tangible Assets		0.0%	0.0%	0.0%	0.0%
Rent		1.5%	1.5%	1.5%	1.5%
BMG Publishing Intercompany Charge		0.0%	0.0%	0.0%	0.0%
Bertelsmann I/C Charge		0.0%	0.0%	0.0%	0.0%
Internal Service Charge		0.0%	0.0%	0.0%	0.0%
Total SG&A					
Results and Depreciation of Investments	0.0%	0.0%	0.0%	0.0%	0.0%
Other Operating Inc/(Ded)	0.0%	0.0%	0.0%	0.0%	0.0%
Restructuring Expenses	0.0%	-100.0%	0.0%	0.0%	0.0%
Separation Expenses	0.0%	-100.0%	0.0%	0.0%	0.0%
Other Technical Transfers	0.0%	0.0%	0.0%	0.0%	0.0%
Total Other Operating Inc/(Ded)					
Total Impairments & Amortization	0.0%	0.0%	0.0%	0.0%	0.0%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Rights & Rental Assumptions
CANADA

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	0.0%	0.0%	0.0%	-1.5%	-1.5%
Performance	0.0%	0.0%	0.0%	-1.5%	-1.5%
Sync	0.0%	0.0%	0.0%	-1.5%	-1.5%
New Media	0.0%	0.0%	0.0%	-1.5%	-1.5%

Print	0.0%	0.0%	0.0%	-1.5%	-1.5%
Foreign	0.0%	0.0%	0.0%	-1.5%	-1.5%
Other	0.0%	1.3%	1.3%	-0.5%	-0.5%
Royalty Expense					
Mechanical	0.0%	0.0%	0.0%	-1.5%	-1.5%
Performance	0.0%	0.0%	0.0%	-1.5%	-1.5%
Sync	0.0%	0.0%	0.0%	-1.5%	-1.5%
New Media	0.0%	0.0%	0.0%	-1.5%	-1.5%
Print	0.0%	0.0%	0.0%	-1.5%	-1.5%
Foreign	0.0%	0.0%	0.0%	-1.5%	-1.5%
Other	0.0%	1.3%	1.3%	-0.5%	-0.5%
Total Royalty Expense					
Cost of Sales	0.0%	0.0%	0.0%	0.0%	0.0%
UK International Addback	0.0%	0.0%	0.0%	0.0%	0.0%
NPS					
Marketing Costs	-	0%	0%	0.0%	0.0%
Provision against Advances	-	0%	0%	0.0%	0.0%
Depreciation Rights and Licenses Incl.Tech Tra	-	0%	0%	0.0%	0.0%
Depr of Sheet Music Rental	-	0%	0%	0.0%	0.0%
Other Cost of Sales	-	0%	0%	0%	0%
Total Cost of Sales (excl royalty exp)					
Adjusted NPS					
SG&A (excl items below)	-	2.5%	2.5%	2.5%	2.5%
Depreciation Tangible Assets	-	0.0%	0.0%	0.0%	0.0%
Rent	-	1.5%	1.5%	1.5%	1.5%
BMG Publishing Intercompany Charge	-	0.0%	0.0%	0.0%	0.0%
Bertelsmann I/C Charge	-	0.0%	0.0%	0.0%	0.0%
Internal Service Charge	-	0.0%	0.0%	0.0%	0.0%
Total SG&A					
Results and Depreciation of Investments	0.0%	0.0%	0.0%	0.0%	0.0%
Other Operating Inc/(Ded)	0.0%	0.0%	0.0%	0.0%	0.0%
Restructuring Expenses	0.0%	-100.0%	0.0%	0.0%	0.0%
Separation Expenses	0.0%	-100.0%	0.0%	0.0%	0.0%
Other Technical Transfers	0.0%	0.0%	0.0%	0.0%	0.0%
Total Other Operating Inc/(Ded)					
Total Investments & Amortization	0.0%	0.0%	0.0%	0.0%	0.0%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Consolidated Business
UNITED KINGDOM
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	52,318	53,535	54,760	56,009	57,287
Performance	25,335	27,106	28,232	29,359	30,617
Sync	24,996	26,151	27,377	28,562	30,010
New Media	1,013	1,266	1,648	2,140	2,781
Print	936	953	970	986	1,002
Foreign	-	-	-	-	-
Acquisition	1,000	1,023	1,047	1,071	1,095
Other	1,255	1,207	1,321	1,343	1,367
Total Revenue	107,572	111,321	115,353	119,610	124,159
Royalty Expense					
Mechanical	(43,595)	(44,700)	(45,728)	(46,780)	(47,856)
Performance	(14,358)	(14,953)	(15,581)	(16,232)	(16,912)
Sync	(14,187)	(14,857)	(15,573)	(16,320)	(17,107)
New Media	(930)	(1,140)	(1,454)	(1,860)	(2,390)
Print	(588)	(702)	(716)	(730)	(745)
Foreign	-	-	-	-	-
Acquisition	(750)	(767)	(785)	(803)	(821)
Other	(430)	(435)	(441)	(438)	(436)
Total Royalty Expense	(75,045)	(77,582)	(80,284)	(83,172)	(86,273)
Cost of Sales	(52)	(52)	(52)	(52)	(52)
UK International Addback	425	425	425	425	425
NPS	32,900	34,132	35,441	36,811	38,258
Marketing Costs	(334)	(237)	(241)	(244)	(247)
Provision against Advances	(1,322)	(1,322)	(1,322)	(1,322)	(1,322)
Depreciation Rights and Licenses incl.Tech Tra	(2,041)	(2,110)	(2,110)	(2,110)	(2,110)
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	(2,184)	(2,024)	(2,024)	(2,024)	(2,024)
Total Cost of Sales (excl royalty exp)	(5,881)	(5,893)	(5,697)	(5,700)	(5,703)
Adjusted NPS	27,020	28,439	29,744	31,111	32,555
SG&A (excl items below)	(7,060)	(7,043)	(7,123)	(7,301)	(7,484)
Depreciation Tangible Assets	(243)	(243)	(243)	(243)	(243)
Rent	(991)	(1,006)	(1,021)	(1,036)	(1,052)
BMG Publishing Intercompany Charge	(234)	(234)	(234)	(234)	(234)
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	(8,528)	(8,527)	(8,622)	(8,815)	(9,013)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	179	179	179	179	179
Restructuring Expenses	-	(235)	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	179	(56)	179	179	179
Total Impairments & Amortization	-	-	-	-	-
EBIT	18,670	19,856	21,302	22,475	23,721
EBIT (before extraordinary)	18,670	20,091	21,302	22,475	23,721
EBITDA	20,954	22,209	23,655	24,828	26,074
Headcount	-	-	-	-	-
NPS % Revenues	31%	31%	31%	31%	31%
TOTAL SG&A % Revenues	8%	8%	7%	7%	7%
TOTAL SG&A % NPS	26%	25%	24%	24%	24%
EBIT ROS% (before extraordinary)	17.4%	18.3%	18.5%	18.8%	19.1%
EBIT ROS%	17.4%	18.1%	18.5%	18.8%	19.1%
EBITDA ROS%	19.5%	20.0%	20.5%	20.8%	21.0%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN

PROFIT AND LOSS STATEMENT
Core Business
UNITED KINGDOM
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	52,060	53,257	54,482	55,735	57,017
Performance	21,499	22,402	23,354	24,346	25,381
Sync	7,093	7,518	7,984	8,479	9,005
New Media	1,013	1,266	1,645	2,140	2,781
Print	836	853	870	887	905
Foreign	-	-	-	-	-
Acquisition	1,000	1,023	1,047	1,071	1,095
Other	495	515	535	557	579
Total Revenue	83,995	86,834	89,918	93,215	96,764
Royalty Expense					
Mechanical	(43,893)	(44,700)	(45,728)	(46,780)	(47,856)
Performance	(13,862)	(14,236)	(14,841)	(15,472)	(16,129)
Sync	(5,304)	(5,634)	(6,196)	(6,580)	(6,588)
New Media	(837)	(1,047)	(1,361)	(1,769)	(2,300)
Print	(580)	(702)	(716)	(730)	(745)
Foreign	-	-	-	-	-
Acquisition	(750)	(767)	(785)	(803)	(821)
Other	-	-	-	-	-
Total Royalty Expense	(65,136)	(67,286)	(69,628)	(72,134)	(74,839)
Cost of Sales	-	-	-	-	-
UK International Addback	425	425	425	425	425
NPS	19,284	19,973	20,716	21,506	22,350
Marketing Costs	(70)	(70)	(70)	(70)	(70)
Provision against Advances	(1,322)	(1,322)	(1,322)	(1,322)	(1,322)
Depreciation Rights and Licenses incl.Tech Tra	(2,041)	(2,110)	(2,110)	(2,110)	(2,110)
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	(157)	(57)	(57)	(57)	(57)
Total Cost of Sales (excl royalty exp)	(3,590)	(3,559)	(3,558)	(3,559)	(3,559)
Adjusted NPS	15,694	16,414	17,157	17,947	18,791
SG&A (excl items below)	(5,090)	(5,114)	(5,191)	(5,321)	(5,454)
Depreciation Tangible Assets	(179)	(179)	(179)	(179)	(179)
Rent	(991)	(1,006)	(1,021)	(1,036)	(1,052)
BMG Publishing Intercompany Charge	(113)	(113)	(113)	(113)	(113)
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	607	607	607	607	607
Total SG&A	(5,766)	(5,805)	(5,897)	(6,042)	(6,191)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	179	179	179	179	179
Restructuring Expenses	-	(150)	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	179	29	179	179	179
Total Impairments & Amortization	-	-	-	-	-
EBIT	10,108	10,637	11,439	12,084	12,779
EBIT (before extraordinary)	10,108	10,787	11,439	12,084	12,779
EBITDA	12,227	12,927	13,728	14,372	15,068
Headcount					
NPS % Revenues	23%	23%	23%	23%	23%
TOTAL SG&A % Revenues	7%	7%	7%	6%	6%
TOTAL SG&A % NPS	30%	29%	28%	28%	28%
EBIT ROS% (before extraordinary)	12%	12%	13%	13%	13%
EBIT ROS%	12%	12%	13%	13%	13%
EBITDA ROS%	15%	15%	15%	15%	16%

BMG MUSIC PUBLISHING
2008 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Production Music

UNITED KINGDOM
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	4,087	4,255	4,429	4,611	4,800
Sync	17,803	18,533	19,293	20,084	20,908
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	110	114	119	124	129
Total Revenue	22,000	22,902	23,841	24,818	25,836
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	(529)	(550)	(573)	(596)	(621)
Sync	(8,299)	(8,640)	(8,994)	(9,363)	(9,746)
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	(8,828)	(9,190)	(9,567)	(9,959)	(10,367)
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	13,172	13,712	14,274	14,859	15,469
Marketing Costs	(254)	(157)	(160)	(163)	(166)
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	(2,027)	(1,967)	(1,967)	(1,967)	(1,967)
Total Cost of Sales (excl royalty exp)	(2,281)	(2,124)	(2,127)	(2,130)	(2,133)
Adjusted NPS	10,891	11,588	12,147	12,729	13,335
SG&A (excl items below)	(1,775)	(1,773)	(1,795)	(1,840)	(1,886)
Depreciation Tangible Assets	(63)	(63)	(63)	(63)	(63)
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	(113)	(113)	(113)	(113)	(113)
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	(536)	(536)	(536)	(536)	(536)
Total SG&A	(2,487)	(2,485)	(2,507)	(2,551)	(2,597)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	(25)	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	(25)	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	8,405	9,078	9,641	10,178	10,738
EBIT (before extraordinary)	8,405	9,103	9,641	10,178	10,738
EBITDA	8,467	9,141	9,703	10,241	10,801
Headcount					
NPS % Revenues	60%	60%	60%	60%	60%
TOTAL SG&A % Revenues	11%	11%	11%	10%	10%
TOTAL SG&A % NPS	19%	18%	18%	17%	17%
EBIT ROS% (before extraordinary)	38%	40%	40%	41%	42%
EBIT ROS%	38%	40%	40%	41%	42%
EBITDA ROS%	38%	40%	41%	41%	42%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Printed Music
UNITED KINGDOM
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount					
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Rights & Rentals
UNITED KINGDOM
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	278	278	278	274	270

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Performance	449	449	449	442	436
Sync	100	100	100	99	97
New Media	-	-	-	-	-
Print	100	100	100	99	97
Foreign	-	-	-	-	-
Other	650	658	667	663	659
Total Revenue	1,577	1,586	1,594	1,576	1,559
Royalty Expense					
Mechanical	(167)	(167)	(167)	(164)	(162)
Performance	(384)	(384)	(384)	(378)	(372)
Sync	(93)	(93)	(93)	(91)	(90)
New Media	-	-	-	-	-
Print	(7)	(7)	(7)	(7)	(7)
Foreign	-	-	-	-	-
Other	(430)	(435)	(441)	(438)	(436)
Total Royalty Expense	(1,080)	(1,086)	(1,091)	(1,079)	(1,067)
Cost of Sales	(52)	(52)	(52)	(52)	(52)
UK International Addback	-	-	-	-	-
NPS	445	447	450	445	440
Marketing Costs	(10)	(10)	(10)	(10)	(10)
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses Incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	(10)	(10)	(10)	(10)	(10)
Adjusted NPS	434	437	440	435	429
SG&A (excl items below)	(196)	(156)	(138)	(141)	(145)
Depreciation Tangible Assets	(1)	(1)	(1)	(1)	(1)
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	(7)	(7)	(7)	(7)	(7)
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	(72)	(72)	(72)	(72)	(72)
Total SG&A	(276)	(237)	(218)	(222)	(225)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	(60)	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	(60)	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	158	140	222	213	204
EBIT (before extraordinary)	158	200	222	213	204
EBITDA	160	142	223	214	205
Headcount					
NPS % Revenues	28%	20%	20%	28%	20%
TOTAL SG&A % Revenues	18%	15%	14%	14%	14%
TOTAL SG&A % NPS	52%	53%	48%	30%	51%
EBIT ROS% (before extraordinary)	10%	13%	14%	13%	13%
EBIT ROS%	10%	9%	14%	13%	13%
EBITDA ROS%	10%	9%	14%	14%	13%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Classical Music
UNITED KINGDOM
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	278	270	278	274	270
Performance	449	449	449	442	436
Sync	100	100	100	99	97
New Media	-	-	-	-	-
Print	100	100	100	99	97

Foreign	-	-	-	-	-
Other	650	658	687	643	659
Total Revenue	1,577	1,586	1,594	1,576	1,559
Royalty Expense					
Mechanical	(167)	(167)	(167)	(164)	(162)
Performance	(384)	(384)	(384)	(378)	(372)
Sync	(93)	(93)	(93)	(91)	(90)
New Media	-	-	-	-	-
Print	(7)	(7)	(7)	(7)	(7)
Foreign	-	-	-	-	-
Other	(430)	(435)	(441)	(438)	(436)
Total Royalty Expense	(1,080)	(1,086)	(1,091)	(1,079)	(1,067)
Cost of Sales	(52)	(52)	(52)	(52)	(52)
UK International Addback	-	-	-	-	-
NPS	445	447	450	445	440
Marketing Costs	(10)	(10)	(10)	(10)	(10)
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses Incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	(10)	(10)	(10)	(10)	(10)
Adjusted NPS	434	437	440	435	429
SG&A (excl items below)	(196)	(156)	(138)	(141)	(145)
Depreciation Tangible Assets	(1)	(1)	(1)	(1)	(1)
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	(7)	(7)	(7)	(7)	(7)
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	(72)	(72)	(72)	(72)	(72)
Total SG&A	(276)	(237)	(218)	(222)	(225)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	(60)	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	(60)	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	158	140	222	213	204
EBIT (before extraordinary)	158	200	222	213	204
EBITDA	160	142	223	214	205
Headcount	-	-	-	-	-
NPS % Revenues	28%	28%	28%	28%	28%
TOTAL SG&A % Revenues	18%	15%	14%	14%	14%
TOTAL SG&A % NPS	62%	53%	48%	50%	51%
EBIT ROS% (before extraordinary)	10%	13%	14%	13%	13%
EBIT ROS%	10%	9%	14%	13%	13%
EBITDA ROS%	10%	9%	14%	14%	13%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Consolidated Business
GSA (GERMANY, SWITZERLAND, AUSTRIA)
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	19,721	20,187	20,654	21,128	21,613
Performance	14,229	14,780	15,360	15,949	16,563
Sync	2,253	2,166	2,289	2,419	2,557
New Media	1,301	1,626	2,113	2,747	3,571
Print	1,404	1,408	1,412	1,398	1,385
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	4,700	4,802	4,909	4,960	5,014
Total Revenue	43,417	44,969	46,737	48,600	50,702
Royalty Expense					
Mechanical	(14,091)	(14,383)	(14,723)	(15,071)	(15,427)
Performance	(7,865)	(8,188)	(8,528)	(8,860)	(9,247)
Sync	(1,481)	(1,531)	(1,384)	(1,632)	(1,683)
New Media	(975)	(1,219)	(1,584)	(2,060)	(2,678)
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	(2,005)	(2,030)	(2,056)	(2,045)	(2,034)
Total Royalty Expense	(26,558)	(27,531)	(28,657)	(29,866)	(31,244)
Cost of Sales	(656)	(656)	(656)	(656)	(656)
UK International Addback	185	185	185	185	185
NPS	16,388	16,967	17,610	18,264	18,987
Marketing Costs	(188)	(189)	(190)	(190)	(191)
Provision against Advances	(400)	(400)	(400)	(400)	(400)
Depreciation Rights and Licenses incl.Tech Tra	(1,145)	(1,145)	(1,145)	(1,145)	(1,145)
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	(249)	(254)	(254)	(254)	(254)
Total Cost of Sales (excl royalty exp)	(1,982)	(1,987)	(1,988)	(1,989)	(1,989)
Adjusted NPS	14,407	14,980	15,622	16,276	16,998
	-	-	-	-	-
SG&A (excl items below)	(4,318)	(4,159)	(4,130)	(4,233)	(4,339)
Depreciation Tangible Assets	(18)	(18)	(18)	(18)	(18)
Rent	(395)	(401)	(407)	(413)	(419)
BMG Publishing Intercompany Charge	(107)	(107)	(107)	(107)	(107)
Bertelsmann I/C Charge	(414)	(414)	(414)	(414)	(414)
Internal Service Charge	-	-	-	-	-
Total SG&A	(5,251)	(5,099)	(5,075)	(5,185)	(5,297)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	(2)	(2)	(2)	(2)	(2)
Restructuring Expenses	(90)	(170)	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	(92)	(172)	(2)	(2)	(2)
Total Impairments & Amortization	-	-	-	-	-
EBIT	9,063	9,709	10,544	11,089	11,699
EBIT (before extraordinary)	9,153	9,879	10,544	11,089	11,699
EBITDA	10,225	10,871	11,708	12,251	12,861
Headcount	-	-	-	-	-
NPS % Revenue	38%	38%	38%	38%	37%
TOTAL SG&A % Revenues	12%	11%	11%	11%	10%
TOTAL SG&A % NPS	32%	30%	29%	28%	28%
EBIT ROS% (before extraordinary)	21.1%	22.0%	22.6%	22.8%	23.1%
EBIT ROS%	20.9%	21.6%	22.6%	22.8%	23.1%
EBITDA ROS%	23.6%	24.2%	25.0%	25.2%	25.4%

PROFIT AND LOSS STATEMENT
Core Business
GSA (GERMANY, SWITZERLAND, AUSTRIA)
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	19,086	19,525	19,975	20,434	20,904
Performance	11,303	11,780	12,281	12,803	13,347
Sync	1,537	1,630	1,731	1,878	1,952
New Media	1,300	1,625	2,113	2,746	3,570
Print	200	204	208	212	216
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	834	867	902	938	976
Total Revenue	34,263	35,632	37,209	38,971	40,963
Royalty Expense					
Mechanical	(13,392)	(13,904)	(14,224)	(14,551)	(14,888)
Performance	(6,408)	(6,677)	(6,961)	(7,257)	(7,565)
Sync	(919)	(868)	(922)	(979)	(1,040)
New Media	(975)	(1,219)	(1,584)	(2,060)	(2,678)
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	(21,794)	(22,668)	(23,691)	(24,047)	(26,166)
Cost of Sales	-	-	-	-	-
UK International Addback	185	185	185	185	185
NPS	12,655	13,149	13,702	14,310	14,982
Marketing Costs	(100)	(100)	(100)	(100)	(100)
Provision against Advances	(400)	(400)	(400)	(400)	(400)
Depreciation Rights and Licenses incl.Tech Tra	(999)	(999)	(999)	(999)	(999)
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	(4)	(4)	(4)	(4)	(4)
Total Cost of Sales (excl royalty exp)	(1,503)	(1,503)	(1,503)	(1,502)	(1,503)
Adjusted NPS	11,152	11,646	12,200	12,807	13,479
SG&A (excl items below)	(3,048)	(2,943)	(2,929)	(3,002)	(3,077)
Depreciation Tangible Assets	(12)	(12)	(12)	(12)	(12)
Rent	(268)	(272)	(278)	(280)	(284)
BMG Publishing Intercompany Charge	(60)	(60)	(60)	(60)	(60)
Bertelsmann I/C Charge	(257)	(257)	(257)	(257)	(257)
Internal Service Charge	24	24	24	24	24
Total SG&A	(3,620)	(3,521)	(3,509)	(3,587)	(3,666)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	(10)	(10)	(10)	(10)	(10)
Restructuring Expenses	(90)	(170)	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	(100)	(180)	(10)	(10)	(10)
Total Impairments & Amortization	-	-	-	-	-
EBIT	7,432	7,948	8,681	9,211	9,803
EBIT (before extraordinary)	7,522	8,118	8,681	9,211	9,803
EBITDA	8,443	8,958	9,691	10,221	10,814
Headcount					-
NPS % Revenues	37%	37%	37%	37%	37%
TOTAL SG&A % Revenues	11%	10%	9%	9%	9%
TOTAL SG&A % NPS	29%	27%	26%	25%	24%
EBIT ROS% (before extraordinary)	22%	23%	23%	24%	24%
EBIT ROS%	22%	22%	23%	24%	24%
EBITDA ROS%	25%	25%	26%	26%	26%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Production Music

GSA (GERMANY, SWITZERLAND, AUSTRIA)
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	402	419	437	455	474
Performance	1,859	1,935	2,015	2,097	2,183
Sync	513	534	556	579	603
New Media	-	-	-	-	-
Print	0	0	0	0	0
Foreign	-	-	-	-	-
Other	725	755	786	818	851
Total Revenue	3,500	3,644	3,794	3,950	4,112
Royalty Expense					
Mechanical	(459)	(479)	(499)	(520)	(541)
Performance	(1,313)	(1,367)	(1,423)	(1,481)	(1,542)
Sync	(2)	(3)	(3)	(3)	(3)
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	(1,775)	(1,848)	(1,925)	(2,004)	(2,086)
Cost of Sales	-	-	-	-	-
LK International Addback	-	-	-	-	-
NPS	1,725	1,796	1,870	1,946	2,026
Marketing Costs	(30)	(31)	(32)	(32)	(33)
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	(84)	(84)	(84)	(84)	(84)
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	(245)	(250)	(250)	(250)	(250)
Total Cost of Sales (excl royalty exp)	(360)	(365)	(366)	(367)	(367)
Adjusted NPS	1,366	1,431	1,504	1,580	1,659
SG&A (excl items below)	(577)	(536)	(522)	(535)	(548)
Depreciation Tangible Assets	(5)	(5)	(5)	(5)	(5)
Rent	(59)	(59)	(60)	(61)	(62)
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	(75)	(75)	(75)	(75)	(75)
Internal Service Charge	(24)	(24)	(24)	(24)	(24)
Total SG&A	(739)	(699)	(686)	(700)	(714)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	0	0	0	0	0
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	0	0	0	0	0
Total Impairments & Amortization	-	-	-	-	-
EBIT	626	732	818	880	945
EBIT (before extraordinary)	626	732	818	880	945
EBITDA	715	820	907	969	1,033
Headcount					
NPS % Revenue	49%	49%	49%	49%	49%
TOTAL SG&A % Revenue	21%	19%	18%	18%	17%
TOTAL SG&A % NPS	43%	39%	37%	36%	35%
EBIT ROS% (before extraordinary)	18%	20%	22%	22%	23%
EBIT ROS%	18%	20%	22%	22%	23%
EBITDA ROS%	20%	23%	24%	25%	25%

BMG MUSIC PUBLISHING
2007 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Printed Music
GSA (GERMANY, SWITZERLAND, AUSTRIA)
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	1,202	1,202	1,202	1,164	1,166
Other	-	-	-	-	-
Total Revenue	1,202	1,202	1,202	1,164	1,166
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	(181)	(181)	(181)	(178)	(175)
Other	-	-	-	-	-
Total Royalty Expense	(181)	(181)	(181)	(178)	(175)
Cost of Sales	(447)	(447)	(447)	(447)	(447)
UK International Addback	-	-	-	-	-
NPS	575	575	575	559	544
Marketing Costs	(41)	(41)	(41)	(41)	(41)
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	(41)	(41)	(41)	(41)	(41)
Adjusted NPS	534	534	534	518	503
SG&A (excl items below)	(173)	(177)	(182)	(186)	(191)
Depreciation Tangible Assets	(0)	(0)	(0)	(0)	(0)
Rent	(9)	(9)	(9)	(9)	(9)
BMG Publishing Intercompany Charge	(12)	(12)	(12)	(12)	(12)
Bertelsmann I/C Charge	(21)	(21)	(21)	(21)	(21)
Internal Service Charge	-	-	-	-	-
Total SG&A	(215)	(219)	(224)	(228)	(233)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	(2)	(2)	(2)	(2)	(2)
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	(2)	(2)	(2)	(2)	(2)
Total Impairments & Amortization	-	-	-	-	-
EBIT	317	312	308	288	268
EBIT (before extraordinary)	317	312	308	288	268
EBITDA	317	312	308	288	268
Headcount					
NPS % Revenues	48%	40%	40%	47%	47%
TOTAL SG&A % Revenues	18%	18%	19%	19%	20%
TOTAL SG&A % NPS	37%	38%	39%	41%	43%
EBIT ROS% (before extraordinary)	26%	26%	26%	24%	23%
EBIT ROS%	26%	26%	26%	24%	23%
EBITDA ROS%	26%	20%	20%	24%	23%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Rights & Rentals
GSA (GERMANY, SWITZERLAND, AUSTRIA)
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	242	242	242	230	235

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	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Performance	1,065	1,065	1,065	1,049	1,033
Sync	2	2	2	2	2
New Media	1	1	1	1	1
Print	2	2	2	2	2
Foreign	-	-	-	-	-
Other	3,141	3,180	3,221	3,204	3,186
Total Revenue	4,451	4,492	4,532	4,495	4,458
Royalty Expense					
Mechanical	(144)	(144)	(144)	(142)	(139)
Performance	(660)	(660)	(660)	(650)	(640)
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other					
Total Royalty Expense	(2,005)	(2,030)	(2,056)	(2,045)	(2,034)
Cost of Sales	(2,909)	(2,834)	(2,860)	(2,837)	(2,814)
UK International Addback	(209)	(209)	(209)	(209)	(209)
NPS	1,434	1,448	1,463	1,449	1,435
Marketing Costs	(17)	(17)	(17)	(17)	(17)
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	(62)	(62)	(62)	(62)	(62)
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	(79)	(79)	(79)	(79)	(79)
Adjusted NPS	1,355	1,370	1,384	1,370	1,357
SG&A (excl items below)	(520)	(501)	(497)	(509)	(522)
Depreciation Tangible Assets	(1)	(1)	(1)	(1)	(1)
Rent	(60)	(61)	(62)	(62)	(63)
BMG Publishing Intercompany Charge	(35)	(35)	(35)	(35)	(35)
Bertelsmann I/C Charge	(62)	(62)	(62)	(62)	(62)
Internal Service Charge	-	-	-	-	-
Total SG&A	(677)	(659)	(657)	(670)	(684)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Def)	10	10	10	10	10
Restructuring Expenses	-	-	-	-	-
Seperation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Def)	10	10	10	10	10
Total Impairments & Amortization	-	-	-	-	-
EBIT	687	720	737	710	683
EBIT (before extraordinary)	687	720	737	710	683
EBITDA	750	783	800	773	745
Headcount					
NPS % Revenues	32%	32%	32%	32%	32%
TOTAL SG&A % Revenues	15%	15%	14%	15%	15%
TOTAL SG&A % NPS	47%	46%	45%	46%	48%
EBIT ROS% (before extraordinary)	15%	16%	16%	16%	15%
EBIT ROS%	15%	16%	16%	16%	15%
EBITDA ROS%	17%	17%	18%	17%	17%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Classical Music
GSA (GERMANY, SWITZERLAND, AUSTRIA)
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	242	242	242	238	235
Performance	1,065	1,065	1,065	1,049	1,033
Sync	2	2	2	2	2
New Media	1	1	1	1	1
Print	1,204	1,204	1,204	1,186	1,168

Foreign	-	-	-	-	-
Other	3,141	3,180	3,221	3,204	3,186
Total Revenue	5,653	5,693	5,734	5,679	5,624
Royalty Expense					
Mechanical	(144)	(144)	(144)	(142)	(139)
Performance	(660)	(660)	(660)	(650)	(640)
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	(181)	(181)	(181)	(178)	(175)
Foreign	-	-	-	-	-
Other	(2,005)	(2,030)	(2,056)	(2,045)	(2,034)
Total Royalty Expense	(2,989)	(3,015)	(3,041)	(3,015)	(2,989)
Cost of Sales	(656)	(656)	(656)	(656)	(656)
UK International Addback	-	-	-	-	-
NPS	2,008	2,023	2,037	2,008	1,979
Marketing Costs	(58)	(58)	(58)	(58)	(58)
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	(62)	(62)	(62)	(62)	(62)
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	(120)	(120)	(120)	(120)	(120)
Adjusted NPS	1,889	1,903	1,918	1,889	1,860
SG&A (excl items below)	(693)	(678)	(679)	(696)	(714)
Depreciation Tangible Assets	(1)	(1)	(1)	(1)	(1)
Rent	(69)	(70)	(71)	(72)	(73)
BMG Publishing Intercompany Charge	(47)	(47)	(47)	(47)	(47)
Bertelsmann I/C Charge	(82)	(82)	(82)	(82)	(82)
Internal Service Charge	-	-	-	-	-
Total SG&A	(892)	(878)	(880)	(898)	(917)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	8	8	8	8	8
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	8	8	8	8	8
Total Impairments & Amortization	-	-	-	-	-
EBIT	1,004	1,032	1,045	998	951
EBIT (before extraordinary)	1,004	1,032	1,045	998	951
EBITDA	1,067	1,093	1,108	1,061	1,014
Headcount	-	-	-	-	-
NPS % Revenues	36%	36%	36%	35%	35%
TOTAL SG&A % Revenues	16%	15%	15%	16%	16%
TOTAL SG&A % NPS	44%	43%	43%	45%	46%
EBIT ROS% (before extraordinary)	18%	18%	18%	18%	17%
EBIT ROS%	18%	18%	18%	18%	17%
EBITDA ROS%	19%	19%	19%	19%	18%

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BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Consolidated Business
FRANCE
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	11,391	11,632	11,879	12,118	12,363
Performance	10,822	11,008	11,413	11,814	12,233
Sync	5,116	6,414	6,736	7,068	7,420
New Media	-	-	-	-	-
Print	2,351	2,355	2,360	2,332	2,304
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	4,519	4,582	4,647	4,633	4,620
Total Revenue	35,000	35,992	37,035	37,965	38,940
Royalty Expense					
Mechanical	(5,830)	(5,964)	(6,101)	(6,241)	(6,385)
Performance	(4,506)	(4,687)	(4,878)	(5,075)	(5,280)
Sync	(3,380)	(3,774)	(3,985)	(4,206)	(4,441)
New Media	(192)	(192)	(192)	(189)	(186)
Print	(136)	(139)	(142)	(145)	(148)
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	(2,176)	(2,204)	(2,232)	(2,220)	(2,208)
Total Royalty Expense	(16,973)	(17,513)	(18,083)	(18,421)	(19,184)
Cost of Sales	(423)	(423)	(423)	(423)	(423)
UK International Addback	138	138	138	138	130
NPS	17,742	18,195	18,667	19,060	19,472
Marketing Costs	(526)	(478)	(479)	(481)	(484)
Provision against Advances	(162)	(162)	(162)	(162)	(162)
Depreciation Rights and Licenses incl.Tech Tra	(96)	(96)	(96)	(96)	(96)
Depr of Sheet Music Rental	(108)	(108)	(108)	(108)	(108)
Other Cost of Sales	(1,066)	(880)	(880)	(880)	(880)
Total Cost of Sales (excl royalty exp)	(1,958)	(1,724)	(1,725)	(1,727)	(1,728)
Adjusted NPS	15,784	16,471	16,942	17,333	17,743
SGAA (excl items below)	(5,587)	(6,409)	(6,398)	(6,558)	(6,722)
Depreciation Tangible Assets	(240)	(240)	(240)	(240)	(240)
Rent	(621)	(630)	(640)	(649)	(659)
BMG Publishing Intercompany Charge	(28)	(28)	(28)	(28)	(28)
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	(1)	(1)	(1)	(1)	(1)
Total SG&A	(7,476)	(7,308)	(7,306)	(7,476)	(7,650)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	130	130	130	130	130
Restructuring Expenses	(210)	(283)	-	-	-
Seperation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	(80)	(153)	130	130	130
Total Investments & Amortization	-	-	-	-	-
EBIT	8,228	9,010	9,765	9,987	10,224
EBIT (before extraordinary)	8,438	9,293	9,765	9,987	10,224
EBITDA	8,672	9,454	10,209	10,431	10,668
Headcount	-	-	-	-	-
NPS % Revenues	51%	51%	50%	50%	50%
TOTAL SG&A % Revenues	21%	20%	20%	20%	20%
TOTAL SG&A % NPS	42%	40%	39%	39%	39%
EBIT ROS% (before extraordinary)	24.1%	25.8%	26.4%	26.3%	26.3%
EBIT ROS%	23.5%	25.0%	26.4%	26.3%	26.3%
EBITDA ROS%	24.8%	26.3%	27.6%	27.5%	27.4%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN

PROFIT AND LOSS STATEMENT
Core Business
FRANCE
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	10,489	10,730	10,977	11,229	11,487
Performance	6,053	6,306	6,575	6,855	7,147
Sync	3,456	3,663	3,893	4,131	4,387
New Media	-	-	-	-	-
Print	173	177	180	184	188
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	19	20	21	21	22
Total Revenue	20,190	20,897	21,643	22,421	23,231
Royalty Expense					
Mechanical	(5,920)	(5,964)	(6,101)	(6,241)	(6,385)
Performance	(3,512)	(3,764)	(3,924)	(4,090)	(4,254)
Sync	(2,928)	(2,996)	(3,104)	(3,381)	(3,591)
New Media	-	-	-	-	-
Print	(120)	(139)	(142)	(145)	(140)
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	(12,406)	(12,864)	(13,350)	(13,857)	(14,387)
Cost of Sales	(17)	(17)	(17)	(17)	(17)
UK International Addback	138	138	138	138	138
NPS	7,905	8,154	8,414	8,685	8,965
Marketing Costs	(328)	(328)	(328)	(328)	(328)
Provision against Advances	(156)	(156)	(156)	(156)	(156)
Depreciation Rights and Licenses incl.Tech Tra	(84)	(84)	(84)	(84)	(84)
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	(258)	(258)	(258)	(258)	(258)
Total Cost of Sales (excl royalty exp)	(826)	(826)	(826)	(826)	(826)
Adjusted NPS	7,079	7,328	7,588	7,859	8,139
SG&A (excl items below)	(3,600)	(3,538)	(3,550)	(3,639)	(3,730)
Depreciation Tangible Assets	(156)	(156)	(150)	(156)	(156)
Rent	(240)	(244)	(247)	(251)	(255)
BMG Publishing Intercompany Charge	(64)	(64)	(64)	(64)	(64)
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	641	641	641	641	641
Total SG&A	(3,419)	(3,360)	(3,376)	(3,469)	(3,563)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	214	214	214	214	214
Restructuring Expenses	(130)	(120)	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	84	94	214	214	214
Total Impairments & Amortization	-	-	-	-	-
EBIT	3,744	4,061	4,428	4,604	4,789
EBIT (before extraordinary)	3,874	4,181	4,428	4,604	4,789
EBITDA	3,984	4,301	4,646	4,844	5,029
Headcount					
NPS % Revenues	39%	39%	39%	39%	39%
TOTAL SG&A % Revenues	17%	16%	16%	15%	15%
TOTAL SG&A % NPS	43%	41%	40%	40%	40%
EBIT ROS% (before extraordinary)	19%	20%	20%	21%	21%
EBIT ROS%	19%	19%	20%	21%	21%
EBITDA ROS%	20%	21%	22%	22%	22%

BMG MUSIC PUBLISHING
2008 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Production Musik

FRANCE
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	3,203	3,334	3,471	3,613	3,761
Sync	2,209	2,300	2,394	2,492	2,594
New Media	-	-	-	-	-
Print	18	19	20	20	21
Foreign	-	-	-	-	-
Other	200	208	217	226	236
Total Revenue	5,630	5,861	6,101	6,351	6,612
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	(728)	(758)	(789)	(821)	(855)
Sync	(590)	(614)	(639)	(665)	(693)
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	(1,318)	(1,372)	(1,428)	(1,487)	(1,548)
Cost of Sales	(28)	(28)	(28)	(28)	(28)
UK International Addback	-	-	-	-	-
NPS	4,284	4,461	4,645	4,836	5,036
Marketing Costs	(126)	(78)	(79)	(81)	(82)
Provision against Advances	(6)	(6)	(6)	(6)	(6)
Depreciation Rights and Licenses incl.Tech Tra	(12)	(12)	(12)	(12)	(12)
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	(724)	(538)	(538)	(538)	(538)
Total Cost of Sales (excl royalty exp)	(868)	(634)	(635)	(637)	(638)
Adjusted NPS	3,416	3,827	4,010	4,200	4,398
SG&A (excl items below)	(1,129)	(1,123)	(1,134)	(1,163)	(1,192)
Depreciation Tangible Assets	(36)	(36)	(36)	(36)	(36)
Rent	(209)	(212)	(215)	(219)	(222)
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	(392)	(392)	(392)	(392)	(392)
Total SG&A	(1,767)	(1,764)	(1,778)	(1,810)	(1,842)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	(12)	(12)	(12)	(12)	(12)
Restructuring Expenses	(80)	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	(92)	(12)	(12)	(12)	(12)
Total Investments & Amortization	-	-	-	-	-
EBIT	1,557	2,051	2,220	2,378	2,544
EBIT (before extraordinary)	1,637	2,051	2,220	2,378	2,544
EBITDA	1,605	2,099	2,268	2,426	2,592
Headcount					
NPS % Revenues	76%	76%	76%	76%	76%
TOTAL SG&A % Revenues	31%	30%	29%	28%	28%
TOTAL SG&A % NPS	41%	40%	38%	37%	37%
EBIT ROS% (before extraordinary)	29%	35%	36%	37%	38%
EBIT ROS%	28%	35%	36%	37%	38%
EBITDA ROS%	29%	36%	37%	38%	39%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Printed Music
FRANCE
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	2,050	2,050	2,050	2,019	1,989
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	2,050	2,050	2,050	2,019	1,989
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	(490)	(490)	(490)	(482)	(475)
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	(490)	(490)	(490)	(482)	(475)
Cost of Sales	(378)	(378)	(378)	(378)	(378)
UK International Addback	-	-	-	-	-
NPS	1,182	1,182	1,182	1,159	1,136
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	1,182	1,182	1,182	1,159	1,136
SG&A (excl items below)	(150)	(154)	(158)	(162)	(166)
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	150	150	150	150	150
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	(4)	(8)	(12)	(16)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	1,182	1,178	1,175	1,147	1,120
EBIT (before extraordinary)	1,182	1,178	1,175	1,147	1,120
EBITDA	1,182	1,178	1,175	1,147	1,120
Headcount					
NPS % Revenues	58%	58%	58%	57%	57%
TOTAL SG&A % Revenues	0%	0%	0%	1%	1%
TOTAL SG&A % NPS	0%	0%	1%	1%	1%
EBIT ROS% (before extraordinary)	58%	57%	57%	57%	56%
EBIT ROS%	58%	57%	57%	57%	56%
EBITDA ROS%	58%	57%	57%	57%	56%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Rights & Rentals
FRANCE
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	903	903	903	[illegible]	[illegible]

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	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Performance	1,366	1,366	1,366	1,345	1,325
Sync	452	452	452	445	438
New Media	-	-	-	-	-
Print	110	110	110	108	107
Foreign	-	-	-	-	-
Other	4,300	4,354	4,410	4,386	4,363
Total Revenues	7,130	7,184	7,240	7,174	7,109
Royalty Expense					
Mechanical	(165)	(165)	(165)	(163)	(161)
Performance	(162)	(162)	(162)	(160)	(157)
Sync	(192)	(192)	(192)	(189)	(186)
New Media	-	-	-	-	-
Print	(63)	(63)	(63)	(62)	(61)
Foreign	-	-	-	-	-
Other	(2,176)	(2,204)	(2,232)	(2,220)	(2,208)
Total Royalty Expense	(2,759)	(2,787)	(2,815)	(2,794)	(2,773)
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	4,371	4,398	4,425	4,380	4,335
Marketing Costs	(72)	(72)	(72)	(72)	(72)
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	(108)	(108)	(108)	(108)	(108)
Other Cost of Sales	(84)	(84)	(84)	(84)	(84)
Total Cost of Sales (excl royalty exp)	(264)	(264)	(264)	(264)	(264)
Adjusted NPS	4,107	4,134	4,161	4,116	4,071
SG&A (excl items below)	(1,707)	(1,594)	(1,556)	(1,553)	(1,635)
Depreciation Tangible Assets	(48)	(48)	(48)	(49)	(48)
Rent	(172)	(175)	(177)	(100)	(100)
BMG Publishing Intercompany Charge	(114)	(114)	(114)	(114)	(114)
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	(249)	(249)	(249)	(249)	(249)
Total SG&A	(2,290)	(2,180)	(2,144)	(2,186)	(2,229)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	(72)	(72)	(72)	(72)	(72)
Restructuring Expenses	-	(163)	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	(72)	(235)	(72)	(72)	(72)
Total Investments & Amortization	-	-	-	-	-
EBIT	1,745	1,719	1,945	1,858	1,771
EBIT (before extraordinary)	1,745	1,882	1,945	1,858	1,771
EBITDA	1,901	1,875	2,101	2,014	1,927
Headcount					
NPS % Revenues	61%	61%	61%	61%	61%
TOTAL SG&A % Revenues	32%	30%	30%	30%	31%
TOTAL SG&A % NPS	52%	50%	48%	50%	51%
EBIT ROS% (before extraordinary)	24%	26%	27%	26%	25%
EBIT ROS%	24%	24%	27%	26%	25%
EBITDA ROS%	27%	26%	29%	28%	27%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Classical Music
FRANCE
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	903	903	903	889	876
Performance	1,366	1,366	1,366	1,345	1,325
Sync	452	452	452	445	438
New Media	-	-	-	-	-
Print	2,160	2,160	2,160	2,128	2,096

Foreign	-	-	-	-	-
Other	4,300	4,354	4,410	4,386	4,363
Total Revenue	9,180	9,274	9,290	9,193	9,097
Royalty Expense					
Mechanical	(165)	(163)	(163)	(163)	(161)
Performance	(162)	(162)	(162)	(160)	(157)
Sync	(192)	(192)	(192)	(189)	(186)
New Media	-	-	-	-	-
Print	(553)	(553)	(552)	(545)	(536)
Foreign	-	-	-	-	-
Other	(2,176)	(2,204)	(2,232)	(2,220)	(2,208)
Total Royalty Expense	(3,249)	(3,278)	(3,305)	(3,276)	(3,249)
Cost of Sales	(370)	(370)	(370)	(370)	(370)
UK International Addback	-	-	-	-	-
NPS	5,553	5,580	5,608	5,539	5,471
Marketing Costs	(72)	(72)	(72)	(72)	(72)
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	(108)	(108)	(108)	(108)	(108)
Other Cost of Sales	(84)	(84)	(84)	(84)	(84)
Total Cost of Sales (excl royalty exp)	(264)	(264)	(264)	(264)	(264)
Adjusted NPS	5,289	5,316	5,344	5,275	5,207
SG&A (excl items below)	(1,857)	(1,748)	(1,714)	(1,757)	(1,801)
Depreciation Tangible Assets	(48)	(48)	(48)	(48)	(48)
Rent	(172)	(175)	(177)	(180)	(183)
BMG Publishing Intercompany Charge	36	36	36	36	36
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	(249)	(249)	(249)	(249)	(249)
Total SG&A	(2,290)	(2,184)	(2,152)	(2,197)	(2,244)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	(72)	(72)	(72)	(72)	(72)
Restructuring Expenses	-	(163)	-	-	-
Seperation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	(72)	(235)	(72)	(72)	(72)
Total Investments & Amortization	-	-	-	-	-
EBIT	2,927	2,897	3,120	3,005	2,891
EBIT (before extraordinary)	2,927	3,060	3,120	3,005	2,891
EBITDA	3,083	3,053	3,276	3,161	3,047
Headcount	-	-	-	-	-
NPS % Revenues	60%	60%	60%	60%	60%
TOTAL SG&A % Revenues	25%	24%	23%	24%	25%
TOTAL SG&A % NPS	41%	39%	38%	40%	41%
EBIT ROS% (before extraordinary)	32%	33%	34%	33%	32%
EBIT ROS%	32%	31%	34%	33%	32%
EBITDA ROS%	34%	33%	35%	34%	33%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Consolidated Business
ITALY
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	10,960	11,387	11,418	11,634	11,856
Performance	15,853	16,370	16,915	17,431	17,971
Sync	2,960	3,080	3,210	3,337	3,472
New Media	25	26	27	28	29
Print	9,023	9,029	9,034	8,909	8,786
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	8,169	8,272	8,370	8,337	8,297
Total Revenue	46,991	47,964	48,982	49,676	50,410
Royalty Expense					
Mechanical	(4,804)	(4,917)	(5,031)	(5,149)	(5,269)
Performance	(4,943)	(5,124)	(5,315)	(5,505)	(5,703)
Sync	(1,997)	(2,078)	(2,166)	(2,252)	(2,343)
New Media	(161)	(162)	(162)	(161)	(159)
Print	(133)	(156)	(159)	(162)	(165)
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	(2,970)	(3,008)	(3,046)	(3,030)	(3,014)
Total Royalty Expense	(15,663)	(16,079)	(16,515)	(16,883)	(17,269)
Cost of Sales	(4,465)	(4,465)	(4,465)	(4,465)	(4,465)
UK International Addback	120	120	120	120	120
NPS	26,982	27,540	28,123	28,448	28,797
Marketing Costs	(530)	(531)	(532)	(532)	(533)
Provision against Advances	(50)	(50)	(50)	(50)	(50)
Depreciation Rights and Licenses incl.Tech Tra	(2,843)	(2,843)	(2,843)	(2,843)	(2,843)
Depr of Sheet Music Rental	(272)	(272)	(272)	(272)	(272)
Other Cost of Sales	(930)	(430)	(430)	(430)	(430)
Total Cost of Sales (excl royalty exp)	(4,625)	(4,126)	(4,127)	(4,127)	(4,128)
Adjusted NPS	22,357	23,414	23,997	24,321	24,669
SG&A (excl items below)	(7,747)	(7,620)	(7,650)	(7,842)	(8,038)
Depreciation Tangible Assets	(244)	(244)	(244)	(244)	(244)
Rent	(1,140)	(1,157)	(1,174)	(1,192)	(1,210)
BMG Publishing Intercompany Charge	80	80	80	80	80
Bertelsmann I/C Charge	(12)	(12)	(12)	(12)	(12)
Internal Service Charge	-	-	-	-	-
Total SG&A	(9,063)	(8,953)	(9,001)	(9,210)	(9,424)
Results and Depreciation of Investments	150	150	150	150	150
Other Operating Inc/(Ded)	108	108	108	108	108
Restructuring Expenses	(75)	(646)	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	183	(388)	258	258	258
Total Impairments & Amortization	-	-	-	-	-
EBIT	13,477	14,073	15,254	15,369	15,503
EBIT (before extraordinary)	13,552	14,719	15,254	15,369	15,503
EBITDA	16,836	17,472	18,613	18,728	18,862
Headcount	-	-	-	-	-
NPS % Revenues	57%	57%	57%	57%	57%
TOTAL SG&A % Revenues	19%	19%	18%	19%	19%
TOTAL SG&A % NPS	34%	33%	32%	32%	33%
EBIT ROS% (before extraordinary)	28.8%	30.7%	31.1%	30.9%	30.8%
EBIT ROS%	28.7%	29.3%	31.1%	30.9%	30.8%
EBITDA ROS%	35.8%	36.3%	38.0%	37.7%	37.4%

PROFIT AND LOSS STATEMENT
Core Business
ITALY
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	9,208	9,419	9,636	9,858	10,084
Performance	11,962	12,464	12,994	13,546	14,122
Sync	1,485	1,574	1,672	1,775	1,885
New Media	-	-	-	-	-
Print	278	284	289	295	301
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	68	71	74	76	80
Total Revenue	23,000	23,812	24,664	25,551	26,472
Royalty Expense					
Mechanical	(4,714)	(4,823)	(4,933)	(5,047)	(5,163)
Performance	(4,196)	(4,373)	(4,559)	(4,752)	(4,954)
Sync	(1,058)	(1,122)	(1,191)	(1,265)	(1,344)
New Media	-	-	-	-	-
Print	(153)	(156)	(159)	(162)	(165)
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	(10,121)	(10,473)	(10,842)	(11,226)	(11,626)
Cost of Sales	-	-	-	-	-
UK International Addback	120	120	120	120	120
NPS	12,999	13,459	13,942	14,444	14,968
Marketing Costs	(160)	(160)	(160)	(160)	(160)
Provision against Advances	(50)	(50)	(50)	(50)	(50)
Depreciation Rights and Licenses incl.Tech Tra	(1,305)	(1,305)	(1,305)	(1,305)	(1,305)
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	(692)	(392)	(392)	(392)	(392)
Total Cost of Sales (excl royalty exp)	(2,207)	(1,907)	(1,907)	(1,907)	(1,907)
Adjusted NPS	10,792	11,552	12,035	12,537	13,059
SG&A (excl items below)	(3,852)	(3,751)	(3,746)	(3,839)	(3,935)
Depreciation Tangible Assets	(115)	(115)	(115)	(115)	(115)
Rent	(796)	(808)	(820)	(832)	(845)
BMG Publishing Intercompany Charge	(48)	(48)	(48)	(48)	(48)
Bertelsmann I/C Charge	(12)	(12)	(12)	(12)	(12)
Internal Service Charge	1,933	1,933	1,933	1,933	1,933
Total SG&A	(2,890)	(2,801)	(2,808)	(2,914)	(3,022)
Results and Depreciation of Investments	150	150	150	150	150
Other Operating Inc/(Ded)	73	73	73	73	73
Restructuring Expenses	-	(646)	-	-	-
Seperation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	223	(423)	223	223	223
Total Investments & Amortization	-	-	-	-	-
EBIT	8,125	8,328	9,450	9,846	10,280
EBIT (before extraordinary)	8,125	8,974	9,450	9,846	10,280
EBITDA	9,545	9,748	10,870	11,266	11,680
Headcount					
NPS % Revenues	57%	57%	57%	57%	57%
TOTAL SG&A % Revenues	13%	12%	11%	11%	11%
TOTAL SG&A % NPS	22%	21%	20%	20%	20%
EBIT ROS% (before extraordinary)	35%	38%	38%	39%	39%
EBIT ROS%	35%	35%	38%	39%	39%
EBITDA ROS%	41%	41%	44%	44%	44%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Production Music

ITALY
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	341	355	370	386	401
Performance	363	377	393	409	426
Sync	761	792	825	859	894
New Media	25	26	27	20	29
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	1,490	1,551	1,615	1,682	1,751
Royalty Expense					
Mechanical	(90)	(94)	(98)	(102)	(106)
Performance	(117)	(122)	(127)	(132)	(138)
Sync	(435)	(452)	(471)	(490)	(510)
New Media	(13)	(13)	(14)	(14)	(15)
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	(655)	(682)	(710)	(739)	(769)
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	835	870	905	943	981
Marketing Costs	(40)	(41)	(42)	(42)	(43)
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	(3)	(3)	(3)	(3)	(3)
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	(42)	(2)	(2)	(2)	(2)
Total Cost of Sales (excl royalty exp)	(85)	(46)	(47)	(47)	(48)
Adjusted NPS	750	824	859	895	933
SG&A (excl items below)	(219)	(224)	(230)	(236)	(242)
Depreciation Tangible Assets	(1)	(1)	(1)	(1)	(1)
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	(153)	(153)	(153)	(153)	(153)
Total SG&A	(373)	(378)	(384)	(390)	(396)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	377	445	475	506	537
EBIT (before extraordinary)	377	445	475	506	537
EBITDA	381	449	478	510	541
Headcount					
NPS % Revenues	56%	56%	56%	56%	56%
TOTAL SG&A % Revenues	25%	24%	24%	23%	23%
TOTAL SG&A % NPS	45%	44%	42%	41%	40%
EBIT ROS% (before extraordinary)	25%	29%	29%	30%	31%
EBIT ROS%	25%	29%	29%	30%	31%
EBITDA ROS%	26%	29%	30%	30%	31%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Printed Music
ITALY
(€ 000's)

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	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	1	1	1	1	1
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	8,549	8,549	8,549	8,420	8,294
Foreign	-	-	-	-	-
Other	150	150	150	150	150
Total Revenue	8,700	8,700	8,700	8,572	8,445
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	(635)	(635)	(635)	(625)	(616)
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	(635)	(635)	(635)	(625)	(616)
Cost of Sales	(4,465)	(4,465)	(4,465)	(4,465)	(4,465)
UK International Addback	-	-	-	-	-
NPS	3,600	3,600	3,600	3,481	3,364
Marketing Costs	(200)	(200)	(200)	(200)	(200)
Provision against Advances	-	-	-	-	-
Depreciation Rights and License incl.Tech Tra	(24)	(24)	(24)	(24)	(24)
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	(132)	(12)	(12)	(12)	(12)
Total Cost of Sales (excl royalty exp)	(356)	(236)	(236)	(236)	(236)
Adjusted NPS	3,244	3,364	3,364	3,245	3,128
SG&A (excl items below)	(2,126)	(2,179)	(2,234)	(2,289)	(2,347)
Depreciation Tangible Assets	(105)	(105)	(105)	(105)	(105)
Rent	(312)	(317)	(321)	(326)	(331)
BMG Publishing Intercompany Charge	(125)	(125)	(125)	(125)	(125)
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	(410)	(410)	(410)	(410)	(410)
Total SG&A	(3,078)	(3,136)	(3,195)	(3,256)	(3,318)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	(75)	-	-	-	-
Seperation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	(75)	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	91	228	169	(10)	(189)
EBIT (before extraordinary)	166	228	169	(10)	(189)
EBITDA	220	357	298	119	(60)
Headcount					
NPS % Revenues	41%	41%	41%	41%	40%
TOTAL SG&A % Revenues	35%	36%	37%	38%	39%
TOTAL SG&A % NPS	85%	87%	89%	91%	99%
EBIT ROS% (before extraordinary)	2%	3%	2%	0%	-2%
EBIT ROS%	1%	3%	2%	0%	-2%
EBITDA ROS%	3%	4%	3%	1%	-1%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Rights & Rentals
ITALY
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	1,411	1,411	1,411	1,390	1,369

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Performance	3,529	3,529	3,529	3,476	3,424
Sync	714	714	714	703	693
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	196	196	196	193	190
Other	7,951	8,052	8,155	8,111	8,067
Total Revenues	13,801	13,901	14,004	13,873	13,743
Royalty Expense					
Mechanical	(629)	(629)	(629)	(620)	(611)
Performance	(504)	(504)	(504)	(496)	(489)
Sync	(149)	(149)	(149)	(146)	(144)
New Media	-	-	-	-	-
Print	0	0	0	0	0
Foreign	-	-	-	-	-
Other	(2,970)	(3,008)	(3,046)	(3,030)	(3,014)
Total Royalty Expense	(4,252)	(4,290)	(4,328)	(4,293)	(4,258)
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	9,548	9,611	9,676	9,580	9,485
Marketing Costs	(130)	(130)	(130)	(130)	(130)
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	(1,511)	(1,511)	(1,511)	(1,511)	(1,511)
Depr of Sheet Music Rental	(272)	(272)	(272)	(272)	(272)
Other Cost of Sales	(64)	(24)	(24)	(24)	(24)
Total Cost of Sales (excl royalty exp)	(1,977)	(1,937)	(1,937)	(1,937)	(1,937)
Adjusted NPS	7,571	7,674	7,739	7,643	7,548
SG&A (excl items below)	(1,550)	(1,466)	(1,441)	(1,477)	(1,514)
Depreciation Tangible Assets	(23)	(23)	(23)	(23)	(23)
Rent	(32)	(32)	(33)	(33)	(34)
BMG Publishing Intercompany Charge	253	253	253	253	253
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	(1,370)	(1,370)	(1,370)	(1,370)	(1,370)
Total SG&A	(2,722)	(2,638)	(2,614)	(2,650)	(2,688)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Def)	35	35	35	35	35
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	35	35	35	35	35
Total Impairments & Amortization	-	-	-	-	-
EBIT	4,884	5,071	5,160	5,027	4,895
EBIT (before extraordinary)	4,884	5,071	5,160	5,027	4,895
EBITDA	6,890	6,877	6,965	6,833	6,701
Headcount					
NPS % Revenues	69%	69%	69%	69%	69%
TOTAL SG&A % Revenues	20%	19%	19%	19%	20%
TOTAL SG&A % NPS	29%	27%	27%	26%	28%
EBIT ROS% (before extraordinary)	35%	36%	37%	36%	36%
EBIT ROS%	35%	26%	37%	36%	36%
EBITDA ROS%	48%	49%	50%	49%	49%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Classical Music
ITALY
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	1,412	1,412	1,412	1,391	1,370
Performance	3,529	3,529	3,529	3,476	3,424
Sync	714	714	714	703	693
New Media	-	-	-	-	-
Print	8,745	8,745	8,745	8,614	8,484

Foreign	-	-	-	-	-
Other	8,101	8,202	8,305	8,261	8,217
Total Revenue	22,500	22,601	22,704	22,444	22,189
Royalty Expense					
Mechanical	(529)	(629)	(629)	(620)	(611)
Performance	(504)	(504)	(504)	(496)	(489)
Sync	(149)	(149)	(149)	(146)	(144)
New Media	-	-	-	-	-
Print	(535)	(635)	(635)	(625)	(616)
Foreign	-	-	-	-	-
Other	(2,970)	(3,008)	(3,046)	(3,030)	(3,014)
Total Royalty Expense	(4,887)	(4,925)	(4,963)	(4,918)	(4,873)
Cost of Sales	(4,465)	(4,465)	(4,465)	(4,465)	(4,465)
UK International Addback	-	-	-	-	-
NPS	13,148	13,211	13,276	13,061	12,849
Marketing Costs	(330)	(330)	(330)	(330)	(320)
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	(1,535)	(1,535)	(1,535)	(1,535)	(1,535)
Depr of Sheet Music Rental	(272)	(272)	(272)	(272)	(272)
Other Cost of Sales	(196)	(36)	(36)	(36)	(36)
Total Cost of Sales (excl royalty exp)	(2,333)	(2,173)	(2,173)	(2,173)	(2,173)
Adjusted NPS	10,815	11,038	11,103	10,888	10,676
SG&A (excl items below)	(3,676)	(3,645)	(3,675)	(3,766)	(3,861)
Depreciation Tangible Assets	(128)	(128)	(128)	(128)	(128)
Rent	(344)	(349)	(354)	(360)	(365)
BMG Publishing Intercompany Charge	128	128	128	128	128
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	(1,780)	(1,780)	(1,780)	(1,780)	(1,780)
Total SG&A	(5,800)	(5,774)	(5,809)	(5,906)	(6,006)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	35	35	35	35	35
Restructuring Expenses	(75)	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	(40)	35	35	35	35
Total Impairments & Amortization	-	-	-	-	-
EBIT	4,975	5,299	5,329	5,017	4,708
EBIT (before extraordinary)	5,050	5,299	5,329	5,017	4,708
EBITDA	6,910	7,234	7,264	6,952	6,641
Headcount	-	-	-	-	-
NPS % Revenues	58%	58%	58%	58%	58%
TOTAL SG&A % Revenues	26%	26%	26%	26%	27%
TOTAL SG&A % NPS	44%	44%	44%	45%	47%
EBIT ROS% (before extraordinary)	22%	23%	23%	22%	21%
EBIT ROS%	22%	23%	23%	22%	21%
EBITDA ROS%	31%	32%	32%	31%	30%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Consolidated Business
NETHERLANDS
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	6,784	6,945	7,110	7,278	7,451
Performance	5,792	6,034	6,290	6,557	6,835
Sync	414	434	455	478	501
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	198	202	206	210	214
Acquisition	-	-	-	-	-
Other	706	734	764	794	826
Total Revenue	13,893	14,349	14,825	15,317	15,827
Royalty Expense					
Mechanical	(5,343)	(5,469)	(5,599)	(5,731)	(5,867)
Performance	(4,231)	(4,409)	(4,596)	(4,791)	(4,994)
Sync	(262)	(275)	(290)	(305)	(321)
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	(98)	(100)	(102)	(104)	(106)
Acquisition	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	(9,934)	(10,253)	(10,585)	(10,930)	(11,287)
Cost of Sales	-	-	-	-	-
UK International Addback	100	100	100	100	100
NPS	4,140	4,276	4,419	4,567	4,720
Marketing Costs	(45)	(45)	(46)	(46)	(46)
Provision against Advances	(130)	(130)	(130)	(130)	(130)
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	(72)	(73)	(73)	(73)	(73)
Total Cost of Sales (excl royalty exp)	(247)	(249)	(249)	(249)	(250)
Adjusted NPS	3,893	4,028	4,170	4,318	4,471
SG&A (excl items below)	(1,482)	(1,485)	(1,505)	(1,543)	(1,582)
Depreciation Tangible Assets	(36)	(36)	(36)	(36)	(36)
Rent	(108)	(110)	(111)	(113)	(115)
BMG Publishing Intercompany Charge	(25)	(25)	(25)	(25)	(25)
Bertelsmann I/C Charge	(5)	(5)	(5)	(5)	(5)
Internal Service Charge	-	-	-	-	-
Total SG&A	(1,656)	(1,661)	(1,683)	(1,722)	(1,762)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	(32)	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	(32)	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	2,237	2,334	2,487	2,595	2,708
EBIT (before extraordinary)	2,237	2,367	2,487	2,595	2,708
EBITDA	2,273	2,370	2,523	2,631	2,744
Headcount	-	-	-	-	-
NPS % Revenue	30%	30%	30%	30%	30%
TOTAL SG&A % Revenues	12%	12%	11%	11%	11%
TOTAL SG&A % NPS	40%	39%	38%	38%	37%
EBIT ROS% (before extraordinary)	16%	16%	17%	17%	17%
EBIT ROS%	16%	16%	17%	17%	17%
EBITDA ROS%	16%	17%	17%	17%	17%

PROFIT AND LOSS STATEMENT
Core Business
NETHERLANDS
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	6,536	6,686	6,840	6,997	7,156
Performance	5,402	5,629	5,869	6,118	6,378
Sync	160	169	180	191	203
New Media	-	-	-	-	-
Print	198	202	206	210	214
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	594	617	642	668	694
Total Revenue	12,889	13,304	13,736	14,184	14,647
Royalty Expense					
Mechanical	(5,163)	(5,281)	(5,403)	(5,527)	(5,654)
Performance	(4,028)	(4,197)	(4,379)	(4,561)	(4,755)
Sync	(138)	(146)	(155)	(165)	(175)
New Media	-	-	-	-	-
Print	(90)	(100)	(102)	(104)	(106)
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	(9,426)	(9,724)	(10,035)	(10,357)	(10,690)
Cost of Sales	-	-	-	-	-
UK International Addback	180	180	180	180	180
NPS	3,643	3,760	3,881	4,007	4,137
Marketing Costs	(25)	(25)	(25)	(25)	(25)
Provision against Advances	(130)	(130)	(130)	(130)	(130)
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	(155)	(155)	(155)	(155)	(155)
Adjusted NPS	3,489	3,605	3,726	3,852	3,983
SG&A (excl items below)	(1,467)	(1,470)	(1,490)	(1,527)	(1,565)
Depreciation Tangible Assets	(36)	(36)	(36)	(36)	(36)
Rent	(100)	(110)	(111)	(113)	(115)
BMG Publishing Intercompany Charge	(25)	(25)	(25)	(25)	(25)
Bertelsmann I/C Charge	(5)	(5)	(5)	(5)	(5)
Internal Service Charge	235	235	235	235	235
Total SG&A	(1,406)	(1,411)	(1,432)	(1,471)	(1,511)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	(32)	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	(32)	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	2,082	2,162	2,294	2,381	2,472
EBIT (before extraordinary)	2,082	2,194	2,294	2,381	2,472
EBITDA	2,118	2,198	2,330	2,417	2,508
Headcount					
NPS % Revenue	28%	28%	28%	28%	28%
TOTAL SG&A % Revenues	11%	11%	10%	10%	10%
TOTAL SG&A % NPS	39%	38%	37%	37%	37%
EBIT ROS% (before extraordinary)	16%	16%	17%	17%	17%
EBIT ROS%	16%	16%	17%	17%	17%
EBITDA ROS%	16%	17%	17%	17%	17%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Production Music

NETHERLANDS
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	249	259	270	281	293
Performance	389	405	422	439	457
Sync	254	265	275	287	298
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	112	117	122	127	132
Total Revenue	1,004	1,045	1,088	1,133	1,180
Royalty Expense					
Mechanical	(180)	(188)	(196)	(204)	(212)
Performance	(203)	(212)	(221)	(230)	(239)
Sync	(124)	(129)	(134)	(140)	(146)
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	(508)	(529)	(552)	(573)	(597)
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	496	517	538	560	583
Marketing Costs	(20)	(20)	(21)	(21)	(22)
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	(72)	(73)	(73)	(73)	(73)
Total Cost of Sales (excl royalty exp)	(92)	(94)	(94)	(95)	(95)
Adjusted NPS	404	423	444	465	488
SG&A (excl items below)	(15)	(15)	(16)	(16)	(17)
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	(235)	(235)	(235)	(235)	(235)
Total SG&A	(250)	(250)	(251)	(251)	(252)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	154	172	193	214	236
EBIT (before extraordinary)	154	172	192	214	236
EBITDA	154	172	192	214	236
Headcount					
NPS % Revenues	49%	49%	49%	49%	49%
TOTAL SG&A % Revenues	25%	24%	23%	22%	21%
TOTAL SG&A % NPS	50%	48%	47%	45%	43%
EBIT ROS% (before extraordinary)	15%	16%	18%	19%	20%
EBIT ROS%	15%	16%	18%	19%	20%
EBITDA ROS%	15%	16%	18%	19%	20%

BMG MUSIC PUBLISHING
2008 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Printed Music
NETHERLANDS
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount					
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Rights & Rentals
NETHERLANDS
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-

Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount					
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Classical Music
NETHERLANDS
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-

Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense	-	-	-	-	-
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount	-	-	-	-	-
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Consolidated Business
HUNGARY
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	180	193	186	189	192
Performance	796	810	825	834	844
Sync	109	114	119	124	129
New Media	-	-	-	-	-
Print	1,130	1,130	1,130	1,113	1,096
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	205	390	395	392	391
Total Revenue	2,600	2,627	2,655	2,653	2,652
Royalty Expense					
Mechanical	(45)	(46)	(47)	(48)	(49)
Performance	(262)	(273)	(284)	(296)	(308)
Sync	(152)	(154)	(156)	(157)	(157)
New Media	(18)	(18)	(18)	(18)	(18)
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	(44)	(44)	(45)	(45)	(45)
Total Royalty Expense	(645)	(659)	(674)	(685)	(696)
Cost of Sales	(591)	(691)	(691)	(691)	(691)
UK International Addback	4	4	4	4	4
NPS	1,269	1,282	1,295	1,281	1,269
Marketing Costs	(29)	(29)	(29)	(29)	(29)
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	(29)	(29)	(29)	(29)	(29)
Adjusted NPS	1,240	1,253	1,266	1,252	1,240
SG&A (excl items below)	(714)	(698)	(698)	(716)	(734)
Depreciation Tangible Assets	(25)	(25)	(25)	(25)	(25)
Rent	(162)	(164)	(167)	(169)	(172)
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	(901)	(887)	(890)	(910)	(930)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	16	16	16	16	16
Restructuring Expenses	-	(33)	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	16	(16)	16	16	16
Total Investments & Amortization	-	-	-	-	-
EBIT	353	350	392	359	326
EBIT (before extraordinary)	355	382	392	359	326
EBITDA	380	374	417	384	351
Headcount	-	-	-	-	-
NPS % Revenues	49%	49%	49%	48%	48%
TOTAL SG&A % Revenues	35%	34%	34%	34%	35%
TOTAL SG&A % NPS	71%	69%	69%	71%	73%
EBIT ROS% (before extraordinary)	14%	15%	15%	14%	12%
EBIT ROS%	14%	13%	15%	14%	12%
EBITDA ROS%	15%	14%	16%	14%	13%

PROFIT AND LOSS STATEMENT
Core Business
HUNGARY
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	133	136	140	143	146
Performance	340	354	370	385	402
Sync	27	29	30	32	34
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	2	2	2	2	2
Total Revenue	502	521	541	562	584
Royalty Expense					
Mechanical	(45)	(46)	(47)	(48)	(49)
Performance	(254)	(265)	(276)	(288)	(300)
Sync	(7)	(7)	(8)	(8)	(9)
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	(306)	(318)	(331)	(344)	(358)
Cost of Sales	-	-	-	-	-
UK International Addback	4	4	4	4	4
NPS	200	207	214	221	229
Marketing Costs	(0)	(0)	(0)	(0)	(0)
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	(0)	(8)	(0)	(0)	(0)
Adjusted NPS	199	206	214	221	229
SG&A (excl items below)	(24)	9	27	27	28
Depreciation Tangible Assets	(1)	(1)	(1)	(1)	(1)
Rent	(4)	(4)	(4)	(4)	(4)
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	(43)	(43)	(43)	(43)	(43)
Total SG&A	(72)	(39)	(22)	(21)	(20)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	(33)	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	(33)	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	127	135	192	200	209
EBIT (before extraordinary)	127	167	192	200	209
EBITDA	128	136	193	201	209
Headcount					
NPS % Revenues	40%	40%	40%	39%	39%
TOTAL SG&A % Revenues	14%	7%	4%	4%	3%
TOTAL SG&A % NPS	36%	19%	10%	9%	9%
EBIT ROS% (before extraordinary)	25%	32%	35%	36%	36%
EBIT ROS%	25%	26%	35%	36%	36%
EBITDA ROS%	25%	26%	36%	36%	36%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Production Music

HUNGARY
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	73	76	79	83	86
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	73	76	79	83	86
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	(37)	(38)	(40)	(41)	(43)
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	(37)	(38)	(40)	(41)	(43)
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	37	38	40	41	43
Marketing Costs	(0)	(0)	(0)	(0)	(0)
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	(0)	(0)	(0)	(0)	(0)
Adjusted NPS	38	38	40	41	43
SG&A (excl items below)	(9)	(10)	(10)	(10)	(10)
Depreciation Tangible Assets	-	-	-	-	-
Rent	(2)	(2)	(2)	(2)	(2)
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	(8)	(8)	(8)	(8)	(8)
Total SG&A	(19)	(20)	(20)	(20)	(20)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	17	18	20	21	23
EBIT (before extraordinary)	17	18	20	21	23
EBITDA	17	18	20	21	23
Headcount					
NPS % Revenues	50%	50%	50%	50%	50%
TOTAL SG&A % Revenues	26%	26%	25%	24%	24%
TOTAL SG&A % NPS	52%	51%	50%	49%	47%
EBIT ROS% (before extraordinary)	23%	24%	25%	26%	26%
EBIT ROS%	23%	24%	25%	26%	26%
EBITDA ROS%	23%	24%	25%	26%	26%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Printed Music
HUNGARY
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	1,130	1,130	1,130	1,113	1,096
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenues	1,130	1,130	1,130	1,113	1,096
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	(123)	(123)	(123)	(121)	(120)
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	(123)	(123)	(123)	(121)	(120)
Cost of Sales	(414)	(414)	(414)	(414)	(414)
UK International Addback	-	-	-	-	-
NPS	593	593	593	577	563
Marketing Costs	(24)	(24)	(24)	(24)	(24)
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	(24)	(24)	(24)	(24)	(24)
Adjusted NPS	568	569	568	553	539
SG&A (excl items below)	(363)	(372)	(381)	(391)	(400)
Depreciation Tangible Assets	(14)	(14)	(14)	(14)	(14)
Rent	(129)	(130)	(132)	(134)	(136)
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	26	26	26	26	26
Total SG&A	(480)	(491)	(502)	(513)	(525)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	16	16	16	16	16
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	16	16	16	16	16
Total Impairments & Amortization	-	-	-	-	-
EBIT	105	94	83	56	30
EBIT (before extraordinary)	105	94	83	56	30
EBITDA	119	108	97	70	44
Headcount					
NPS % Revenues	32%	52%	52%	52%	51%
TOTAL SG&A % Revenues	42%	43%	44%	46%	48%
TOTAL SG&A % NPS	81%	83%	85%	89%	93%
EBIT ROS% (before extraordinary)	9%	8%	7%	5%	3%
EBIT ROS%	9%	8%	7%	5%	3%
EBITDA ROS%	11%	10%	9%	6%	4%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Rights & Rentals
HUNGARY
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	47	47	47	46	46

Performance	456	456	456	449	442
Sync	9	9	9	9	9
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	384	388	393	391	389
Total Revenue	896	901	905	896	888
Royalty Expense					
Mechanical	(8)	(8)	(8)	(8)	(8)
Performance	(109)	(109)	(109)	(107)	(105)
Sync	(18)	(18)	(16)	(18)	(18)
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	(44)	(44)	(45)	(45)	(43)
Total Royalty Expense	(179)	(179)	(180)	(178)	(175)
Cost of Sales	(277)	(277)	(277)	(277)	(277)
UK International Addback	-	-	-	-	-
NPS	440	444	449	441	434
Marketing Costs	(4)	(4)	(4)	(4)	(4)
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	(4)	(4)	(4)	(4)	(4)
Adjusted NPS	436	440	445	437	430
SG&A (excl items below)	(318)	(326)	(334)	(343)	(351)
Depreciation Tangible Assets	(10)	(10)	(10)	(10)	(10)
Rent	(27)	(20)	(20)	(29)	(29)
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	26	26	26	26	26
Total SG&A	(330)	(338)	(347)	(355)	(364)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	106	102	98	82	65
EBIT (before extraordinary)	106	102	98	82	65
EBITDA	116	112	108	92	75
Headcount					
NPS % Revenues	49%	49%	50%	49%	49%
TOTAL SG&A % Revenues	37%	38%	38%	40%	41%
TOTAL SG&A % NPS	75%	76%	77%	81%	84%
EBIT ROS% (before extraordinary)	12%	11%	11%	9%	7%
EBIT ROS%	12%	11%	11%	9%	7%
EBITDA ROS%	13%	12%	12%	10%	8%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Classical Music
HUNGARY
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	47	47	47	46	46
Performance	456	456	456	449	442
Sync	9	9	9	9	9
New Media	-	-	-	-	-
Print	1,110	1,130	1,130	1,113	1,096

Foreign	-	-	-	-	-
Other	384	388	393	391	389
Total Revenue	2,025	2,030	2,035	2,008	1,982
Royalty Expense					
Mechanical	(8)	(8)	(8)	(8)	(8)
Performance	(109)	(109)	(109)	(107)	(105)
Sync	(18)	(18)	(18)	(18)	(18)
New Media	-	-	-	-	-
Print	(123)	(123)	(123)	(121)	(120)
Foreign	-	-	-	-	-
Other	(44)	(44)	(45)	(45)	(45)
Total Royalty Expense	(302)	(302)	(303)	(299)	(295)
Cost of Sales	(691)	(691)	(691)	(691)	(691)
UK International Addback	-	-	-	-	-
NPS	1,032	1,037	1,041	1,019	996
Marketing Costs	(28)	(28)	(28)	(28)	(28)
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	(28)	(28)	(28)	(28)	(28)
Adjusted NPS	1,004	1,009	1,013	990	968
SG&A (excl items below)	(681)	(698)	(715)	(733)	(751)
Depreciation Tangible Assets	(24)	(24)	(24)	(24)	(24)
Rent	(156)	(158)	(161)	(163)	(165)
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	51	51	51	51	51
Total SG&A	(809)	(829)	(848)	(869)	(889)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	16	16	16	16	16
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	16	16	16	16	16
Total Impairments & Amortization	-	-	-	-	-
EBIT	211	196	181	138	95
EBIT (before extraordinary)	211	196	181	138	95
EBITDA	235	220	205	162	119
Headcount	-	-	-	-	-
NPS % Revenues	51%	51%	51%	51%	50%
TOTAL SG&A % Revenues	40%	41%	42%	43%	45%
TOTAL SG&A % NPS	78%	80%	81%	85%	89%
EBIT ROS% (before extraordinary)	10%	10%	9%	7%	5%
EBIT ROS%	10%	10%	9%	7%	5%
EBITDA ROS%	12%	11%	10%	8%	6%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Consolidated Business
SCANDINAVIA
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	4,333	4,433	4,535	4,640	4,746
Performance	4,602	4,794	4,997	5,209	5,429
Sync	1,778	1,862	1,951	2,045	2,143
New Media	-	-	-	-	-
Print	137	140	142	145	148
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	34	36	37	39	40
Total Revenue	10,885	11,265	11,683	12,077	12,507
Royalty Expense					
Mechanical	(3,025)	(3,093)	(3,166)	(3,239)	(3,313)
Performance	(3,158)	(3,291)	(3,430)	(3,575)	(3,727)
Sync	(1,067)	(1,118)	(1,174)	(1,231)	(1,292)
New Media	-	-	-	-	-
Print	(95)	(97)	(99)	(101)	(103)
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	(7,345)	(7,601)	(7,868)	(8,146)	(8,435)
Cost of Sales	-	-	-	-	-
UK International Addback	120	120	120	120	120
NPS	3,659	3,784	3,915	4,051	4,192
Marketing Costs	(87)	(88)	(89)	(89)	(90)
Provision against Advances	(11)	(11)	(11)	(11)	(11)
Depreciation Rights and Licenses incl.Tech Tra	(125)	(125)	(125)	(125)	(125)
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	(65)	(65)	(65)	(65)	(65)
Total Cost of Sales (excl royalty exp)	(289)	(290)	(290)	(291)	(292)
Adjusted NPS	3,370	3,495	3,625	3,760	3,900
	-	-	-	-	-
SGRA (excl items below)	(1,538)	(1,533)	(1,549)	(1,587)	(1,627)
Depreciation Tangible Assets	(35)	(35)	(35)	(35)	(35)
Rent	(106)	(108)	(110)	(111)	(113)
BMG Publishing Intercompany Charge	(25)	(25)	(25)	(25)	(25)
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	(1,705)	(1,701)	(1,718)	(1,759)	(1,800)
Results and Depreciation of Investments	44	44	44	44	44
Other Operating Inc/(Ded)	(2)	(2)	(2)	(2)	(2)
Restructuring Expenses	-	(85)	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	41	(43)	41	41	41
Total Impairments & Amortization	-	-	-	-	-
EBIT	1,707	1,751	1,948	2,042	2,141
EBIT (before extraordinary)	1,707	1,835	1,948	2,042	2,141
EBITDA	1,867	1,911	2,109	2,203	2,302
Headcount	-	-	-	-	-
NPS % Revenue	34%	34%	34%	34%	34%
TOTAL SG&A % Revenue	16%	15%	15%	15%	14%
TOTAL SG&A % NPS	47%	45%	44%	43%	43%
EBIT ROS% (before extraordinary)	16%	16%	17%	17%	17%
EBIT ROS%	16%	16%	17%	17%	17%
EBITDA ROS%	17%	17%	18%	18%	18%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN

PROFIT AND LOSS STATEMENT
Core Business
SCANDINAVIA
.(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	4,332	4,432	4,533	4,638	4,744
Performance	3,979	4,146	4,322	4,506	4,697
Sync	575	609	647	687	730
New Media	-	-	-	-	-
Print	137	140	142	145	148
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	16	17	17	18	19
Total Revenue	9,038	9,343	9,662	9,994	10,338
Royalty Expense					
Mechanical	(3,023)	(3,099)	(3,166)	(3,239)	(3,313)
Performance	(2,811)	(2,929)	(3,054)	(3,183)	(3,319)
Sync	(415)	(440)	(467)	(496)	(527)
New Media	-	-	-	-	-
Print	(95)	(97)	(99)	(101)	(103)
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	(6,348)	(6,580)	(6,785)	(7,019)	(7,261)
Cost of Sales	-	-	-	-	-
UK International Addback	120	120	120	120	120
NPS	2,812	2,902	2,997	3,095	3,197
Marketing Costs	(55)	(55)	(55)	(55)	(55)
Provision against Advances	(11)	(11)	(11)	(11)	(11)
Depreciation Rights and Licenses incl.Tech Tra	(125)	(125)	(125)	(125)	(125)
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	(65)	(65)	(65)	(65)	(65)
Total Cost of Sales (excl royalty exp)	(256)	(256)	(256)	(256)	(256)
Adjusted NPS	2,556	2,646	2,741	2,839	2,940
SG&A (excl items below)	(1,166)	(1,150)	(1,157)	(1,186)	(1,215)
Depreciation Tangible Assets	(35)	(35)	(35)	(35)	(35)
Rent	(106)	(108)	(110)	(111)	(113)
BMG Publishing Intercompany Charge	(25)	(25)	(25)	(25)	(25)
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	69	69	69	69	69
Total SG&A	(1,263)	(1,250)	(1,258)	(1,288)	(1,320)
Results and Depreciation of Investments	44	44	44	44	44
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	(85)	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	44	(41)	44	44	44
Total Impairments & Amortization	-	-	-	-	-
EBIT	1,336	1,355	1,526	1,594	1,664
EBIT (before extraordinary)	1,336	1,440	1,526	1,594	1,664
EBITDA	1,497	1,516	1,687	1,764	1,825
Headcount					
NPS % Revenues	31%	31%	31%	31%	31%
TOTAL SG&A % Revenue	14%	13%	13%	13%	13%
TOTAL SG&A % NPS	45%	43%	42%	42%	41%
EBIT ROS% (before extraordinary)	15%	15%	16%	16%	16%
EBIT ROS%	15%	15%	16%	16%	16%
EBITDA ROS%	17%	16%	17%	18%	18%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Production Music

SCANDINAVIA
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	2	2	2	2	2
Performance	623	649	675	703	732
Sync	1,204	1,253	1,304	1,358	1,413
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	18	19	20	21	22
Total Revenue	1,847	1,922	2,001	2,083	2,169
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	(347)	(362)	(376)	(392)	(408)
Sync	(552)	(679)	(707)	(736)	(766)
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	(999)	(1,040)	(1,083)	(1,128)	(1,174)
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	847	882	918	956	995
Marketing Costs	(33)	(33)	(34)	(35)	(35)
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	(33)	(33)	(34)	(35)	(35)
Adjusted NPS	815	849	884	921	960
SG&A (excl items below)	(373)	(382)	(392)	(402)	(412)
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	(69)	(69)	(69)	(69)	(69)
Total SG&A	(442)	(451)	(461)	(470)	(480)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	(2)	(2)	(2)	(2)	(2)
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	(2)	(2)	(2)	(2)	(2)
Total Impairments & Amortization	-	-	-	-	-
EBIT	271	395	421	449	477
EBIT (before extraordinary)	371	395	421	449	477
EBITDA	371	395	421	449	477
Headcount					
NPS % Revenues	46%	46%	46%	46%	46%
TOTAL SG&A % Revenues	24%	23%	23%	23%	22%
TOTAL SG&A % NPS	52%	51%	50%	49%	48%
EBIT ROS% (before extraordinary)	20%	21%	21%	22%	22%
EBIT ROS%	20%	21%	21%	22%	22%
EBITDA ROS%	20%	21%	21%	22%	22%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Printed Music
SCANDINAVIA
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense	-	-	-	-	-
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount					
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Rights & Rentals
SCANDINAVIA
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-

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Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount					
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Classical Music
SCANDINAVIA
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-

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Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
EMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Seperation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount	-	-	-	-	-
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Consolidated Business
SPAIN
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	3,437	3,512	3,593	3,676	3,761
Performance	3,489	3,635	3,789	3,950	4,118
Sync	1,218	1,283	1,353	1,426	1,504
New Media	-	-	-	-	-
Print	3	3	3	3	3
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	245	259	265	278	287
Total Revenue	8,389	8,689	9,004	9,332	9,674
Royalty Expense					
Mechanical	(2,319)	(2,372)	(2,426)	(2,482)	(2,538)
Performance	(1,983)	(2,067)	(2,155)	(2,246)	(2,341)
Sync	(967)	(1,040)	(1,098)	(1,160)	(1,224)
New Media	-	-	-	-	-
Print	(3)	(3)	(3)	(3)	(3)
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	(84)	(87)	(91)	(94)	(98)
Total Royalty Expense	(5,376)	(5,569)	(5,773)	(5,985)	(6,205)
Cost of Sales	-	-	-	-	-
UK International Addback	125	125	125	125	125
NPS	3,137	3,244	3,356	3,472	3,593
Marketing Costs	(25)	(25)	(25)	(25)	(25)
Provision against Advances	(50)	(50)	(50)	(50)	(50)
Depreciation Rights and Licenses incl.Tech Tra	(205)	(205)	(205)	(205)	(205)
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	(49)	(50)	(50)	(50)	(50)
Total Cost of Sales (excl royalty exp)	(329)	(330)	(330)	(330)	(330)
Adjusted NPS	2,808	2,915	3,026	3,142	3,263
	-	-	-	-	-
SG&A (excl items below)	(962)	(966)	(979)	(1,004)	(1,029)
Depreciation Tangible Assets	-	-	-	-	-
Rent	(63)	(64)	(65)	(66)	(67)
BMG Publishing Intercompany Charge	(26)	(26)	(26)	(26)	(26)
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	(1,051)	(1,055)	(1,070)	(1,096)	(1,122)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	25	25	25	25	25
Restructuring Expenses	-	(20)	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	25	6	25	25	25
Total Impairments & Amortization	-	-	-	-	-
EBIT	1,782	1,865	1,981	2,072	2,166
EBIT (before extraordinary)	1,782	1,884	1,981	2,072	2,166
EBITDA	1,987	2,070	2,186	2,277	2,371
Headcount	-	-	-	-	-
NPS % Revenue	37%	37%	37%	37%	37%
TOTAL SG&A % Revenues	13%	12%	12%	12%	12%
TOTAL SG&A % NPS	33%	33%	32%	32%	31%
EBIT ROS% (before extraordinary)	21%	22%	22%	22%	22%
EBIT ROS%	21%	21%	22%	22%	22%
EBITDA ROS%	24%	24%	24%	24%	25%

PROFIT AND LOSS STATEMENT
Core Business
SPAIN
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	3,416	3,494	3,575	3,657	3,741
Performance	3,284	3,422	3,567	3,719	3,877
Sync	772	819	869	923	981
New Media	-	-	-	-	-
Print	3	3	3	3	3
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	245	255	265	276	287
Total Revenue	7,720	7,993	8,280	8,578	8,889
Royalty Expense					
Mechanical	(2,338)	(2,391)	(2,446)	(2,503)	(2,560)
Performance	(1,939)	(2,021)	(2,106)	(2,196)	(2,289)
Sync	(589)	(730)	(775)	(823)	(874)
New Media	-	-	-	-	-
Print	(3)	(3)	(3)	(3)	(3)
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	(94)	(87)	(91)	(94)	(98)
Total Royalty Expense	(5,052)	(5,232)	(5,422)	(5,619)	(5,825)
Cost of Sales	-	-	-	-	-
UK International Addback	125	125	125	125	125
NPS	2,793	2,886	2,983	3,084	3,189
Marketing Costs	(20)	(20)	(20)	(20)	(20)
Provision against Advances	(50)	(50)	(50)	(50)	(50)
Depreciation Rights and Licenses incl.Tech Tra	(205)	(205)	(205)	(205)	(205)
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	(13)	(13)	(13)	(13)	(13)
Total Cost of Sales (excl royalty exp)	(288)	(288)	(288)	(288)	(288)
Adjusted NPS	2,505	2,598	2,695	2,796	2,901
SG&A (excl items below)	(846)	(847)	(856)	(879)	(901)
Depreciation Tangible Assets	-	-	-	-	-
Rent	(50)	(51)	(52)	(52)	(53)
BMG Publishing Intercompany Charge	(26)	(26)	(26)	(26)	(26)
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	64	64	64	64	64
Total SG&A	(858)	(859)	(871)	(892)	(916)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	25	25	25	25	25
Restructuring Expenses	-	(20)	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	25	6	25	25	25
Total Impairments & Amortization	-	-	-	-	-
EBIT	1,672	1,744	1,849	1,928	2,009
EBIT (before extraordinary)	1,672	1,763	1,849	1,928	2,009
EBITDA	1,877	1,949	2,054	2,133	2,214
Headcount					
NPS % Revenues	36%	36%	36%	36%	36%
TOTAL SG&A % Revenues	11%	11%	11%	10%	10%
TOTAL SG&A % NPS	31%	30%	29%	29%	29%
EBIT ROS% (before extraordinary)	22%	22%	22%	22%	23%
EBIT ROS%	22%	22%	22%	22%	23%
EBITDA ROS%	24%	24%	25%	25%	25%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Production Music

SPAIN
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	17	18	19	20	20
Performance	205	213	222	231	241
Sync	446	464	483	503	524
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	668	696	724	754	785
Royalty Expense					
Mechanical	19	19	20	21	22
Performance	(44)	(46)	(48)	(50)	(52)
Sync	(298)	(310)	(323)	(336)	(350)
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	(324)	(337)	(351)	(365)	(380)
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	344	359	373	389	405
Marketing Costs	(5)	(5)	(5)	(5)	(5)
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	(36)	(37)	(37)	(37)	(37)
Total Cost of Sales (excl royalty exp)	(41)	(42)	(42)	(42)	(42)
Adjusted NPS	303	317	331	347	362
SG&A (excl items below)	(116)	(119)	(122)	(125)	(128)
Depreciation Tangible Assets	-	-	-	-	-
Rent	(13)	(13)	(13)	(14)	(14)
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	(64)	(64)	(64)	(64)	(64)
Total SG&A	(193)	(198)	(199)	(203)	(206)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	110	121	132	144	157
EBIT (before extraordinary)	110	121	132	144	157
EBITDA	110	121	132	144	157
Headcount					
NPS % Revenue	52%	52%	52%	52%	52%
TOTAL SG&A % Revenue	29%	28%	28%	27%	26%
TOTAL SG&A % NPS	56%	55%	53%	52%	51%
EBIT ROS% (before extraordinary)	17%	17%	18%	19%	20%
EBIT ROS%	17%	17%	18%	19%	20%
EBITDA ROS%	17%	17%	18%	19%	20%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Printed Music
SPAIN
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount					
NPS % Revenue	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenue	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Rights & Rentals
SPAIN
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-

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Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses Incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Investments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount					
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Classical Music
SPAIN
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-

Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount	-	-	-	-	-
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Consolidated Business
CZECH REPUBLIC
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	212	217	222	227	232
Performance	258	269	280	292	305
Sync	45	48	51	54	58
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	515	534	553	573	594
Royalty Expense					
Mechanical	(156)	(159)	(163)	(167)	(170)
Performance	(188)	(196)	(205)	(213)	(223)
Sync	(33)	(35)	(37)	(40)	(42)
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	(377)	(391)	(405)	(420)	(435)
Cost of Sales	-	-	-	-	-
UK International Addback	3	3	3	3	3
NPS	141	146	152	157	162
Marketing Costs	-	-	-	-	-
Provision against Advances	(1)	(1)	(1)	(1)	(1)
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	(1)	(1)	(1)	(1)	(1)
Adjusted NPS	140	145	150	156	161
SG&A (excl items below)	(52)	(53)	(54)	(56)	(57)
Depreciation Tangible Assets	-	-	-	-	-
Rent	(2)	(2)	(2)	(2)	(2)
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	(54)	(55)	(57)	(58)	(59)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	86	90	94	98	102
EBIT (before extraordinary)	86	90	94	98	102
EBITDA	86	90	94	98	102
Headcount	-	-	-	-	-
NPS % Revenues	27%	27%	27%	27%	27%
TOTAL SG&A % Revenues	10%	10%	10%	10%	10%
TOTAL SG&A % NPS	39%	38%	37%	37%	37%
EBIT ROS% (before extraordinary)	17%	17%	17%	17%	17%
EBIT ROS%	17%	17%	17%	17%	17%
EBITDA ROS%	17%	17%	17%	17%	17%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN

PROFIT AND LOSS STATEMENT
Core Business
CZECH REPUBLIC
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	212	117	222	227	232
Performance	258	269	280	292	305
Sync	45	48	51	54	58
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	515	534	553	573	594
Royalty Expense					
Mechanical	(156)	(159)	(163)	(167)	(170)
Performance	(188)	(196)	(205)	(213)	(223)
Sync	(33)	(35)	(37)	(40)	(42)
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	(377)	(391)	(405)	(420)	(435)
Cost of Sales	-	-	-	-	-
UK International Addback	3	3	3	3	3
NPS	141	146	152	157	163
Marketing Costs	-	-	-	-	-
Provision against Advances	(1)	(1)	(1)	(1)	(1)
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	(1)	(1)	(1)	(1)	(1)
Adjusted NPS	140	145	150	156	161
SG&A (excl items below)	(52)	(53)	(54)	(56)	(57)
Depreciation Tangible Assets	-	-	-	-	-
Rent	(2)	(2)	(2)	(2)	(2)
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	(54)	(55)	(57)	(58)	(59)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Investments & Amortization	-	-	-	-	-
EBIT	86	90	94	98	102
EBIT (before extraordinary)	86	90	94	98	102
EBITDA	86	90	94	98	102
Headcount					
NPS % Revenues	27%	27%	27%	27%	27%
TOTAL SG&A % Revenues	10%	10%	10%	10%	10%
TOTAL SG&A % NPS	38%	38%	37%	37%	37%
EBIT ROS% (before extraordinary)	17%	17%	17%	17%	17%
EBIT ROS%	17%	17%	17%	17%	17%
EBITDA ROS%	17%	17%	17%	17%	17%

BMG MUSIC PUBLISHING
2008 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Production Music

CZECH REPUBLIC
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount					
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Printed Music
CZECH REPUBLIC
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Shaft Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Investments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount					
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Rights & Rentals
CZECH REPUBLIC
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-

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Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount					
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Classical Music
CZECH REPUBLIC
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-

Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl Items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount	-	-	-	-	-
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT RO2%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Consolidated Business
GREECE
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	540	552	565	578	591
Performance	160	167	174	181	189
Sync	84	89	95	100	107
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	83	86	90	93	97
Total Revenue	867	893	923	953	984
Royalty Expense					
Mechanical	(501)	(513)	(524)	(536)	(549)
Performance	(137)	(143)	(149)	(155)	(162)
Sync	(68)	(72)	(77)	(81)	(86)
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	(706)	(727)	(750)	(773)	(797)
Cost of Sales	-	-	-	-	-
UK International Addback	22	22	22	22	22
NPS	183	189	196	202	209
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	183	189	196	202	209
SG&A (excl items below)	(54)	(55)	(57)	(58)	(60)
Depreciation Tangible Assets	-	-	-	-	-
Rent	(6)	(6)	(6)	(6)	(6)
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	(60)	(61)	(63)	(64)	(66)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Seperation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	123	128	133	138	143
EBIT (before extraordinary)	123	128	133	138	143
EBITDA	123	128	133	138	143
Headcount	-	-	-	-	-
NPS % Revenue	21%	21%	21%	21%	21%
TOTAL SG&A % Revenues	7%	7%	7%	7%	7%
TOTAL SG&A % NPS	33%	32%	32%	32%	32%
EBIT ROS% (before extraordinary)	14%	14%	14%	14%	15%
EBIT ROS%	14%	14%	14%	14%	15%
EBITDA ROS%	14%	14%	14%	14%	15%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN

PROFIT AND LOSS STATEMENT
Core Business
GREECE
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	540	552	565	578	591
Performance	160	167	174	181	189
Sync	84	89	95	100	107
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	83	86	90	93	97
Total Revenue	867	895	923	953	984
Royalty Expense					
Mechanical	(501)	(513)	(524)	(536)	(549)
Performance	(137)	(143)	(149)	(155)	(162)
Sync	(68)	(72)	(77)	(81)	(86)
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	(706)	(727)	(750)	(773)	(797)
Cost of Sales	-	-	-	-	-
UK International Addback	22	22	22	22	22
NPS	183	189	196	202	209
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	183	189	196	202	209
SG&A (excl items below)	(54)	(55)	(57)	(58)	(60)
Depreciation Tangible Assets	-	-	-	-	-
Rent	(6)	(6)	(6)	(6)	(6)
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	(60)	(61)	(63)	(64)	(66)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	123	128	133	138	143
EBIT (before extraordinary)	123	128	133	138	143
EBITDA	123	128	133	138	143
Headcount					
NPS % Revenues	21%	21%	21%	21%	21%
TOTAL SG&A % Revenues	7%	7%	7%	7%	7%
TOTAL SG&A % NPS	33%	32%	32%	32%	32%
EBIT ROS% (before extraordinary)	14%	14%	14%	14%	15%
EBIT ROS%	14%	14%	14%	14%	15%
EBITDA ROS%	14%	14%	14%	14%	15%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Production Music

GREECE
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount	-	-	-	-	-
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Printed Music
GREECE
(€ 000's)

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	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses Incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount					
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Rights & Rentals
GREECE
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-

Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount	-	-	-	-	-
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Classical Music
GREECE
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-

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Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount	-	-	-	-	-
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Consolidated Business
POLAND
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	416	426	436	446	456
Performance	486	506	528	550	573
Sync	248	262	279	296	314
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	9	9	10	10	10
Total Revenue	1,159	1,204	1,252	1,302	1,354
Royalty Expense					
Mechanical	(333)	(341)	(349)	(357)	(363)
Performance	(342)	(356)	(371)	(387)	(403)
Sync	(207)	(219)	(233)	(247)	(263)
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	(882)	(916)	(953)	(991)	(1,031)
Cost of Sales	-	-	-	-	-
UK International Addback	20	20	20	20	20
NPS	297	307	319	331	343
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	(11)	(11)	(11)	(11)	(11)
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	(11)	(11)	(11)	(11)	(11)
Adjusted NPS	286	297	308	320	332
SG&A (excl items below)	(142)	(146)	(150)	(153)	(157)
Depreciation Tangible Assets	-	-	-	-	-
Rent	(5)	(6)	(6)	(6)	(6)
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	(148)	(151)	(155)	(159)	(163)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	138	145	153	161	169
EBIT (before extraordinary)	138	145	153	161	169
EBITDA	149	156	164	172	180
Headcount	-	-	-	-	-
NPS % Revenues	26%	26%	25%	25%	25%
TOTAL SG&A % Revenues	13%	13%	12%	12%	12%
TOTAL SG&A % NPS	50%	49%	49%	48%	47%
EBIT ROS% (before extraordinary)	12%	12%	12%	12%	13%
EBIT ROS%	12%	12%	12%	12%	13%
EBITDA ROS%	13%	13%	13%	13%	13%

PROFIT AND LOSS STATEMENT
Core Business
POLAND
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	416	426	438	446	456
Performance	486	506	525	550	573
Sync	248	262	279	296	314
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	9	9	10	10	10
Total Revenue	1,159	1,204	1,252	1,302	1,354
Royalty Expense					
Mechanical	(333)	(341)	(349)	(357)	(365)
Performance	(342)	(356)	(371)	(387)	(403)
Sync	(207)	(219)	(233)	(247)	(263)
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	(882)	(916)	(953)	(991)	(1,031)
Cost of Sales	-	-	-	-	-
UK International Addback	20	20	20	20	20
NPS	297	307	319	331	343
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	(11)	(11)	(11)	(11)	(11)
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	(11)	(11)	(11)	(11)	(11)
Adjusted NPS	286	297	308	320	332
SG&A (excl items below)	(142)	(146)	(150)	(153)	(157)
Depreciation Tangible Assets	-	-	-	-	-
Rent	(5)	(6)	(6)	(6)	(6)
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	(148)	(151)	(155)	(159)	(163)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	138	145	153	161	169
EBIT (before extraordinary)	138	145	153	161	169
EBITDA	149	156	164	172	180
Headcount	-				
NPS % Revenues	26%	26%	25%	25%	25%
TOTAL SG&A % Revenues	13%	13%	12%	12%	12%
TOTAL SG&A % NPS	50%	49%	49%	48%	47%
EBIT ROS% (before extraordinary)	12%	12%	12%	12%	13%
EBIT ROS%	12%	12%	12%	12%	13%
EBITDA ROS%	13%	13%	13%	13%	13%

BMG MUSIC PUBLISHING
2008 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Production Music

POLAND
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount					
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Printed Music
POLAND
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Investments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount					
NPS % Revenue	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Rights & Rentals
POLAND
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-

Performance	.	.	.	.	.
Sync	.	.	.	.	.
New Media	.	.	.	.	.
Print	.	.	.	.	.
Foreign	.	.	.	.	.
Other	.	.	.	.	.
Total Revenue	.	.	.	.	.
Royalty Expense					
Mechanical	.	.	.	.	.
Performance	.	.	.	.	.
Sync	.	.	.	.	.
New Media	.	.	.	.	.
Print	.	.	.	.	.
Foreign	.	.	.	.	.
Other	.	.	.	.	.
Total Royalty Expense	.	.	.	.	.
Cost of Sales	.	.	.	.	.
UK International Addback	.	.	.	.	.
NPS	.	.	.	.	.
Marketing Costs	.	.	.	.	.
Provision against Advances	.	.	.	.	.
Depreciation Rights and Licenses incl.Tech Tra	.	.	.	.	.
Depr of Sheet Music Rental	.	.	.	.	.
Other Cost of Sales	.	.	.	.	.
Total Cost of Sales (excl royalty exp)	.	.	.	.	.
Adjusted NPS	.	.	.	.	.
SG&A (excl items below)	.	.	.	.	.
Depreciation Tangible Assets	.	.	.	.	.
Rent	.	.	.	.	.
BMG Publishing Intercompany Charge	.	.	.	.	.
Bertelsmann I/C Charge	.	.	.	.	.
Internal Service Charge	.	.	.	.	.
Total SG&A	.	.	.	.	.
Results and Depreciation of Investments	.	.	.	.	.
Other Operating Inc/(Ded)	.	.	.	.	.
Restructuring Expenses	.	.	.	.	.
Separation Expenses	.	.	.	.	.
Other Technical Transfers	.	.	.	.	.
Total Other Operating Inc/(Ded)	.	.	.	.	.
Total Impairments & Amortization	.	.	.	.	.
EBIT	.	.	.	.	.
EBIT (before extraordinary)	.	.	.	.	.
EBITDA	.	.	.	.	.
Headcount					
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Classical Music
POLAND
(€ 000's)

	FEST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	.	.	.	.	.
Performance	.	.	.	.	.
Sync	.	.	.	.	.
New Media	.	.	.	.	.
Print	.	.	.	.	.

Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expense	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Investments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount	-	-	-	-	-
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Consolidated Business
ARGENTINA
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	453	464	475	485	497
Performance	679	708	738	769	802
Sync	218	231	245	260	276
New Media	21	39	51	66	88
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	0	0	0	0	0
Total Revenue	1,382	1,442	1,509	1,581	1,661
Royalty Expense					
Mechanical	(243)	(249)	(254)	(260)	(266)
Performance	(287)	(299)	(311)	(325)	(338)
Sync	(135)	(144)	(152)	(162)	(172)
New Media	(2)	(3)	(3)	(4)	(6)
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	(667)	(694)	(722)	(751)	(782)
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	715	748	787	830	879
Marketing Costs	(2)	(2)	(2)	(2)	(2)
Provision against Advances	(14)	(14)	(14)	(14)	(14)
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	(15)	(15)	(15)	(15)	(15)
Adjusted NPS	700	732	772	815	864
SG&A (excl items below)	(212)	(210)	(212)	(217)	(221)
Depreciation Tangible Assets	(6)	(6)	(6)	(6)	(6)
Rent	(7)	(7)	(7)	(7)	(9)
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	(1)	(1)	(1)	(1)	(1)
Internal Service Charge	-	-	-	-	-
Total SG&A	(226)	(224)	(228)	(232)	(237)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	(57)	(57)	(57)	(57)	(57)
Restructuring Expenses	-	(7)	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	(57)	(64)	(57)	(57)	(57)
Total Impairments & Amortization	-	-	-	-	-
EBIT	416	445	488	526	569
EBIT (before extraordinary)	416	451	488	526	569
EBITDA	422	451	494	532	575
Headcount	-	-	-	-	-
NPS % Revenue	52%	52%	52%	52%	53%
TOTAL SG&A % Revenues	16%	16%	15%	15%	14%
TOTAL SG&A % NPS	32%	30%	29%	28%	27%
EBIT ROS% (before extraordinary)	30%	31%	32%	33%	34%
EBIT ROS%	30%	31%	32%	33%	34%
EBITDA ROS%	31%	31%	33%	34%	35%

PROFIT AND LOSS STATEMENT
Core Business
ARGENTINA
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	453	464	475	485	497
Performance	679	708	738	769	802
Sync	218	231	245	260	276
New Media	31	39	51	66	86
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	0	0	0	0	0
Total Revenue	1,382	1,442	1,509	1,581	1,661
Royalty Expense					
Mechanical	(243)	(249)	(254)	(260)	(266)
Performance	(287)	(299)	(311)	(325)	(338)
Sync	(135)	(144)	(152)	(162)	(172)
New Media	(2)	(3)	(3)	(4)	(6)
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	(667)	(694)	(722)	(751)	(782)
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	715	748	787	830	879
Marketing Costs	(2)	(2)	(2)	(2)	(2)
Provision against Advances	(14)	(14)	(14)	(14)	(14)
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	(15)	(15)	(15)	(15)	(15)
Adjusted NPS	700	733	772	815	864
SG&A (excl items below)	(212)	(210)	(212)	(217)	(223)
Depreciation Tangible Assets	(6)	(6)	(6)	(6)	(6)
Rent	(7)	(7)	(7)	(7)	(0)
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	(1)	(1)	(1)	(1)	(1)
Internal Service Charge	-	-	-	-	-
Total SG&A	(226)	(224)	(226)	(232)	(237)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	(57)	(57)	(57)	(57)	(57)
Restructuring Expenses	-	(7)	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	(57)	(64)	(57)	(57)	(57)
Total Impairments & Amortization	-	-	-	-	-
EBIT	416	445	488	526	589
EBIT (before extraordinary)	410	451	480	528	569
EBITDA	422	451	494	532	575
Headcount					
NPS % Revenues	52%	52%	52%	52%	53%
TOTAL SG&A % Revenues	16%	16%	15%	15%	14%
TOTAL SG&A % NPS	32%	30%	29%	28%	27%
EBIT ROS% (before extraordinary)	30%	31%	32%	33%	34%
EBIT ROS%	30%	31%	32%	33%	34%
EBITDA ROS%	31%	31%	33%	34%	35%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Production Music

ARGENTINA
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses Incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount					
NPS % Revenue	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Printed Music
ARGENTINA
(€ 000's)

CO05006034

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount					
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2008 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Rights & Rentals
ARGENTINA
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-

Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses Incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount					
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Classical Music
ARGENTINA
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-

Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount	-	-	-	-	-
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Consolidated Business
BRAZIL
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	3,689	3,774	3,861	3,950	4,041
Performance	1,250	1,303	1,358	1,416	1,476
Sync	800	848	901	957	1,016
New Media	42	52	68	88	114
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	5,782	5,977	6,188	6,410	6,647
Royalty Expense					
Mechanical	(2,886)	(2,953)	(3,021)	(3,090)	(3,161)
Performance	(680)	(709)	(739)	(770)	(803)
Sync	(637)	(675)	(717)	(762)	(809)
New Media	(29)	(36)	(47)	(61)	(79)
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	(4,232)	(4,373)	(4,523)	(4,683)	(4,852)
Cost of Sales	-	-	-	-	-
UK International Addback	61	61	61	61	61
NPS	1,612	1,668	1,726	1,789	1,857
Marketing Costs	(16)	(16)	(16)	(16)	(16)
Provision against Advances	(75)	(75)	(75)	(75)	(75)
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	(91)	(91)	(91)	(91)	(91)
Adjusted NPS	1,519	1,575	1,635	1,698	1,765
SG&A (excl items below)	(762)	(747)	(746)	(767)	(786)
Depreciation Tangible Assets	(38)	(38)	(38)	(38)	(38)
Rent	(47)	(48)	(49)	(50)	(50)
BMG Publishing Intercompany Charge	(8)	(8)	(8)	(8)	(8)
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	(854)	(840)	(842)	(862)	(882)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Dec)	(226)	(226)	(226)	(226)	(226)
Restructuring Expenses	-	(33)	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Dec)	(226)	(259)	(226)	(226)	(226)
Total Impairments & Amortization	-	-	-	-	-
EBIT	439	477	567	610	658
EBIT (before extraordinary)	439	510	567	610	658
EBITDA	477	514	604	648	696
Headcount	-	-	-	-	-
NPS % Revenues	28%	28%	28%	28%	28%
TOTAL SG&A % Revenues	15%	14%	14%	13%	13%
TOTAL SG&A % NPS	53%	50%	49%	48%	47%
EBIT ROS% (before extraordinary)	8%	9%	9%	10%	10%
EBIT ROS%	8%	8%	9%	10%	10%
EBITDA ROS%	8%	9%	10%	10%	10%

PROFIT AND LOSS STATEMENT
Core Business
BRAZIL
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	3,689	3,774	3,861	3,950	4,041
Performance	1,250	1,303	1,358	1,416	1,476
Sync	800	848	901	957	1,016
New Media	42	52	68	88	114
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	5,782	5,977	6,188	6,410	6,647
Royalty Expense					
Mechanical	(2,988)	(2,953)	(3,021)	(3,090)	(3,161)
Performance	(580)	(709)	(739)	(770)	(803)
Sync	(537)	(675)	(717)	(762)	(809)
New Media	(29)	(36)	(47)	(61)	(79)
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	(4,232)	(4,373)	(4,523)	(4,683)	(4,852)
Cost of Sales	-	-	-	-	-
UK International Addback	61	61	61	61	61
NPS	1,611	1,688	1,728	1,789	1,857
Marketing Costs	(16)	(16)	(16)	(16)	(16)
Provision against Advances	(75)	(75)	(75)	(75)	(75)
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	(91)	(91)	(91)	(91)	(91)
Adjusted NPS	1,519	1,573	1,635	1,698	1,765
SG&A (excl items below)	(762)	(747)	(748)	(767)	(786)
Depreciation Tangible Assets	(38)	(30)	(38)	(38)	(38)
Rent	(47)	(48)	(49)	(50)	(50)
BMG Publishing Intercompany Charge	(8)	(8)	(8)	(8)	(8)
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	(854)	(840)	(842)	(862)	(882)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	(226)	(226)	(226)	(226)	(226)
Restructuring Expenses	-	(33)	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	(226)	(259)	(226)	(226)	(226)
Total Impairments & Amortization	-	-	-	-	-
EBIT	439	477	567	610	658
EBIT (before extraordinary)	439	509	567	610	658
EBITDA	477	524	604	648	696
Headcount					
NPS % Revenues	28%	28%	28%	28%	28%
TOTAL SG&A % Revenues	15%	14%	14%	13%	13%
TOTAL SG&A % NPS	53%	50%	49%	48%	47%
EBIT ROS% (before extraordinary)	8%	9%	9%	10%	10%
EBIT ROS%	8%	8%	9%	10%	10%
EBITDA ROS%	8%	9%	10%	10%	10%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Production Music

BRAZIL
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount					
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Printed Music
BRAZIL
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount					
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Rights & Rentals
BRAZIL
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-

Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses Incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount					
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2008 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Classical Music
BRAZIL
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-

Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses Incl.Tech Tra	-	-	-	-	-
Dept of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount	-	-	-	-	-
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Consolidated Business
MEXICO
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	4,669	4,776	4,885	4,998	5,113
Performance	313	326	340	355	370
Sync	125	133	141	150	159
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	5,107	5,235	5,367	5,502	5,642
Royalty Expense					
Mechanical	(3,373)	(3,450)	(3,530)	(3,611)	(3,694)
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	(3,373)	(3,450)	(3,530)	(3,611)	(3,694)
Cost of Sales	-	-	-	-	-
UK International Addback	11	11	11	11	11
NPS	1,745	1,795	1,848	1,902	1,959
Marketing Costs	(7)	(7)	(7)	(7)	(7)
Provision against Advances	(14)	(14)	(14)	(14)	(14)
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	(22)	(22)	(22)	(22)	(22)
Adjusted NPS	1,723	1,774	1,826	1,881	1,937
SGRA (excl items below)	(759)	(761)	(771)	(790)	(810)
Depreciation Tangible Assets	-	-	-	-	-
Rent	(27)	(27)	(28)	(28)	(28)
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	(786)	(788)	(799)	(818)	(839)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	9	9	9	9	9
Restructuring Expenses	-	(16)	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	9	(8)	9	9	9
Total Impairments & Amortization	-	-	-	-	-
EBIT	946	978	1,036	1,071	1,107
EBIT (before extraordinary)	946	998	1,036	1,071	1,107
EBITDA	946	978	1,036	1,071	1,107
Headcount	-	-	-	-	-
NPS % Revenue	34%	34%	34%	35%	35%
TOTAL SG&A % Revenues	15%	15%	15%	15%	15%
TOTAL SG&A % NPS	45%	44%	43%	43%	43%
EBIT ROS% (before extraordinary)	19%	19%	19%	19%	20%
EBIT ROS%	19%	19%	19%	19%	20%
EBITDA ROS%	19%	19%	19%	19%	20%

PROFIT AND LOSS STATEMENT
Core Business
MEXICO
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	4,668	4,776	4,885	4,998	5,113
Performance	313	326	340	355	370
Sync	125	133	141	150	159
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	5,107	5,235	5,367	5,502	5,642
Royalty Expense					
Mechanical	(3,373)	(3,450)	(3,530)	(3,611)	(3,694)
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	(3,373)	(3,450)	(3,530)	(3,611)	(3,694)
Cost of Sales	-	-	-	-	-
UK International Addback	11	11	11	11	11
NPS	1,745	1,795	1,848	1,902	1,959
Marketing Costs	(7)	(7)	(7)	(7)	(7)
Provision against Advances	(14)	(14)	(14)	(14)	(14)
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	(22)	(22)	(22)	(22)	(22)
Adjusted NPS	1,723	1,774	1,826	1,881	1,937
SG&A (excl items below)	(759)	(761)	(771)	(790)	(810)
Depreciation Tangible Assets	-	-	-	-	-
Rent	(27)	(27)	(28)	(28)	(28)
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	(786)	(788)	(799)	(818)	(839)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	9	9	9	9	9
Restructuring Expenses	-	(16)	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	9	(8)	9	9	9
Total Investments & Amortization	-	-	-	-	-
EBIT	948	978	1,036	1,071	1,107
EBIT (before extraordinary)	948	995	1,036	1,071	1,107
EBITDA	948	978	1,036	1,071	1,107
Headcount					
NPS % Revenues	34%	34%	34%	35%	35%
TOTAL SG&A % Revenues	15%	15%	15%	15%	15%
TOTAL SG&A % NPS	45%	44%	43%	43%	43%
EBIT ROS% (before extraordinary)	19%	19%	19%	19%	20%
EBIT ROS%	19%	19%	19%	19%	20%
EBITDA ROS%	19%	19%	19%	19%	20%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Production Music

MEXICO
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expense	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount					
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Printed Music
MEXICO
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount					
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Rights & Rentals
MEXICO
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-

Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount					
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Classical Music
MEXICO
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-

Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount	-	-	-	-	-
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Consolidated Business
AUSTRALIA
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	5,516	6,790	6,968	7,151	7,338
Performance	2,805	2,922	3,046	3,174	3,308
Sync	939	889	945	1,003	1,065
New Media	-	-	-	-	-
Print	66	67	69	70	72
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	10	11	11	12	12
Total Revenue	10,337	10,679	11,038	11,410	11,795
Royalty Expense					
Mechanical	(5,065)	(5,192)	(5,323)	(5,456)	(5,593)
Performance	(2,169)	(2,260)	(2,355)	(2,455)	(2,559)
Sync	(710)	(752)	(799)	(848)	(901)
New Media	-	-	-	-	-
Print	(56)	(57)	(58)	(60)	(61)
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	(8,000)	(8,261)	(8,535)	(8,819)	(9,114)
Cost of Sales	-	-	-	-	-
UK International Addback	233	233	233	233	233
NPS	2,570	2,651	2,736	2,824	2,914
Marketing Costs	(40)	(40)	(41)	(41)	(42)
Provision against Advances	(135)	(135)	(135)	(135)	(135)
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	(113)	(116)	(116)	(116)	(116)
Total Cost of Sales (excl royalty exp)	(288)	(291)	(291)	(292)	(292)
Adjusted NPS	2,282	2,360	2,444	2,532	2,622
SG&A (excl items below)	(1,272)	(1,270)	(1,285)	(1,317)	(1,350)
Depreciation Tangible Assets	(37)	(37)	(37)	(37)	(37)
Rent	(72)	(73)	(75)	(76)	(77)
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	(1,382)	(1,380)	(1,396)	(1,429)	(1,463)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	(55)	(33)	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	(55)	(33)	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	845	947	1,048	1,102	1,159
EBIT (before extraordinary)	900	980	1,048	1,102	1,159
EBITDA	882	984	1,085	1,139	1,195
Headcount	-	-	-	-	-
NPS % Revenue	25%	25%	25%	25%	25%
TOTAL SG&A % Revenues	13%	13%	13%	13%	12%
TOTAL SG&A % NPS	54%	52%	51%	51%	50%
EBIT ROS% (before extraordinary)	9%	9%	9%	10%	10%
EBIT ROS%	8%	9%	9%	10%	10%
EBITDA ROS%	9%	9%	10%	10%	10%

PROFIT AND LOSS STATEMENT
Core Business
AUSTRALIA
(€ 000's)

	PCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	5,509	5,636	5,766	5,898	6,024
Performance	2,254	2,348	2,449	2,552	2,561
Sync	839	889	945	1,037	1,065
New Media	-	-	-	-	-
Print	66	67	69	70	72
Foreign	-	-	-	-	-
Acqustion	-	-	-	-	-
Other	(23)	(24)	(25)	(26)	(27)
Total Revenue	8,645	8,917	9,202	9,498	9,604
Royalty Expense					
Mechanical	(4,512)	(4,615)	(4,722)	(4,830)	(4,941)
Performance	(1,993)	(1,973)	(2,057)	(2,144)	(2,235)
Sync	(710)	(752)	(795)	(948)	(901)
New Media	-	-	-	-	-
Print	(56)	(57)	(58)	(60)	(61)
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	(7,171)	(7,398)	(7,635)	(7,982)	(8,138)
Cost of Sales	-	-	-	-	-
UK International Addback	233	233	233	233	233
NPS	1,707	1,753	1,800	1,849	1,899
Marketing Costs	(18)	(18)	(18)	(18)	(18)
Provision against Advances	(135)	(135)	(135)	(135)	(135)
Depreciation Rights and Licenses incl Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	(153)	(153)	(153)	(153)	(153)
Adjusted NPS	1,554	1,599	1,648	1,695	1,746
SG&A (excl items below)	(925)	(914)	(919)	(942)	(966)
Depreciation Tangible Assets	(29)	(29)	(29)	(29)	(29)
Rent	(31)	(32)	(32)	(33)	(33)
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	129	129	129	129	129
Total SG&A	(856)	(845)	(851)	(875)	(899)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	(55)	(33)	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	(55)	(33)	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	843	721	795	820	847
EBIT (before extraordinary)	898	754	795	820	847
EBITDA	872	750	824	849	876
Headcount					
NPS % Revenues	20%	20%	20%	19%	19%
TOTAL SG&A % Revenues	10%	9%	9%	9%	9%
TOTAL SG&A % NPS	50%	48%	47%	47%	47%
EBIT ROS% (before extraordinary)	8%	8%	9%	9%	9%
EBIT ROS%	7%	8%	9%	9%	9%
EBITDA ROS%	8%	8%	9%	9%	9%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Production Music

AUSTRALIA
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	1,107	1,154	1,202	1,253	1,304
Performance	551	574	597	622	647
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	34	35	36	38	39
Total Revenue	1,692	1,762	1,836	1,912	1,991
Royalty Expense					
Mechanical	(554)	(577)	(601)	(626)	(652)
Performance	(276)	(287)	(299)	(311)	(324)
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	(829)	(864)	(900)	(937)	(976)
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	863	899	936	975	1,015
Marketing Costs	(21)	(22)	(22)	(23)	(23)
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	(113)	(116)	(116)	(116)	(116)
Total Cost of Sales (excl royalty exp)	(135)	(138)	(138)	(139)	(139)
Adjusted NPS	728	761	798	836	876
SG&A (excl items below)	(348)	(357)	(365)	(375)	(384)
Depreciation Tangible Assets	(8)	(8)	(8)	(8)	(8)
Rent	(41)	(42)	(42)	(43)	(44)
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	(129)	(129)	(129)	(129)	(129)
Total SG&A	(526)	(535)	(545)	(554)	(564)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	202	226	253	282	312
EBIT (before extraordinary)	202	228	253	282	312
EBITDA	210	234	261	290	320
Headcount					
NPS % Revenue	51%	51%	51%	51%	51%
TOTAL SG&A % Revenues	31%	30%	30%	29%	28%
TOTAL SG&A % NPS	61%	60%	58%	57%	56%
EBIT ROS% (before extraordinary)	12%	13%	14%	15%	16%
EBIT ROS%	12%	13%	14%	15%	16%
EBITDA ROS%	12%	13%	14%	15%	16%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Printed Music
AUSTRALIA
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Investments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount					
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Rights & Rentals
AUSTRALIA
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-

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Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount					
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Classical Music
AUSTRALIA
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-

Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses Incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount	-	-	-	-	-
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Consolidated Business
JAPAN
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	5,364	5,909	6,137	6,278	6,423
Performance	1,571	1,742	1,816	1,893	1,973
Sync	774	820	871	925	982
New Media	1,107	1,384	1,799	2,338	3,040
Print	107	209	111	113	116
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	1,032	1,072	1,116	1,160	1,207
Total Revenue	10,554	11,126	11,849	12,708	13,740
Royalty Expense					
Mechanical	(5,370)	(5,494)	(5,626)	(5,750)	(5,882)
Performance	(1,374)	(1,432)	(1,493)	(1,556)	(1,623)
Sync	(510)	(647)	(687)	(729)	(775)
New Media	(782)	(977)	(1,271)	(1,652)	(2,147)
Print	(74)	(75)	(76)	(78)	(80)
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	(19)	(20)	(20)	(21)	(22)
Total Royalty Expense	(8,229)	(8,645)	(9,168)	(9,788)	(10,528)
Cost of Sales	-	-	-	-	-
UK International Addback	76	76	76	76	76
NPS	2,401	2,557	2,757	2,997	3,288
Marketing Costs	(49)	(49)	(49)	(49)	(49)
Provision against Advances	(8)	(8)	(8)	(8)	(8)
Depreciation Rights and Licenses Incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	(114)	(114)	(114)	(114)	(114)
Total Cost of Sales (excl royalty exp)	(170)	(170)	(170)	(170)	(170)
Adjusted NPS	2,231	2,387	2,587	2,827	3,117
SGNA (excl Items below)	(1,255)	(1,252)	(1,266)	(1,298)	(1,330)
Depreciation Tangible Assets	(14)	(14)	(14)	(14)	(14)
Rent	(88)	(90)	(91)	(92)	(94)
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	(86)	(86)	(86)	(86)	(86)
Internal Service Charge	-	-	-	-	-
Total SG&A	(1,443)	(1,441)	(1,457)	(1,490)	(1,524)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	19	19	19	19	19
Restructuring Expenses	-	(33)	-	-	-
Seperation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	19	(14)	19	19	19
Total Impairments & Amortization	-	-	-	-	-
EBIT	807	932	1,149	1,356	1,613
EBIT (before extraordinary)	807	964	1,149	1,356	1,613
EBITDA	820	945	1,162	1,370	1,626
Headcount	-	-	-	-	-
NPS % Revenues	23%	23%	23%	24%	24%
TOTAL SG&A % Revenues	14%	13%	12%	12%	11%
TOTAL SG&A % NPS	50%	56%	53%	50%	46%
EBIT ROS% (before extraordinary)	8%	9%	10%	11%	12%
EBIT ROS%	8%	8%	10%	11%	12%
EBITDA ROS%	8%	8%	10%	11%	12%

PROFIT AND LOSS STATEMENT
Core Business
JAPAN
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	5,854	5,999	6,137	6,278	6,423
Performance	1,671	1,742	1,816	1,893	1,973
Sync	774	820	871	925	982
New Media	1,107	1,384	1,799	2,338	3,040
Print	107	109	111	113	116
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	1,032	1,073	1,116	1,160	1,207
Total Revenue	10,554	11,326	11,849	12,708	13,740
Royalty Expense					
Mechanical	(5,370)	(5,494)	(5,620)	(5,750)	(5,882)
Performance	(1,374)	(1,432)	(1,493)	(1,556)	(1,623)
Sync	(610)	(647)	(687)	(729)	(775)
New Media	(782)	(977)	(1,271)	(1,652)	(2,147)
Print	(74)	(75)	(76)	(70)	(80)
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	(19)	(20)	(20)	(21)	(22)
Total Royalty Expense	(8,229)	(8,645)	(9,188)	(9,788)	(10,528)
Cost of Sales	-	-	-	-	-
UK International Addback	76	76	78	78	78
NPS	2,401	2,557	2,757	2,997	3,288
Marketing Costs	(49)	(49)	(49)	(49)	(49)
Provision against Advances	(0)	(8)	(8)	(0)	(0)
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	(114)	(114)	(114)	(114)	(114)
Total Cost of Sales (excl royalty exp)	(170)	(170)	(170)	(170)	(170)
Adjusted NPS	2,232	2,387	2,587	2,827	3,117
SG&A (excl items below)	(1,255)	(1,252)	(1,266)	(1,298)	(1,330)
Depreciation Tangible Assets	(14)	(14)	(14)	(14)	(14)
Rent	(88)	(90)	(91)	(92)	(94)
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	(86)	(86)	(86)	(86)	(86)
Internal Service Charge	-	-	-	-	-
Total SG&A	(1,443)	(1,441)	(1,457)	(1,490)	(1,524)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	19	19	19	19	19
Restructuring Expenses	-	(33)	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	19	(14)	19	19	19
Total Impairments & Amortization	-	-	-	-	-
EBIT	807	932	1,149	1,356	1,613
EBIT (before extraordinary)	807	984	1,149	1,356	1,613
EBITDA	820	945	1,162	1,370	1,626
Headcount					
NPS % Revenues	23%	23%	23%	24%	24%
TOTAL SG&A % Revenues	14%	13%	12%	12%	11%
TOTAL SG&A % NPS	60%	56%	53%	50%	46%
EBIT ROS% (before extraordinary)	8%	9%	10%	11%	12%
EBIT ROS%	8%	8%	10%	11%	12%
EBITDA ROS%	8%	8%	10%	11%	12%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Production Music

JAPAN
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount					
NPS % Revenue	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenue	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Printed Music
JAPAN
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount					
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Rights & Rentals
JAPAN
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-

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Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount					
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Classical Music
JAPAN
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-

Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount	-	-	-	-	-
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Consolidated Business
SOUTH AFRICA
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	1,351	1,387	1,424	1,461	1,500
Performance	343	357	373	388	405
Sync	321	341	362	384	408
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	99	103	107	111	116
Total Revenue	2,114	2,188	2,265	2,345	2,428
Royalty Expense					
Mechanical	(979)	(1,004)	(1,029)	(1,055)	(1,082)
Performance	(269)	(281)	(292)	(305)	(318)
Sync	(277)	(294)	(312)	(332)	(352)
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	(1,525)	(1,578)	(1,634)	(1,692)	(1,752)
Cost of Sales	-	-	-	-	-
UK International Addback	21	21	21	21	21
NPS	610	630	652	674	697
Marketing Costs	-	-	-	-	-
Provision against Advances	(5)	(5)	(5)	(5)	(5)
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	(19)	(19)	(19)	(19)	(19)
Total Cost of Sales (excl royalty exp)	(24)	(24)	(24)	(24)	(24)
Adjusted NPS	586	606	628	650	672
	-	-	-	-	-
SG&A (excl items below)	(271)	(278)	(285)	(292)	(299)
Depreciation Tangible Assets	(8)	(8)	(8)	(8)	(8)
Rent	(17)	(17)	(17)	(17)	(18)
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	(15)	(15)	(15)	(15)	(15)
Internal Service Charge	-	-	-	-	-
Total SG&A	(312)	(319)	(326)	(333)	(341)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	(1)	(1)	(1)	(1)	(1)
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	(1)	(1)	(1)	(1)	(1)
Total Investments & Amortization	-	-	-	-	-
EBIT	272	286	301	315	331
EBIT (before extraordinary)	272	286	301	315	331
EBITDA	281	295	309	324	339
Headcount	-	-	-	-	-
NPS % Revenues	29%	29%	29%	29%	29%
TOTAL SG&A % Revenues	15%	15%	14%	14%	14%
TOTAL SG&A % NPS	51%	51%	50%	49%	49%
EBIT ROS% (before extraordinary)	13%	13%	13%	13%	14%
EBIT ROS%	13%	13%	13%	13%	14%
EBITDA ROS%	13%	13%	14%	14%	14%

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PROFIT AND LOSS STATEMENT
Core Business
SOUTH AFRICA
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	1,111	1,136	1,162	1.199	1,216
Performance	324	337	352	367	382
Sync	321	341	362	394	408
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	99	103	107	111	116
Total Revenue	1,854	1,917	1,982	2,051	2,122
Royalty Expense					
Mechanical	(559)	(878)	(899)	(919)	(940)
Performance	(260)	(270)	(282)	(294)	(306)
Sync	(277)	(294)	(312)	(332)	(352)
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	(1,396)	(1,443)	(1,493)	(1,545)	(1,599)
Cost of Sales	-	-	-	-	-
UK International Addback	21	21	21	21	21
NPS	480	495	511	527	544
Marketing Costs	-	-	-	-	-
Provision against Advances	(5)	(5)	(5)	(5)	(5)
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	(15)	(15)	(15)	(15)	(15)
Total Cost of Sales (excl royalty exp)	(20)	(20)	(20)	(20)	(20)
Adjusted NPS	459	474	490	506	523
SG&A (excl items below)	(240)	(246)	(252)	(258)	(265)
Depreciation Tangible Assets	(8)	(8)	(8)	(8)	(8)
Rent	(17)	(17)	(17)	(17)	(18)
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	(15)	(15)	(15)	(15)	(15)
Internal Service Charge	12	12	12	12	12
Total SG&A	(268)	(274)	(281)	(287)	(294)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	(1)	(1)	(1)	(1)	(1)
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	(1)	(1)	(1)	(1)	(1)
Total Investments & Amortisation	-	-	-	-	-
EBIT	190	199	208	218	228
EBIT (before extraordinary)	190	199	208	218	228
EBITDA	198	207	216	226	237
Headcount					
NPS % Revenues	26%	26%	26%	26%	26%
TOTAL SG&A % Revenues	14%	14%	14%	14%	14%
TOTAL SG&A % NPS	56%	55%	55%	55%	54%
EBIT ROS% (before extraordinary)	10%	10%	11%	11%	11%
EBIT ROS%	10%	10%	11%	11%	11%
EBITDA ROS%	11%	11%	11%	11%	11%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Production Music

SOUTH AFRICA
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	241	251	261	272	283
Performance	19	20	21	22	23
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	260	271	282	294	306
Royalty Expense					
Mechanical	(120)	(125)	(131)	(136)	(142)
Performance	(10)	(10)	(10)	(11)	(11)
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	(130)	(135)	(141)	(147)	(153)
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	130	135	141	147	153
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	(3)	(4)	(4)	(4)	(4)
Total Cost of Sales (excl royalty exp)	(3)	(4)	(4)	(4)	(4)
Adjusted NPS	127	132	138	144	150
SG&A (excl items below)	(31)	(32)	(33)	(34)	(35)
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	(12)	(12)	(12)	(12)	(12)
Total SG&A	(44)	(44)	(45)	(46)	(47)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	83	87	92	97	102
EBIT (before extraordinary)	83	87	92	97	103
EBITDA	83	87	92	97	102
Headcount					
NPS % Revenues	50%	50%	50%	50%	50%
TOTAL SG&A % Revenues	17%	16%	16%	16%	15%
TOTAL SG&A % NPS	34%	33%	32%	31%	31%
EBIT ROS% (before extraordinary)	32%	32%	33%	33%	34%
EBIT ROS%	32%	32%	33%	33%	34%
EBITDA ROS%	32%	32%	33%	33%	34%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Printed Music
SOUTH AFRICA
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount					
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Rights & Rentals
SOUTH AFRICA
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-

Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advance	-	-	-	-	-
Depreciation Rights and Licenses incl Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount					
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS.	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Classical Music
SOUTH AFRICA
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-

Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Dep. of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount	-	-	-	-	-
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

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BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Consolidated Business
SOUTH EAST ASIA
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	2,393	2,973	3,056	3,142	3,229
Performance	1,113	1,159	1,207	1,258	1,311
Sync	981	1,036	1,095	1,158	1,225
New Media	307	384	499	649	844
Print	20	20	21	21	22
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	517	530	559	582	605
Total Revenue	5,831	6,110	6,438	6,810	7,235
Royalty Expense					
Mechanical	(2,217)	(2,296)	(2,356)	(2,417)	(2,480)
Performance	(726)	(757)	(788)	(822)	(856)
Sync	(703)	(828)	(877)	(929)	(984)
New Media	(259)	(323)	(420)	(546)	(710)
Print	(17)	(17)	(18)	(18)	(19)
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	(182)	(190)	(197)	(205)	(212)
Total Royalty Expense	(4,205)	(4,411)	(4,656)	(4,937)	(5,282)
Cost of Sales	-	-	-	-	-
UK International Addback	74	74	74	74	74
NPS	1,700	1,773	1,856	1,947	2,047
Marketing Costs	(23)	(23)	(24)	(24)	(25)
Provision against Advances	(20)	(20)	(20)	(20)	(20)
Depreciation Rights and Licenses incl.Tech Tra	(45)	(45)	(45)	(45)	(45)
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	(152)	(155)	(155)	(155)	(155)
Total Cost of Sales (excl royalty exp)	(241)	(244)	(245)	(245)	(245)
Adjusted NPS	1,459	1,529	1,611	1,702	1,801
	-	-	-	-	-
SG&A (excl items below)	(780)	(782)	(793)	(813)	(833)
Depreciation Tangible Assets	(41)	(21)	(21)	(21)	(41)
Rent	(83)	(84)	(86)	(87)	(88)
BMG Publishing Intercompany Charge	(28)	(28)	(28)	(28)	(28)
Bertelsmann I/C Charge	(2)	(2)	(2)	(2)	(2)
Internal Service Charge	-	-	-	-	-
Total SG&A	(914)	(918)	(930)	(951)	(973)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	192	192	192	192	192
Restructuring Expenses	-	(16)	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	192	176	192	192	192
Total Impairments & Amortization	-	-	-	-	-
EBIT	738	788	874	943	1,021
EBIT (before extraordinary)	738	804	874	943	1,021
EBITDA	804	854	940	1,009	1,087
Headcount	-	-	-	-	-
NPS % Revenues	29%	29%	29%	29%	28%
TOTAL SG&A % Revenues	16%	15%	14%	14%	13%
TOTAL SG&A % NPS	54%	52%	50%	49%	48%
EBIT ROS% (before extraordinary)	13%	13%	14%	14%	14%
EBIT ROS%	13%	13%	14%	14%	14%
EBITDA ROS%	14%	14%	15%	15%	15%

PROFIT AND LOSS STATEMENT
Core Business
SOUTH EAST ASIA
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	2,156	2,208	2,255	2,308	2,361
Performance	713	743	775	808	842
Sync	767	813	863	917	974
New Media	307	384	499	648	843
Print	20	20	21	21	22
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	512	533	554	576	599
Total Revenue	4,475	4,699	4,968	5,279	5,641
Royalty Expense					
Mechanical	(1,876)	(1,919)	(1,963)	(2,008)	(2,055)
Performance	(527)	(549)	(572)	(597)	(622)
Sync	(579)	(720)	(764)	(812)	(862)
New Media	(258)	(323)	(420)	(546)	(709)
Print	(17)	(17)	(18)	(18)	(19)
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	(182)	(190)	(197)	(205)	(213)
Total Royalty Expense	(3,540)	(3,718)	(3,935)	(4,186)	(4,480)
Cost of Sales	-	-	-	-	-
UK International Addback	74	74	74	74	74
NPS	1,010	1,055	1,107	1,167	1,235
Marketing Costs	(3)	(3)	(3)	(3)	(3)
Provision against Advances	(20)	(20)	(20)	(20)	(20)
Depreciation Rights and Licenses incl.Tech Tra	(45)	(45)	(45)	(45)	(45)
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	(68)	(68)	(68)	(68)	(68)
Adjusted NPS	941	986	1,039	1,099	1,167
SG&A (excl items below)	(547)	(544)	(549)	(562)	(576)
Depreciation Tangible Assets	(16)	(16)	(16)	(16)	(16)
Rent	(54)	(53)	(56)	(57)	(57)
BMG Publishing Intercompany Charge	(12)	(12)	(12)	(12)	(12)
Bertelsmann I/C Charge	(2)	(2)	(2)	(2)	(2)
Internal Service Charge	-	-	-	-	-
Total SG&A	(632)	(629)	(635)	(649)	(664)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	192	192	192	192	192
Restructuring Expenses	-	(16)	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	192	176	192	192	192
Total Impairments & Amortization	-	-	-	-	-
EBIT	502	534	597	642	695
EBIT (before extraordinary)	502	550	597	642	695
EBITDA	564	598	659	703	756
Headcount					
NPS % Revenues	23%	22%	22%	22%	22%
TOTAL SG&A % Revenues	14%	13%	13%	12%	12%
TOTAL SGRA % NPS	63%	60%	57%	56%	54%
EBIT ROS% (before extraordinary)	11%	12%	12%	12%	12%
EBIT ROS%	11%	11%	12%	12%	12%
EBITDA ROS%	13%	13%	13%	13%	13%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Production Music

SOUTH EAST ASIA
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	737	768	800	833	868
Performance	399	415	433	450	469
Sync	214	223	232	242	252
New Media	0	0	1	1	1
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	5	5	5	6	6
Total Revenue	1,355	1,412	1,470	1,532	1,594
Royalty Expense					
Mechanical	(361)	(377)	(392)	(409)	(426)
Performance	(200)	(208)	(216)	(225)	(234)
Sync	(104)	(108)	(113)	(117)	(122)
New Media	(0)	(0)	(0)	(0)	(0)
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	(665)	(693)	(722)	(752)	(783)
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	690	719	749	780	812
Marketing Costs	(20)	(21)	(21)	(21)	(22)
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	(152)	(155)	(155)	(155)	(155)
Total Cost of Sales (excl royalty exp)	(172)	(176)	(176)	(177)	(177)
Adjusted NPS	518	543	572	603	635
SG&A (excl items below)	(223)	(238)	(244)	(250)	(257)
Depreciation Tangible Assets	(4)	(4)	(4)	(4)	(4)
Rent	(29)	(29)	(30)	(30)	(31)
BMG Publishing Intercompany Charge	(16)	(16)	(16)	(16)	(16)
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	(282)	(289)	(295)	(302)	(308)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	235	254	277	302	326
EBIT (before extraordinary)	235	254	277	302	326
EBITDA	240	259	282	306	331
Headcount					
NPS % Revenues	51%	51%	51%	51%	51%
TOTAL SG&A % Revenues	21%	20%	20%	20%	19%
TOTAL SG&A % NPS	41%	40%	39%	39%	38%
EBIT ROS% (before extraordinary)	17%	18%	19%	20%	20%
EBIT ROS%	17%	18%	19%	20%	20%
EBITDA ROS%	18%	18%	19%	20%	21%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Printed Music
SOUTH EAST ASIA
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount					
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Rights & Rentals
SOUTH EAST ASIA
(€ 000's)

	BP FY 2005	FCST FY 2005	BP 2006	TY 2007	TY 2008
Mechanical	-	-	-	-	-

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BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Classical Music
SOUTH EAST ASIA
(€ 000's)

	BP FY 2005	FCST FY 2005	BP 2006	TY 2007	TY 2008
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount					
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-

Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount	-	-	-	-	-
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Consolidated Business
WORLDWIDE CENTERS
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	12,443	12,729	13,022	13,322	13,628
Performance	10,667	11,049	11,519	12,008	12,519
Sync	4,317	4,576	4,860	5,161	5,492
New Media	239	299	389	506	658
Print	56	57	58	59	60
Foreign	-	-	-	-	-
Acquisition	-	3,125	8,500	11,500	14,500
Other	-	-	-	-	-
Total Revenue	27,723	31,836	38,348	42,556	46,846
Royalty Expense					
Mechanical	(11,193)	(11,451)	(11,714)	(11,984)	(12,259)
Performance	(9,562)	(9,904)	(10,325)	(10,764)	(11,221)
Sync	(3,948)	(4,079)	(4,332)	(4,600)	(4,885)
New Media	(217)	(271)	(352)	(458)	(595)
Print	(49)	(49)	(50)	(51)	(53)
Foreign	-	-	-	-	-
Acquisition	-	(1,075)	(5,100)	(6,900)	(8,700)
Other	-	-	-	-	-
Total Royalty Expense	(24,868)	(27,829)	(31,874)	(34,787)	(37,714)
Cost of Sales	-	-	-	-	-
UK International Addback	(1,903)	(1,983)	(1,903)	(1,983)	(1,903)
NPS	871	2,224	4,491	5,816	7,149
Marketing Costs	(1,163)	(1,163)	(1,163)	(1,163)	(1,163)
Provision against Advances	(516)	(516)	(516)	(516)	(516)
Depreciation Rights and Licenses incl.Tech Tra	(14,110)	(14,735)	(15,810)	(16,410)	(17,010)
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	(15,789)	(16,414)	(17,489)	(18,089)	(18,689)
Adjusted NPS	(14,918)	(14,191)	(12,998)	(12,273)	(11,540)
	-	-	-	-	-
SG&A (excl items below)	(15,312)	(15,695)	(16,087)	(16,489)	(16,901)
Depreciation Tangible Assets	(407)	(407)	(407)	(407)	(407)
Rent	(277)	(281)	(286)	(290)	(294)
BMG Publishing Intercompany Charge	1,277	1,277	1,277	1,277	1,277
Bertelsmann I/C Charge	(41)	(41)	(41)	(41)	(41)
Internal Service Charge	-	-	-	-	-
Total SG&A	(14,760)	(15,147)	(15,543)	(15,950)	(16,368)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	(411)	(411)	(411)	(411)	(411)
Restructuring Expenses	(1,500)	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	(1,911)	(411)	(411)	(411)	(411)
Total Impairments & Amortization	-	-	-	-	-
EBIT	(31,589)	(29,749)	(28,953)	(28,635)	(28,318)
EBIT (before extraordinary)	(30,089)	(29,749)	(28,953)	(28,635)	(28,318)
EBITDA	(17,072)	(14,607)	(12,736)	(11,818)	(10,902)
Headcount	-	-	-	-	-
NPS % Revenues	3%	7%	12%	14%	15%
TOTAL SG&A % Revenues	53%	48%	41%	37%	35%
TOTAL SG&A % NPS	1694%	681%	346%	274%	229%
EBIT ROS% (before extraordinary)	-109%	-93%	-75%	-67%	-60%
EBIT ROS%	-114%	-93%	-75%	-67%	-60%
EBITDA ROS%	-62%	-46%	-33%	-28%	-23%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN

PROFIT AND LOSS STATEMENT
Core Business
WORLDWIDE CENTERS
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	12,443	12,729	13,022	13,322	13,628
Performance	10,567	11,049	11,519	12,008	12,519
Sync	4,317	4,576	4,860	5,161	5,482
New Media	239	299	389	506	658
Print	56	57	58	59	60
Foreign	-	-	-	-	-
Acquisition	-	3,125	8,500	11,500	14,500
Other	-	-	-	-	-
Total Revenue	27,723	31,836	38,348	42,556	46,846
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Mechanical	(11,193)	(11,451)	(11,714)	(11,984)	(12,259)
Performance	(9,562)	(9,904)	(10,325)	(10,764)	(11,221)
Sync	(3,948)	(4,079)	(4,332)	(4,600)	(4,885)
New Media	(217)	(271)	(352)	(458)	(595)
Print	(49)	(49)	(50)	(51)	(53)
Foreign	-	-	-	-	-
Acquisition	-	(1,875)	(5,100)	(6,000)	(8,700)
Other	-	-	-	-	-
Total Royalty Expense	(24,968)	(27,629)	(31,874)	(33,857)	(37,714)
Cost of Sales	-	-	-	-	-
UK International Addback	(1,983)	(1,983)	(1,983)	(1,983)	(1,983)
NPS	871	2,224	4,491	6,716	7,149
Marketing Costs	(1,163)	(1,163)	(1,163)	(1,163)	(1,163)
Provision against Advances	(516)	(516)	(516)	(516)	(516)
Depreciation Rights and Licenses incl.Tech Tra	(14,110)	(14,735)	(15,810)	(16,410)	(17,010)
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	(15,789)	(16,414)	(17,489)	(18,089)	(18,689)
Adjusted NPS	(14,918)	(14,191)	(12,998)	(12,273)	(11,540)
SG&A (excl items below)	(15,312)	(15,695)	(16,087)	(16,489)	(16,901)
Depreciation Tangible Assets	(407)	(407)	(407)	(407)	(407)
Rent	(277)	(281)	(286)	(290)	(294)
BMG Publishing Intercompany Charge	1,277	1,277	1,277	1,277	1,277
Bertelsmann I/C Charge	(41)	(41)	(41)	(41)	(41)
Internal Service Charge	-	-	-	-	-
Total SG&A	(14,760)	(15,147)	(15,543)	(15,950)	(16,366)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	(411)	(411)	(411)	(411)	(411)
Restructuring Expenses	(1,500)	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	(1,911)	(411)	(411)	(411)	(411)
Total Impairments & Amortization	-	-	-	-	-
EBIT	(31,589)	(29,749)	(28,953)	(28,625)	(28,318)
EBIT (before extraordinary)	(30,089)	(29,749)	(28,953)	(28,635)	(28,318)
EBITDA	(17,073)	(14,607)	(12,736)	(11,818)	(10,902)
Headcount					
NPS % Revenues	3%	7%	12%	14%	15%
TOTAL SG&A % Revenue	53%	48%	41%	37%	35%
TOTAL SG&A % NPS	1694%	681%	346%	274%	229%
EBIT ROS% (before extraordinary)	-109%	-93%	-75%	-67%	-60%
EBIT ROS%	-114%	-93%	-75%	-67%	-60%
EBITDA ROS%	-62%	-46%	-33%	-28%	-23%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Production Music

WORLDWIDE CENTERS
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount	-	-	-	-	-
NPS % Revenue	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenue	#DIV/0!	#DIV/0!	#EIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Printed Music
WORLDWIDE CENTERS
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount					
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2008 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Rights & Rentals
WORLDWIDE CENTERS
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-

Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Investments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount					
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Classical Music
WORLDWIDE CENTERS
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-

Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Costs of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
EMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount	-	-	-	-	-
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Consolidated Business
US CENTER
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	-	3,125	8,500	11,500	14,500
Total Revenue	-	3,125	8,500	11,500	14,500
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	(1,875)	(5,100)	(6,900)	(8,700)
UK International Addback	-	-	-	-	-
NPS	-	1,250	3,400	4,600	5,800
Marketing Costs	(1,007)	(1,007)	(1,007)	(1,007)	(1,007)
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	(14,110)	(14,735)	(15,810)	(16,410)	(17,010)
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	(15,117)	(15,742)	(16,817)	(17,417)	(18,017)
Adjusted NPS	(15,117)	(14,492)	(13,417)	(12,817)	(12,217)
SG&A (excl items below)	(8,775)	(8,904)	(9,219)	(9,450)	(9,686)
Depreciation Tangible Assets	(225)	(225)	(225)	(225)	(225)
Rent	(237)	(241)	(244)	(248)	(252)
BMG Publishing Intercompany Charge	763	763	763	763	763
Bertelsmann I/C Charge	(41)	(41)	(41)	(41)	(41)
Internal Service Charge	-	-	-	-	-
Total SG&A	(8,514)	(8,727)	(8,966)	(9,200)	(9,440)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	(410)	(410)	(410)	(410)	(410)
Restructuring Expenses	(1,500)	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	(1,910)	(410)	(410)	(410)	(410)
Total Impairments & Amortization	-	-	-	-	-
EBIT	(25,541)	(23,639)	(22,792)	(22,427)	(22,087)
EBIT (before extraordinary)	(24,041)	(23,639)	(22,792)	(22,427)	(22,087)
EBITDA	(11,206)	(8,679)	(6,758)	(5,792)	(4,832)
Headcount	-	-	-	-	-
NPS % Revenue	#DIV/0!	40%	40%	40%	40%
TOTAL SG&A % Revenues	#DIV/0!	280%	105%	80%	65%
TOTAL SG&A % NPS	#DIV/0!	699%	264%	200%	163%
EBIT ROS% (before extraordinary)	#DIV/0!	-756%	-268%	-195%	-152%
EBIT ROS%	#DIV/0!	-756%	-268%	-195%	-152%
EBITDA ROS%	#DIV/0!	-278%	-80%	-50%	-33%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN

PROFIT AND LOSS STATEMENT
Core Business
US CENTER
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Acquisition	-	3,125	8,500	11,500	14,500
Other	-	-	-	-	-
Total Revenue	-	3,125	8,500	11,500	14,500
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Acquisition	-	(1,875)	(5,100)	(6,900)	(8,700)
Other	-	-	-	-	-
Total Royalty Expense	-	(1,875)	(5,100)	(6,900)	(8,700)
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	1,250	3,400	4,600	5,800
Marketing Costs	(1,007)	(1,007)	(1,007)	(1,007)	(1,007)
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	(14,110)	(14,735)	(15,810)	(16,410)	(17,010)
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	(15,117)	(15,742)	(16,817)	(17,417)	(18,017)
Adjusted NPS	(15,117)	(14,492)	(13,417)	(12,817)	(12,217)
SG&A (excl items below)	(8,773)	(8,994)	(9,215)	(9,450)	(9,686)
Depreciation Tangible Assets	(225)	(225)	(225)	(225)	(225)
Rent	(237)	(241)	(244)	(248)	(252)
BMG Publishing Intercompany Charge	763	763	763	763	763
Bertelsmann I/C Charge	(41)	(41)	(41)	(41)	(41)
Internal Service Charge	-	-	-	-	-
Total SG&A	(8,514)	(8,737)	(8,968)	(9,200)	(9,440)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	(410)	(410)	(410)	(410)	(410)
Restructuring Expenses	(1,500)	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	(1,910)	(410)	(410)	(410)	(410)
Total Impairments & Amortization	-	-	-	-	-
EBIT	(25,541)	(23,639)	(22,792)	(22,427)	(22,067)
EBIT (before extraordinary)	(24,041)	(23,639)	(22,792)	(22,427)	(22,067)
EBITDA	(11,208)	(8,879)	(6,758)	(5,792)	(4,832)
Headcount					
NPS % Revenues	#DIV/0!	40%	40%	40%	40%
TOTAL SG&A % Revenues	#DIV/0!	280%	105%	80%	65%
TOTAL SG&A % NPS	#DIV/0!	699%	264%	200%	163%
EBIT ROS% (before extraordinary)	#DIV/0!	-756%	-268%	-195%	-152%
EBIT ROS%	#DIV/0!	-756%	-268%	-195%	-152%
EBITDA ROS%	#DIV/0!	-278%	-80%	-50%	-33%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Production Music

US CENTER
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Pension	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Pension	-	-	-	-	-
Uthe'	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount					
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Printed Music
US CENTER
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount					
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Rights & Rentals
US CENTER
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-

Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount					
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Classical Music
US CENTER
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-

Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenues	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount	-	-	-	-	-
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Consolidated Business
UK INTERNATIONAL
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	12,416	12,702	12,994	13,293	13,598
Performance	10,867	11,049	11,519	12,008	12,519
Sync	4,317	4,376	4,860	5,161	5,482
New Media	239	299	389	506	658
Print	56	57	58	59	60
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	27,896	28,483	29,820	31,027	32,316
Royalty Expense					
Mechanical	(11,193)	(11,451)	(11,714)	(11,984)	(12,259)
Performance	(9,562)	(9,904)	(10,325)	(10,764)	(11,221)
Sync	(3,948)	(4,079)	(4,332)	(4,600)	(4,885)
New Media	(217)	(271)	(352)	(458)	(595)
Print	(49)	(49)	(50)	(51)	(53)
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	(24,868)	(25,754)	(26,774)	(27,857)	(29,014)
Cost of Sales	-	-	-	-	-
UK International Addback	(2,004)	(2,004)	(2,004)	(2,004)	(2,004)
NPS	823	925	1,042	1,166	1,298
Marketing Costs	(149)	(149)	(149)	(149)	(149)
Provision against Advances	(516)	(516)	(516)	(516)	(516)
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	(666)	(666)	(666)	(666)	(666)
Adjusted NPS	157	259	376	500	633
SG&A (excl Items below)	(6,143)	(6,297)	(6,454)	(6,616)	(6,781)
Depreciation Tangible Assets	(172)	(172)	(172)	(172)	(172)
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	485	485	485	485	485
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	(5,830)	(5,983)	(6,141)	(6,302)	(6,468)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	(5,672)	(5,724)	(5,765)	(5,802)	(5,835)
EBIT (before extraordinary)	(5,672)	(5,724)	(5,765)	(5,802)	(5,835)
EBITDA	(5,501)	(5,553)	(5,592)	(5,630)	(5,663)
Headcount	-	-	-	-	-
NPS % Revenues	3%	3%	3%	4%	4%
TOTAL SG&A % Revenues	21%	21%	21%	20%	20%
TOTAL SG&A % NPS	708%	647%	589%	541%	498%
EBIT ROS% (before extraordinary)	-20%	-20%	-19%	-19%	-18%
EBIT ROS%	-20%	-20%	-19%	-19%	-18%
EBITDA ROS%	-20%	-19%	-19%	-18%	-18%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN

PROFIT AND LOSS STATEMENT
Core Business
UK INTERNATIONAL
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	12,416	12,702	12,994	13,293	13,598
Performance	10,667	11,049	11,519	12,008	12,519
Sync	4,317	4,576	4,863	5,151	5,482
New Media	239	299	389	506	658
Print	56	57	58	59	60
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	27,696	28,683	29,820	31,027	32,316
Royalty Expense					
Mechanical	(11,193)	(11,451)	(11,714)	(11,984)	(12,259)
Performance	(9,562)	(9,904)	(10,325)	(10,764)	(11,221)
Sync	(3,848)	(4,079)	(4,332)	(4,600)	(4,885)
New Media	(217)	(271)	(352)	(458)	(595)
Print	(49)	(49)	(50)	(51)	(53)
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	(24,868)	(25,754)	(26,774)	(27,857)	(29,014)
Cost of Sales	-	-	-	-	-
UK International Addback	(2,004)	(2,004)	(2,004)	(2,004)	(2,004)
NPS	823	925	1,042	1,166	1,298
Marketing Costs	(149)	(149)	(149)	(149)	(149)
Provision against Advances	(516)	(516)	(516)	(516)	(516)
Depreciation Rights and Licenses Incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	(666)	(666)	(666)	(666)	(666)
Adjusted NPS	157	259	376	500	633
SG&A (excl items below)	(6,143)	(6,297)	(6,454)	(6,616)	(6,781)
Depreciation Tangible Assets	(172)	(172)	(172)	(172)	(172)
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	485	485	485	485	485
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	(5,830)	(5,983)	(6,141)	(6,302)	(6,468)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	(5,672)	(5,724)	(5,765)	(5,802)	(5,835)
EBIT (before extraordinary)	(5,672)	(5,724)	(5,765)	(5,802)	(5,835)
EBITDA	(5,501)	(5,853)	(5,593)	(5,630)	(5,663)
Headcount					
NPS % Revenues	3%	3%	3%	4%	4%
TOTAL SG&A % Revenues	21%	21%	21%	20%	20%
TOTAL SG&A % NPS	708%	647%	589%	541%	498%
EBIT ROS% (before extraordinary)	-20%	-20%	-19%	-19%	-18%
EBIT ROS%	-20%	-20%	-19%	-19%	-18%
EBITDA ROS%	-20%	-19%	-19%	-18%	-18%

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Production Music

CO05006088

UK INTERNATIONAL
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount					
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Printed Music
UK INTERNATIONAL
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Investments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount	-				
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Rights & Rentals
UK INTERNATIONAL
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-

Performance	.	.	.	.	.
Sync	.	.	.	.	.
New Media	.	.	.	.	.
Print	.	.	.	.	.
Foreign	.	.	.	.	.
Other	.	.	.	.	.
Total Revenue	.	.	.	.	.
Royalty Expense					
Mechanical	.	.	.	.	.
Performance	.	.	.	.	.
Sync	.	.	.	.	.
New Media	.	.	.	.	.
Print	.	.	.	.	.
Foreign	.	.	.	.	.
Other	.	.	.	.	.
Total Royalty Expense	.	.	.	.	.
Cost of Sales	.	.	.	.	.
UK International Addback	.	.	.	.	.
NPS	.	.	.	.	.
Marketing Costs	.	.	.	.	.
Provision against Advances	.	.	.	.	.
Depreciation Rights and Licenses incl.Tech Tra	.	.	.	.	.
Depr of Sheet Music Rental	.	.	.	.	.
Other Cost of Sales	.	.	.	.	.
Total Cost of Sales (excl royalty exp)	.	.	.	.	.
Adjusted NPS	.	.	.	.	.
SG&A (excl items below)	.	.	.	.	.
Depreciation Tangible Assets	.	.	.	.	.
Rent	.	.	.	.	.
BMG Publishing Intercompany Charge	.	.	.	.	.
Bertelsmann I/C Charge	.	.	.	.	.
Internal Service Charge	.	.	.	.	.
Total SG&A	.	.	.	.	.
Results and Depreciation of Investments	.	.	.	.	.
Other Operating Inc/(Ded)	.	.	.	.	.
Restructuring Expenses	.	.	.	.	.
Separation Expenses	.	.	.	.	.
Other Technical Transfers	.	.	.	.	.
Total Other Operating Inc/(Ded)	.	.	.	.	.
Total Investments & Amortization	.	.	.	.	.
EBIT	.	.	.	.	.
EBIT (before extraordinary)	.	.	.	.	.
EBITDA	.	.	.	.	.
Headcount	.	.	.	.	.
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Classical Music
UK INTERNATIONAL
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	.	.	.	.	.
Performance	.	.	.	.	.
Sync	.	.	.	.	.
New Media	.	.	.	.	.
Print	.	.	.	.	.

Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount					
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Consolidated Business
APRO
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	27	28	28	29	30
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	27	28	28	29	30
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	21	21	21	21	21
NPS	48	49	49	50	51
Marketing Costs	(7)	(7)	(7)	(7)	(7)
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	(7)	(7)	(7)	(7)	(7)
Adjusted NPS	41	42	42	43	44
SG&A (excl items below)	(394)	(403)	(414)	(424)	(435)
Depreciation Tangible Assets	(10)	(10)	(10)	(10)	(10)
Rent	(40)	(40)	(41)	(42)	(42)
BMG Publishing Intercompany Charge	28	28	28	28	28
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	(415)	(426)	(437)	(447)	(459)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	(2)	(2)	(2)	(2)	(2)
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	(2)	(2)	(2)	(2)	(2)
Total Impairments & Amortization	-	-	-	-	-
EBIT	(376)	(386)	(396)	(406)	(416)
EBIT (before extraordinary)	(376)	(386)	(396)	(406)	(416)
EBITDA	(365)	(375)	(385)	(396)	(406)
Headcount	-	-	-	-	-
NPS % Revenue	177%	176%	174%	172%	171%
TOTAL SG&A % Revenues	1528%	1532%	1535%	1538%	1541%
TOTAL SG&A % NPS	852%	872%	883%	893%	903%
EBIT ROS% (before extraordinary)	-1383%	-1387%	-1391%	-1395%	-1399%
EBIT ROS%	-1393%	-1387%	-1391%	-1395%	-1399%
EBITDA ROS%	-1345%	-1350%	-1355%	-1360%	-1365%

PROFIT AND LOSS STATEMENT
Core Business
APRO
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	27	28	28	29	30
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	27	28	28	29	30
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Acquisition	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	21	21	21	21	21
NPS	48	49	49	50	51
Marketing Costs	(7)	(7)	(7)	(7)	(7)
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	(7)	(7)	(7)	(7)	(7)
Adjusted NPS	41	42	42	43	44
SG&A (excl items below)	(394)	(403)	(414)	(424)	(435)
Depreciation Tangible Assets	(10)	(10)	(10)	(10)	(10)
Rent	(40)	(40)	(41)	(42)	(42)
BMG Publishing Intercompany Charge	28	28	28	28	28
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	(415)	(426)	(427)	(447)	(459)
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	(2)	(2)	(2)	(2)	(2)
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded).	(2)	(2)	(2)	(2)	(2)
Total Impairments & Amortization	-	-	-	-	-
EBIT	(376)	(386)	(396)	(406)	(416)
EBIT (before extraordinary)	(376)	(386)	(396)	(406)	(416)
EBITDA	(365)	(373)	(385)	(396)	(406)
Headcount					
NPS % Revenues	177%	178%	174%	172%	171%
TOTAL SG&A % Revenues	1528%	1532%	1535%	1538%	1541%
TOTAL SG&A % NPS	852%	872%	883%	893%	903%
EBIT ROS% (before extraordinary)	-1383%	-1387%	-1391%	-1395%	-1359%
EBIT ROS%	-1383%	-1387%	-1391%	-1395%	-1359%
EBITDA ROS%	-1345%	-1350%	-1355%	-1360%	-1365%

BMG MUSIC PUBLISHING
2008 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Production Music

APRO
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent					
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount					
NPS % Revenue	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Printed Music
APRO
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount					
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Rights & Rentals
APRO
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-

Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount					
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

BMG MUSIC PUBLISHING
2006 BUSINESS PLAN
PROFIT AND LOSS STATEMENT
Classical Music
APRO
(€ 000's)

	FCST 2006	TY 2007	TY 2008	TY 2009	TY 2010
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-

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Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Revenue	-	-	-	-	-
Royalty Expense					
Mechanical	-	-	-	-	-
Performance	-	-	-	-	-
Sync	-	-	-	-	-
New Media	-	-	-	-	-
Print	-	-	-	-	-
Foreign	-	-	-	-	-
Other	-	-	-	-	-
Total Royalty Expense	-	-	-	-	-
Cost of Sales	-	-	-	-	-
UK International Addback	-	-	-	-	-
NPS	-	-	-	-	-
Marketing Costs	-	-	-	-	-
Provision against Advances	-	-	-	-	-
Depreciation Rights and Licenses incl.Tech Tra	-	-	-	-	-
Depr of Sheet Music Rental	-	-	-	-	-
Other Cost of Sales	-	-	-	-	-
Total Cost of Sales (excl royalty exp)	-	-	-	-	-
Adjusted NPS	-	-	-	-	-
SG&A (excl items below)	-	-	-	-	-
Depreciation Tangible Assets	-	-	-	-	-
Rent	-	-	-	-	-
BMG Publishing Intercompany Charge	-	-	-	-	-
Bertelsmann I/C Charge	-	-	-	-	-
Internal Service Charge	-	-	-	-	-
Total SG&A	-	-	-	-	-
Results and Depreciation of Investments	-	-	-	-	-
Other Operating Inc/(Ded)	-	-	-	-	-
Restructuring Expenses	-	-	-	-	-
Separation Expenses	-	-	-	-	-
Other Technical Transfers	-	-	-	-	-
Total Other Operating Inc/(Ded)	-	-	-	-	-
Total Impairments & Amortization	-	-	-	-	-
EBIT	-	-	-	-	-
EBIT (before extraordinary)	-	-	-	-	-
EBITDA	-	-	-	-	-
Headcount	-	-	-	-	-
NPS % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % Revenues	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
TOTAL SG&A % NPS	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS% (before extraordinary)	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBIT ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!
EBITDA ROS%	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!	#DIV/0!

RIAA Ex. 131-RR

RIAA Ex. 131-RR

JUNE 3, 2004

EMI

REVIEW OF ALTERNATIVES IN MUSIC PUBLISHING

STRICTLY PRIVATE AND CONFIDENTIAL

JPMorgan

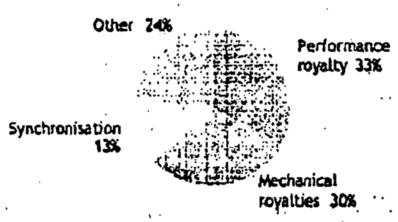
CO04031209

Agenda

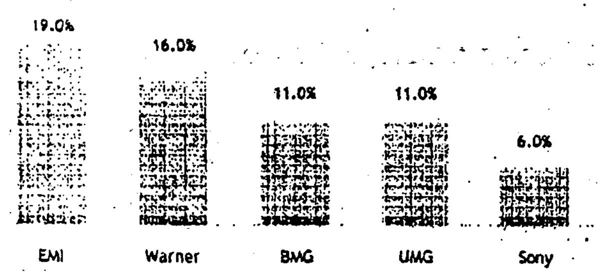
CO04031211

The major music publishers

The global music publishing industry is dominated by the major record labels



Total market = $3.3bn



Source: Broker reports, Music & Copyright

EMI
- Largest music publisher globally with songs in excess of one million
- Largest music publisher in the UK for the eighth consecutive year
- Very acquisitive
- Regarded as one of the most dynamic music catalogues in the world with a significant depth across multiple genres

Warner
- Initially founded as division of Warner Music
- Became a market leader in the 1960s and 1970s with contemporary pop acts, acquired Chappell in 1985
- Catalogue tends to hold older rights
- Included in acquisition of Warner Music by Bronfman-led consortium

Universal
- One million songs and made up from the heritage MCA, Universal, Rondor and Polygram catalogues

BMG
- Grown by mostly smaller, low profile acquisitions and two notable classical acquisition (Ricordi in Italy and Durand in France)

SONY
- Best known for Northern Songs (Beatles)
- Recently paid $157mm for Acuff-Rose

Music publishing assets are highly sought after

Key attributes of music publishing

- Although publishing revenues peak when a song is initially released (due to high mechanical royalties), the underlying copyrights will continue to generate revenue through new compilations/greatest hits albums, cover versions, advertisements/use in films or TV programmes
- There are limited marketing costs associated with the exploitation of these copyrights, unlike in the case of recorded music companies where significant marketing spend is required
- Publishing catalogues can therefore yield very steady and predictable revenues due to the continuing popularity of certain songs
- The administration and management of copyrights can require a sizeable operation and therefore overhead expense
- However, once this operation has been established, acquisitions of further copyrights can be bolted onto the existing infrastructure with little if any further cost
- Catalogues have fetched multiples in excess of 18x NPS (gross profit) depending on the quality of the copyrights contained within library
  - When acquiring an entire publicity operation (including an overhead base), lower NPS multiples are expected
- This compares with recorded music company transaction multiples which have fetched between 1.0x and 2.0x revenues
- Banks view the stability of the music publishing cash flow stream as highly attractive to the extent that music intellectual property securitised products exist
- Chrysalis securitised its catalogue in March 2001 through Royal Bank of Scotland for £60mm which represented 40% of the value ascribed to the catalogue at the time. This equated to a valuation of 18.75x NPS
- Creative i.e. publishing copyrights last for 70 years from end of calendar year of the author's death
- Sound recordings copyrights last for 50 years from the end of the calendar year of when the song was made or released (if later)

Strategic buyers are actively looking for music publishing opportunities

Strategic buyers

Category	Company	Est. music publishing revenue 03	Music publishing assets	Strategic fit	Financial firepower	Comments	Key contacts
Major music publishers		$563	■ Over one million songs ■ Global catalog and reach ■ Madonna, Led Zeppelin, The Eagles			■ Acquisition leverage done on publishing	■ Edgar Bronfman ■ Leslie Bidder
	BMG	$451[1]	■ Over one million song catalogue ■ Strong Europe and classical ■ Christina Aguilera, Coldplay and Verdi			■ BMG-Sony merger leaves music publishing in Bertelsmann at strategic crossroad - invest or divest	■ Nicholas Firth ■ Andrew Jenkins
	SONY	$198[2]	■ Sony/ATV joint venture with Michael Jackson ■ Global catalog and reach ■ The Beatles, Miles Davis, Bob Dylan			■ Have the financial capacity to acquire ■ Desire to strengthen European position ■ Acquisition of Acuff-Rose at 17.5x NPS	■ Andrew Lack ■ Richard Rowe ■ David Hockman
	UNIVERSAL	$363[2]	■ Over one million songs ■ Global catalogue and reach ■ U2, ABBA, Elton John			■ Vivendi rumoured to be considering divestiture of music publishing ■ However, UMG acquired Dreamworks Music	■ Jean Rene Fourtou ■ JB Levy ■ Doug Morris
Independents		N/A	■ Second largest independent behind peermusic ■ US and UK dominated catalog ■ The Kinks, Dolly Parton			■ Savvy music publishing veteran (sold Chappell & Co. to Warner) ■ Would require financial sponsor backing	■ Freddy Bienstock ■ Caroline Bienstock
		N/A	■ Catalog comprised of music from cartoon episodes			■ Considerable financial firepower ■ Stated intention to make acquisitions in music and music publishing	■ Haim Saban ■ Ron Kenan
		N/A	■ Over 300,000 song catalog ■ Predominantly North and South American catalog ■ Elvis Presley, Nat King Cole, Louis Armstrong			■ Independent with deep catalogue ■ Would need to partner with financial sponsor	■ Ralph Peer ■ Kathy Spanberger
Strategics	Apple	N/A	■ I-Pod ■ I-Tunes			■ Bid for UMG catalogue in 2003 and recently signed agreement with Disney to distribute Disney catalog ■ Powerful market position in digital music distribution (hardware and software)	■ Steve Jobs
		N/A	■ Publishing library composed of Disney film songs			■ Provides new revenues and opens distribution channel for film music publishing catalogue	■ Michael Eisner
	VIACOM	N/A	■ Over 100,000 song catalog ■ Primarily based on motion picture songs ■ Braveheart, Titanic Godfather, Mission Impossible			■ Famous Music has long-term sub-publishing contract with BMG in Europe ■ Potential synergies with music television	■ Summer Redstone ■ Tom Freston ■ Leslie Moonves ■ Irwin Robinson

[1] BMG reported revenue of €361mm
[2] 2002 estimated revenues

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Major private equity players have expressed significant interest in music publishing

Tier 1

Company	Fund size	Key contact(s)	Selected media investments	Comments
Apax Partners	€4.4bn	■ Salem Schuchman ■ Paul Fitzsimons ■ Stephen Grabiner	■ Yell ■ Sterling Publishing Group ■ Virgin Radio	■ Were interested in UMG publishing ■ Apax and Bertelsmann joint investment in Audible, Inc. ■ Have hired as consultant to source Music Publishing opportunities Andy Heath
BainCapital	$2.5bn	■ Mark Nunnelly ■ John Connaughton ■ Ian Loring	■ Warner Music ■ DIC Entertainment ■ Houghton Mifflin	■ Have a 21.3% stake in Warner Music ■ Backed Marvon Davis' bid for VUE assets
The [redacted] Group	$8.5bn[1]	■ Howie Lipson ■ David Blitzer	■ Houghton Mifflin Company ■ Bresnan Communications ■ Universal Studios Florida ■ Six Flags ■ Columbia House	■ Very interested ■ Looked to back Strass Zelnick, former BMG head, for Warner-Chappell coming out of possible BMG-Warner merger
Candover	€2.7bn	■ Marek Gumienny	■ Bertelsmann Springer ■ Kluwer Academic Publishers ■ Regional Independent Media	■ Highly motivated to find music publishing ■ Part of bidding consortium for UMPG ■ Positive expectations from Bertelsmann-Springer
Hellman & Friedman	$2.2bn	■ Brian Powers ■ Patrick Healey ■ Mitchell Cohen	■ Pro Sieben ■ Formula One Holdings[2] ■ Axel Springer ■ Falcon Cable TV[2] ■ Hoyts Cinema Group[2]	■ Very interested in music intellectual property ■ Well connected in Germany ■ Successful track record
Hicks Muse	$1.5bn	■ Lyndon Lea	■ Yell ■ LIN Television	■ Lyndon Lea is actively seeking music publishing assets ■ Were interested in jazz music publishing asset embedded in Kirch Media empire
JPMorgan Partners	$8.0bn	■ Jeff Walker ■ Michael Hannon	■ Media Capital ■ American Cable Systems ■ Argyle Television Investors ■ House of Blues	■ Part of bidding consortium for UMPG ■ Keen on making investment in music publishing ■ Interested in joining Carlin Music bid for Warner Chappell
Providence Equity	$2.8bn	■ Jonathon Nelson ■ Michael Angealakis	■ Warner Music ■ Yankees Entertainment and Sports Network ■ Houghton Mifflin Company	■ Have a 11.4% stake in Warner Music ■ Looking to buy Kerkorian stake in MGM
Thomas H. Lee	$6.1bn	■ Thomas Lee ■ Scott Sperlin	■ Warner Music ■ Houghton Mifflin Company ■ TransWestern publishing	■ Have a 49.8% stake in Warner Music ■ Looked at Polygram
Warburg Pincus	$5.3bn	■ Joe Landy ■ Pat Hackett	■ Journal Register Company ■ Radio Unica Communications ■ MediaNation Inc.	■ Looked at Warner Chappell

[1] Represents funds available from the current Blackstone Capital Partners IV Fund and Communications Fund

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Major private equity players have expressed significant interest in music publishing (cont'd)

Tier 2

Company	Fund size	Key contact(s)	Selected media investments	Comments
	$3.8bn	■ Marc Rowan	■ Hanna-Barbera ■ Gillette Holdings[2] ■ Telemundo ■ AMC Entertainment	
	$3.9bn	■ Bill Kennard ■ James Attwood ■ Glenn Youngkin	■ Dex Media ■ Casema ■ Aprovia	■ Backed Marvon Davis' bid for VUE assets
	$1.7bn[3]	■ Ted Forstmann ■ Tom Lister ■ Sandra Horbach	■ Citadel Communications ■ McLeodUSA ■ Ziff-Davis[2]	■ Express interest in Polygram
	$5.0bn	■ Henry Kravis ■ Alex Navab	■ Yellow Pages Group ■ Primedia	■ Backed Doug Morris-led attempted MBO of UMG ■ Looked at joining Carlin bid for Warner Chappell
MDP	$4.0bn	■ Paul Finnegan	■ World Color Press ■ XM Satellite Radio ■ Nextel Partners ■ Telemundo	
	$4.0bn	■ David Bonderman ■ Jeff Shaw	■ Findexa ■ Gemplus	■ Backed Marvon Davis' bid for VUE assets ■ Looking to buy Kerkorian stake in MGM

[2] Prior investment
[3] Also has $1.7bn sub-debt fund

Agenda

Chrysalis in context - The communication act of 2003 has removed UK radio regulatory barriers to consolidation

Companies	UK share[1]	Market cap.[2] (£mm)	Revenues (£mm)	% Radio EBITA 2003A[3]	Key assets	Major shareholders	
[illegible]	6.6%	402	115	100%	■ 13 FM and 7 AM stations ■ 4 major brands: Capital FM network (pop), Capital Gold (oldies), XFM (rock), Century network (music and speech personality radio) ■ Bought remaining 81% of Choice FM in London (November 2003) ■ Owns 51 digital radio licences and shareholdings in 14 multiplexes ■ Have small JV with Disney—Capital Disney	Fidelity: Morgan Stanley: M&G Inv:	11.5% 9.9% 6.7%
emap	6.8%	1,992	967	15%	■ Diverse group with brands across publishing (consumer /business), TV and radio ■ 10 FM and 8 AM stations ■ 3 major radio brands: Kiss (dance), Magic (soft adult contemporary) and Big City ■ London assets: Kiss 100 and Magic 105.4 ■ Operates 13 multiplexes and owns 10 digital licences in the UK ■ Recently bought 27.8% stake in SRH from SMG for £90.5mm	Barclays: Deutsche AM: Legal & General Inv:	11.0% 4.5% 3.6%
GWR	5.0%	335	127	100%	■ Purely radio ■ 33 FM stations and 1 AM; 1 national ■ Key assets: Classic FM (national), few large regional stations and controlling share in DigitalOne ■ Holds 51 digital radio licences	Daily Mail & General Trust: Fidelity: Capital International:	29.9% 11.0% 4.3%
Chrysalis	4.5%	314	250	50%	■ Owns music, books and radio businesses ■ 7 FM and 1 AM stations ■ 3 networks: Galaxy (dance), Heart (adult contemp.) and Arrow ■ Key London assets: Heart 106.2 and LBC (2 talk stations) ■ Recent acquisition of LBC in London ■ Owns 15 local digital licences in 5 multiplexes	Chris Wright: Schroder Inv. Mgt.: Deutsche AM:	26.0% 11.5% 4.1%
SRH	3.6%	313	84	56%	■ Owns radio in Scotland and N. Ireland ■ Publish local weekly newspapers in N. Ireland ■ Owns 22 FM stations and 1 digital licence	emap: DC Thomson: Individuals:	27.8% 9.9% 6.1%
[illegible]	2.7%	94	28	100%	■ Pure play radio ■ 13 local stations (9 FM) and talkSPORT (national AM) the only national sports station ■ Recently bought 6% interest in DRG London, owner of London III digital multiplex	UKC Radio Ltd: News International Plc.: Kelvin Mackenzie:	28.0% 18.6% 7.0%
smg	1.4%	346	188	18%	■ Owns ITV franchises (2), cinema (Pearl & Dean), outdoor business and radio ■ Radio: Virgin AM (national) and Virgin FM in London	ITV: Fidelity Inv Serv: Aberforth Ptnr:	16.9% 8.1% 5.6%
GMG	2.1%	N/A	356	N/M[4]	■ 3 brands: Jazz FM, Real Radio and Smooth ■ Jazz FM and Smooth are broadcasted on both analogue and digital frequencies ■ Smooth has replaced Jazz coverage in the North West of England after its launch in March 2004. ■ Holds 39.5% interest in 22 local radio stations via Radio Investments Ltd ■ Other businesses: newspapers, magazines	The Scott Trust:	100%

Note: Revenues figures are last reported figures
[1] Calculated as percentage of total UK hours listened per week, Rajar as of December 2003
[2] As of May 26, 2004
[3] Before central costs
[4] Negative EBITA

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A large number of potential bidders are looking at UK Radio

Potential bidders

Company	Market cap. (£mm)	FV (£mm)	FV/EBITDA 04E	Strategic interest in UK radio	Financial firepower	Strategic commentary
UK radio players						
[illegible]	314	353	17.6x	5	3	✓ Significant flexibility to combine with other radio groups
[illegible]	402	434	15.5x	5	3	✓ Wants to grow—but regulatory issues are challenging
emap	1,992	2,179	9.2x	5	5	✓ Radio is a core source of growth acquisition potential
GWR	335	401	16.0x	5	2	✓ More likely a seller than a buyer
SRH	313	365	15.0x	5	2	✓ Unlikely to be a major consolidator—emap owns 29.9%
smg	346	588	14.7x	5	0	✓ Most likely a break-up candidate
GMG	N/A	N/A	N/A	4	2	✓ Focused on integrating trader media
UK TV players						
Sky	11,900	12,659	17.7x	4	5	✓ News Corp already owns a 29% of The Wireless Group
ITV	4,957	5,107	13.8x	3	5	✓ Natural next step—but currently focused on merger integration
US media companies						
VIACOM	37,042	41,755	11.5x	5	5	✓ Focused on US business—will also be hesitant to risk ITV deal
[illegible]	960	1,151	12.6x	2	3	✓ Only independent US radio company to express interest in UK
Disney	27,023	30,104	13.4x	5	5	✓ Would prioritise ITV
Clear Channel	13,250	16,370	11.9x	5	5	✓ Expressed interest in UK radio
European Radio companies						
Lagardère	4,664	4,579	5.8x[1]	4	3	✓ Looking for new avenues for growth—focused on French TV
[illegible]	952	967	11.2x	4	2	✓ UK deregulation opens up new opportunity for expansion

Source: Broker reports, Datastream as of May 26, 2004
[1] Multiple for just Lagardere Media

Tactical considerations—
The UK radio 'chessboard'

Potential Communications Act and Competition Commission issues

	Capital	Chrysalis	GWR	emap	SRH	smg	G///G	[illegible]
Capital		■ Birmingham	■ Ok	■ Deal breaker: Northeast (Tyne and Wear), Teeside and Manchester	■ South Wales, Scotland, South Hampshire	■ Ok	■ South Wales	■ Ok
Chrysalis	■ Deal breaker: Combined London market share of 65% and >50% in Birmingham		■ Ok	■ Deal breaker: Northeast (Tyne and Wear, Humberside) and South Yorkshire	■ Ok	■ Ok	■ Ok	■ Ok
GWR	■ Ok	■ Competition issues in Midlands (Wolverhampton and Coventry)		■ Ok	■ Ok	■ Ok	■ Ok	■ Ok
emap	■ Deal breaker: Combined London market share of 63% and northeast and northwest problematic	■ Combined London market share of 46%, but deal breaker is northeast and Yorkshire	■ Ok		■ Ok	■ Ok	■ South Yorkshire	■ Northeast (Preston and Blackpool)
SRH	■ Ok	■ Ok	■ Competition issues in Severn Estuary regions	■ Ok		■ Ok	■ Scotland (Glasgow and Edinburgh)	■ Scotland (Dundee, Perth, Ayr and Liverpool)
smg	■ Combined London market share of 48%	■ Combined London market share of 31%	■ Two national licences	■ Ok	■ Cross media ownership issues		■ Ok	■ Ok
G///G	■ Competition issues in South Wales	■ Ok	■ Ok	■ Competition issues in Yorkshire	■ Deal breaker: Scotland	■ Ok		■ South Wales
[illegible]	■ Ok	■ Ok	■ Two national licences	■ Ok	■ Competition issues in Scotland	■ Two national licences	■ Ok	

Note: Regulatory assessment based on preliminary analysis of Communications Act local points overlap and potential Competition Commission issues arising from excess market share of audiences and revenues

[1] 2004E calendarised to December YE, radio only

■ = Communications Act 2003: local radio points overlap issues

■ = OFT and Competition commission: advertising market share issues

Chrysalis provides the most flexible strategic platform for UK radio

Chrysalis

Follow-on acquisition targets	Comments
	Possible ■ Regulatory: Limited/none[1] ■ Rationale: London market share and national licence ■ Execution: SMG controls asset
SRH	Possible ■ Regulatory: Limited/none[1] ■ Rationale: expands geographic reach and diversifies formats ■ Execution: emap 27.8% ownership
GWR	Possible ■ Regulatory: Limited/none[1] ■ Rationale: provides national licence and diversifies formats ■ Execution: DMGT 29.9% ownership
capital	Very challenging ■ Regulatory: Issues with London market share[1] ■ Rationale: combine leading radio players ■ Execution: Widely-held

	Reactive scenarios	Comments
capital	GWR	■ Possible: merger rumours have circulated for some time and no regulatory barriers[1]
		■ Challenging: tried in 1998 and were blocked by regulators[1]
	SRH	■ Challenging: due to overlaps in South Wales, Scotland[1]
	G///G	■ Challenging: points overlaps S. Wales require disposals[1]
	emap	■ Very challenging: from Ofcom and CC perspective[1]
emap	SRH	■ Possible: potential to buy rest of business[1]
		■ Possible: would boost London share[1]
	GWR	■ Possible: provides national licence[1]
	G///G	■ Challenging: competition in Yorkshire[1]
	capital	■ Very challenging: from Ofcom and CC perspective[1]

[1] Regulatory assessment based on preliminary analysis of Communications Act local points overlap and potential Competition Commission issues arising from excess market share of audiences and revenues

Chrysalis Music Publishing: the hidden jewel which could become available in a sale of Chrysalis Group

Chrysalis

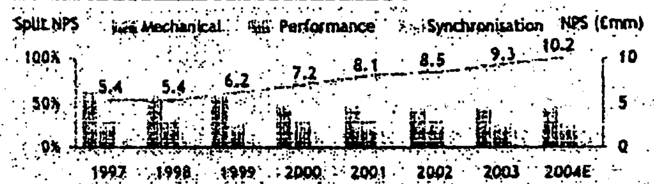
Key investment highlights

- Chrysalis is one of the largest independent Music Publisher with a catalogue of over 55,000 copyrights spanning over six decades
- Chrysalis music 2003 revenue of £71.4m: NPS of £9.3m. Approximate music publishing market share 3.0%[1]
- Acquired Crusaders' music catalogue in February 2003 for £3.2mm and Global Music Group in Germany in 1999
- NPS distribution becoming more diversified
  - Strong growth in synchronisation revenue
- Leading music publisher in Sweden
- Sub-publisher for over 75,000 copyrights
- Joint ventures or pure play offices in Norway, France, Italy, Spain, UK, Denmark, Scandinavia, Sweden, Germany and US

General overview

- In 2003, the Music division reported an 87% increase in EBITDA to £4.1mm, with profits up by 90% at £3.4mm
- Long term sterling loan facility of £60mm completed in March 2001. Provided via the US commercial paper conduit market, and secured by way of the securitisation of the Group's global music catalogue and its related NPs

Net Publisher's share evolution



Catalogue

- My Way
- You were the last high
- Woke up this morning
- Bohemian like you
- From a distance
- Thong Song

- Paul Anka
- David Bowie
- Blondie
- OutKast
- David Gray
- John Denver
- Julie Gold

- Portishead
- Dandy Warhols
- Elvis Presley
- Jethro Tull
- Andrea Boccelli
- Kylie Minogue
- George Harrison

[1] Assuming a marginal contribution to revenue from Echo and Lasgo (not split out in company's reports)

Chrysalis Music Publishing network

Chrysalis

Chrysalis has a global network of pure-play publishing subsidiaries and strategic joint ventures to better exploit its catalogue

Pure plays

Name	Status	Artist/writer
Chrysalis Music Limited	Chrysalis UK publishing which also owns and administers rights to an extensive catalogue of compositions	Portishead, Dandy Warhols, David Gray
Global Chrysalis Music UK	Sub-publisher	
Air Chrysalis Denmark	Aimed at developing world class writers and producers	Andy Singer, Adam Powers and Morgan Jalsing
Air Chrysalis Scandinavia	Foremost independent music publishing company in Sweden	Paul Rein (Christina Aguilera, Jessica Simpson and Mandy Moore), Later Inc. and Tina Harris
Chrysalis Copyrights	Exploits the group's rights to interests in vintage record catalogues	All of Chrysalis Music's international repertoire
Chrysalis Music Group USA	North American music publishing operation	OutKast, Andrea Boccelli, Elvis Presley and Jethro Tull
Global Chrysalis Germany	Sub publishing a further 75,000 copyrights	Elvis Presley, Kylie Minogue, George Harrison and Neil Young

Joint venture and strategic alliances

Name	Status	Artist/writer
Air Chrysalis Norway	Joint venture between Chrysalis Scandinavia and Terje Engen	Jokke & Valentinerne, Joachim Nielsen and Michael Krohn
Chrysalis Music Benelux	Joint venture with Strengholt, the largest independent Dutch media group	All of Chrysalis Music's international repertoire
Chrysalis Strengholt Music France	Joint venture with Strengholt, the largest independent Dutch media group	Over 300 local copyrights including DJ Pascal R and Erik Arnaud
Chrysalis Music Italy	Strategic alliance with Café Concerto, independent Italian music publishing company formed by Federico Monti Arduini's	Administer and exploits all of Chrysalis Music's international catalogue
Chrysalis Clip	Joint venture with Ediciones Musicales Clippers, Spain's leading independent music publisher	

Preliminary valuation considerations

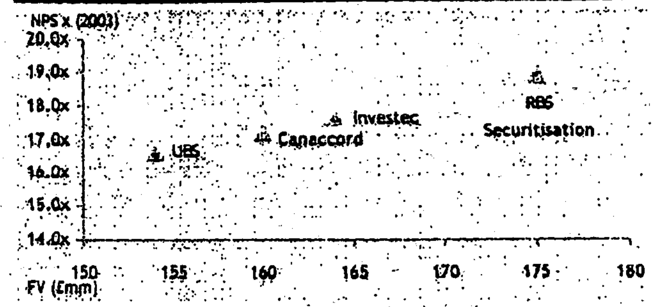
Chrysalis

Summary key considerations

- Few music publishing deals disclose transaction data owing to the private nature of the industry
  - Recent transaction multiples average 17.0x NPS
  - Sony acquired Acuff-Rose at 17.5x NPS
  - Windswept acquire Trio&Quartet at 18.0x NPS
  - Vivendi acquired Rondor Music Publishing at 18.0x NPS
- Music publishing catalogues exchange hands at high multiples for several reasons
  - Operationally leveraged: strategic buyers can roll the catalogue into their larger library with significant cost savings; NPS falls to bottom line
  - Rare: Music publishing catalogues of significant scale and quality are scarce
  - Underutilisation: Sub-scale and under-utilised catalogues have considerable upside to exploit
- Chrysalis' catalogue lacks the scale of major industry players, but can be well exploited
  - Chyrsalis' publishing business would have significant synergies with EMI's platform

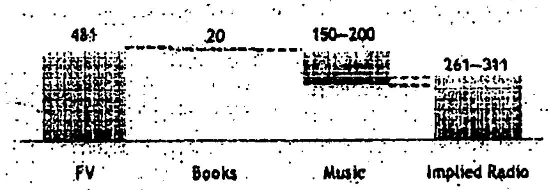
Source: Brokers estimates

Broker SOTP valuation of Chrysalis music publishing—firm value (£mm)



Source: Broker reports

Implied valuation analysis— Chrysalis Music will drive the implied value of Radio



	FV	Books	Music	Implied Radio
EBITDA 04E	20.0[1]	1.2	5.0	17.0
FV/EBITDA 04E	24.0x	N/A	N/A	15x–18x

Source: Broker reports, JPMorgan estimates. Firm value at 30% acquisition premium. Music valuation estimates based on 15–20x multiples of 2004E NPS
[1] Difference between EBITDA 04E and the sum of divisional EBITDA is accounted for by corporate overhead

A divestiture of music publishing could unlock value for the core radio business

Implied consolidated group valuation

		Premium to current share price							Capital
		0.0%	5.0%	10.0%	15.0%	20.0%	25.0%	30.0%	(£mm)
Trading Dynamics	Share price (£pence)	187.0	196.4	205.7	215.1	224.4	233.8	243.1	
	52w high (£pence)	(28.6)%	(25.1)%	(21.5)%	(17.9)%	(14.4)%	(10.8)%	(7.2)%	
	L6M VWAP (£pence)	(16.1)%	(11.9)%	(7.7)%	(3.5)%	0.7%	4.9%	9.1%	
	L12M VWAP (£pence)	(13.8)%	(9.5)%	(5.1)%	(0.8)%	3.5%	7.8%	12.1%	
Capital Structure	Market cap (£mm)	314.1	329.9	345.7	361.5	377.4	393.3	409.2	402.1
	Net debt (£mm)	38.9	38.9	38.9	38.9	38.9	38.9	38.9	32.0
	Minorities/associates at BV (£mm)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.0
	FV (£mm)	353.1	368.8	384.7	400.5	416.4	432.3	448.2	434.1
Implied Valuation Multiples	04-06E EBITDA CAGR	18.3%	18.3%	18.3%	18.3%	18.3%	18.3%	18.3%	12.8%
	FV/EBITDA 04E	18.2x	19.0x	19.9x	20.7x	21.5x	22.3x	23.1x	15.5x
	FV/EBITDA 05E	14.5x	15.2x	15.8x	16.5x	17.1x	17.8x	18.4x	13.7x
	Cash PE 04E	24.2x	25.4x	26.6x	27.8x	29.0x	30.3x	31.5x	19.3x
	Cash PE 05E	17.2x	18.1x	18.9x	19.8x	20.7x	21.5x	22.4x	17.0x

Implied value of radio excluding music

	Music value (£mm)	NPS 04E	Radio EBITDA[1]	Premium to current share price							Capital (£mm)
				0.0%	5.0%	10.0%	15.0%	20.0%	25.0%	30.0%	
Radio multiples 05E—no synergies											
Radio FV/ EBITDA 05E	150.0	14.7x	21.0	8.7x	9.5x	10.2x	11.0x	11.7x	12.5x	13.2x	13.7x
	175.0	17.2x	21.0	7.5x	8.3x	9.0x	9.8x	10.5x	11.3x	12.1x	
	200.0	19.6x	21.0	6.3x	7.1x	7.8x	8.6x	9.4x	10.1x	10.9x	
	225.0	22.1x	21.0	5.1x	5.9x	6.7x	7.4x	8.2x	8.9x	9.7x	

Source: Broker reports, company reports, Datastream as of May 26, 2004 and JPMorgan
[1] Radio EBITDA 05E with no synergies
[2] Capital FV/EBITDA 05E

Agenda

BMG Music Publishing

Key highlights

- Third largest global music publisher with over one million song catalogue and 65,000 songwriters
  - Strong European popular music catalogue
    - Market leader in Italy
  - Global leader in production music
  - Second largest publisher of classical music
    - Ricardi, Edition Salabert and Durand and EMB catalogues
  - Largest Christian music publishing catalogue
  - Second largest choral music catalogue
  - Strong film and TV music library
    - Starsky and Hutch, Kill Bill, 8 Mile, and Amelie
- Sub-publishing deals with film and TV music creators
  - Largest sub-publishing deal with Viacom's Famous Music
  - BBC, Granada, i2i/RTL, Lion's Gate/Tristar Pictures, DIC

General overview

- Established in 1987, BMG Music Publishing has grown exponentially organically and acquisitively
  - Over 200 domestic and international acquisitions
    - B.B King, John Lee Hooker, and Barry Manilow catalogues
- Headquartered in New York with offices in over 31 countries
- BMG Music Publishing management
  - Nicholas Firth, Chairman
  - Andrew Jenkins, Executive Vice President

Financials (€mm)

	2001E	2002A	2003A
Revenue	280[1]	277	361
% growth		(1)%	30%

Catalogue

- Christina Aguilera
- Coldplay
- BB King
- Annie Lenox
- Robbie Williams
- Peter Townshent
- Eros Ramazotti
- Elvis Costello


- Verdi
- Puccini
- Ravel
- Fenelon
- Messiaen


- Ricardi catalogue (Italy)
- World Music (Belgium)
- Jack White (Germany)
- EMB (Hungary)
- Editions Salabert (France)
- Editions Durand (France)

[1] Estimated based on 2001 market share and market size for music publishing

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Famous Music (division of Viacom)

Business overview

- Catalogue of over 125,000 copyrights spanning over seven decades
  - Catalogue includes music from hit motion pictures, Love Story, The Godfather, Romeo and Juliet, Forrest Gump, Braveheart, Titanic, Mission Impossible, Tomb Raider, When We Were Soldiers, Vanilla Sky and what women want, and
  - Includes titles from classic television shows such as The Brady Bunch, Cheers, Happy Days, Laverne and Shirley, Mark and Mindy and Star Trek
- Latin American representation through publishing agreement with Santander Music

Recent news

- Currently (as of February 6, 2004) in trial in the United states against Henry Mancini, Johnny Mercer, Ray Evans and Richard Whiting in regards to whether the Messrs. Mancini, Mercer, Evans and Whting are entitled to recover tax credits the Famous Music received from foreign taxes

Management

Viacom Management:

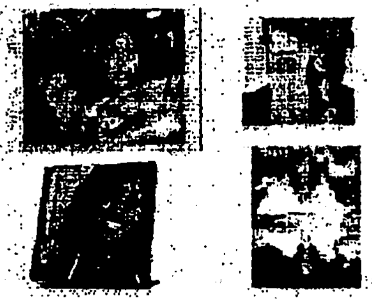
Summer Redstone	Chairman and CEO
Tom Freston and Leslie Moonves	Co-Presidents and COOs
Richard Bressler	CFO

Famous Music Management:

Irwin Z. Robinson	Chairman and CEO
Ira Jaffe	President and COO

Library

- Jennifer Lopez
- Destiny's Child
- Toni Braxton
- Whitney Houston
- Boyz II Men
- Bush
- Duke Ellington
- Bjork



- Irv Gotti
- Fred Jerkin III
- Tia Sillers
- Joe Solo

- Louise
- Isn't It Romantic
- My Love Will Go On
- Mission Impossible: Theme Song
- Braveheart

Carlin America, Inc/Carlin Music Corp.

Key highlights

- Founded by Freddy Bienstock in 1966 the Carlin catalogue comprises several highly valuable copyrights such as the Elvis Presley Catalogue (including "Love me Tender"), "What a Wonderful World" and Dolly Parton's "I will always love you"
- Headquartered in New York, Carlin America also has operations in Nashville and in London and Paris through Carlin Music Corp.
- Having established his reputation at Hill & Range through close relationships with artists such as Elvis Presley, in 1966 Freddie acquired Carlin Music Corp, originally the UK subsidiary of Hill & Range
- Carlin America, then quickly expanded through a number of high profile acquisitions and associations including Broadway show catalogues containing Cabaret and Fiddler on the Roof as well as deals with The Kinks, The Animals and Cliff Richard
- In 1985, the Carlin America management team acquired the then Chappell & Co. operation from Polygram for $100mm and sold the business two years later to Warner Communications for $250mm

Management

Name	Officers	Board	Responsibility
Freddy Bienstock	President and Treasurer	Chairman	Chief Executive Officer
Caroline Bienstock	Vice President and Secretary	Director	Chief Operating Officer
Robert Bienstock	Vice President and Assistant Secretary	Director	Executive Vice President
David Japp	Director	Director	Chief Executive Officer of Carlin Music Corp

Key catalogues and copyrights

- Dolly Parton
  - I will always love you
  - 9 to 5
  - Jolene
- Kinks
  - Days
  - Sunny afternoon
  - Lola
- Lark/Fort Knox/TM
  - Fever
  - Its in his kiss
  - Under the boardwalk
  - I get the sweetest feeling
  - What a wonderful world
  - I got you (I feel good)
- Edward B. Marks Music Co
  - Seasons in the sun
  - Jim Steinman—(Meatloaf songs including Bat out of Hell)
- Hill & Range
  - Save the last dance for me
  - Sweets for my sweet
  - La Bamba
- Redwood
  - As time goes by
  - Are you lonesome tonight
  - Blueberry hill
- Gladys Presley
  - Can't help falling in love
  - Love me tender
  - All shook up

CO04031229

Peer music

Key highlights

- Catalogue of over 300,000 songs, particularly in the fields of country and Latin music.
- 36 offices in 27 countries
- In August 1927, Ralph Peer (1892–1960) helped launch the modern country music industry when he supervised, for Victor Records, the first recordings by future superstars Jimmie Rodgers and The Carter Family. Instead of being paid in money, Victor allowed Peer to take the publishing rights for any original songs he recorded on the trip. Those were the copyrights that formed the basis for peer music founded in 1928 as Southern Music

Recent news

- Recently acquired US rights to Hoagy Carmichael catalogue
- Peermusic catalogue provided six songs for the "O Brother, Where Art Thou?" soundtrack

Management

Ralph Peer II	Chairman and CEO
Kathy Spanberger	President
Ramon Arias	VP of Latin Operations
Kevin Lamb	VP of Peermusic/Nashville

Library

Catalogue

Jimmie Rodgers	Frank Sinatra	Jaguares
The Carter Family	Dean Martin	Luis Miguel
Floyd Tillman	Nat King Cole	Xuxa
Lefty Frizzel	Bing Crosby	Ray Charles
Agustin Lara	Hank Williams	Whitney Houston
–*Noche de Ronda, Granada, Solamente Una Vez*	Willie Nelson	James Ingram
	Garth Brooks	Al Jolson
Mari Lauret	Boy George	Louis Armstrong
Robert Ellis Orrall	Herman's Hermits	The McGuire Sisters
Rick Carnes	The Allman Brothers	The New York Philharmonic
Josh Groban	Rod Stewart	Michael Bolton
Elvis Presley	Julio Iglesias	Art Garfunkel
Buddy Holly	Sergio Mendes & Brasil '66	Edith Piaf
Jerry Lee Lewis	Desi Arnaz	Hoagy Carmichael

Latin American

Perfidia	Bahia	Amor	Cuando Calienta El Sol
Besame Mucho	Guadalajara	Frenesi	*(Love Me With All Your Heart)*
Brasil	Sin Ti	Granada	Mambo #5
Mas Que Nada	Cu Cu Rru Cu Cú Paloma	Sólamente Una Vez	

Songwriters

David Foster	Stewart Harris- Angels in Waiting	KITARO	Tricky Stewart
Gavin Rossdale	Surco/Universal band Molotov	Dan Truman	Donato Poveda

Peer music on screen

Sex and the City	Friends	Confessions of a Dangerous Mind
The Simpsons	Y Tu Mama Tambien	Moulin Rouge
The Sopranos	The Life of David Gale	O Brother, Where Art Thou?

JPMorgan

CO04031230

Music Sales Group

An international family of music publishing companies.

Business Overview

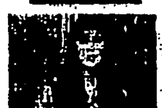
- Catalogue of over 200,000 titles
- International organisation based in London with numerous music activities
- International catalogues including Campbell Connolly, The Sparta Florida Music, Chester Music, J. Curwen & Sons, G Schirmer, Edition Wilhelm Hansen, and Union Musica Ediciones
- International headquarters in the UK with offices in Australia, Denmark, France, Germany, Japan, Spain and in the US in New York, Pennsylvania and California

Management

- Robert Wise — Chairman and Managing Director
- Chris Butler — Chief Operating Officer
- Malcolm Grabham — Finance Director

- James Brown
- 2Pac
- Cher
- The Clash
- Joe Cocker
- Kenny G
- Dizzy Gillespie
- Guns N'Roses



Bug Music

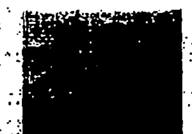
Business Overview

- Catalogue of 40,000 titles
- Founded in 1975 by Dan Bourgoise specifically to recover Mr. Del Shannon's lost copyrights
- Joined by Fred Bourgoise in 1976
- US offices in: LA, films; Nashville, country; and, New York, commercial placement
  - Nashville office opened in 1986 by Gary Velletri
- International offices in London and Munich

Management

- Dan Bourgoise — Founder and Chairman
- Gary Velletri — Founder and Head of Nashville office
- Laura Claar — Licensing Administrator

- Iggy Pop
- Roseanne Cash
- T-Bone Burnett
- Los Lobos
- Muddy Waters
- Johnny Cash
- Johnny Otis
- Del Shannon
- The Byrds




CO04031231

Cherry Lane Music

Business overview

- Over 25,000 song catalogue
- MPL Communications Inc. in New York and MPL Communications Ltd. in the London established by Paul McCartney shortly after break-up of the Beatles
- Acquired catalogues include Nor-Va-Jak, Desilu Music Corp., Arko Music Corp., Barwin Music Co., Inc., Claridge Music Company, Edwin H. Morris & Company, and Frank Music Corp. among numerous others
- Mechanical Licensing handled through Harry Fox Agency

Management

Paul McCartney	Founder
Peter Silvestri	Licensing
Dave Boggart	Copyright

- Buddy Holly
- Frank Loesser
- Bessie Smith
- Paul McCartney
- Hoagy Carmichael
- Lionel Hampton
- Ira Gershwin
- Michael Jackson



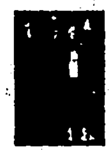

Business overview

- Founded in 1960 by the legendary producer Milton Okun, Cherry Lane Music Publishing is the largest division in Cherry Lane Music
- Headquartered in New York City and wholly established companies in England, France, Holland and Canada
  - Approximately 90 employees
- In January 2003, formed a joint venture with Tu Casa Entertainment called Cherry Casa specifically to attract and sign Latin Songwriters/artists
- Movie Credits include, Shrek, The Passion of the Christ and Gladiator

Management

Peter Primont	CEO as of 1990
Aida Gurwicz	President, joining in 1990 as SVP
Dan Lieblein	CFO, joined in 1985

- Black Eyed Peas
- Ashford & Simpson
- Roberto Blades
- Ralph McDonald
- Sammy Cahn
- John Denver
- Tom Paxton
- Paul Zaza

Other independent music publishing labels

Tier 2

Company	Management	Comments
ENTERTAINMENT	■ Michael Koch, *CEO* ■ Michael Rosenberg, *President* ■ Nancy Young, *Senior Vice President*	■ One of the leading independent music company in the US with operations in record and video labels and distribution companies ■ Make of: Koch Distribution; Koch Canada; Koch Records; Koch Vision; Koch Lorbar Films; and, Koch Publishing ■ Sold European recorded and music publishing to Universal Music International in February 2002 ■ Currently looking to expand publishing arm via direct writer signings and catalog acquisitions
edel	■ Walter Lichte, *Chairman, Supervisory Board* ■ Michael Haentjes, *Founder, Chairman and CEO* ■ Michael Baur, *CFO and COO*	■ Pan-european independent record company and service provider for the music industry ■ Edel sold a majority of its Music Publishing interests in Play It Again Sam, RED Distribution Inc., and Eagle Rock Entertainment to Warner Music Group in February 2002 ■ Current Music Publishing activities confined to passive exploitation of copyrights that continue to exist in the remaining publishing companies: edel publishing GmbH; edel publishing Germany GmbH; edel Publishing Ltd.; Great Britain edel-songs Publishing Scandinavia AB, Sweden; and, edel music publishing AB, Sweden
	■ Deke Arlon, *CEO & President of Music Publishing* ■ Jamie Arlon, *Director of A&R of Music Publishing* ■ Maria Forte, *Director of Commercial Business of Music Publishing*	■ A diversified international music group specializing in the ownership and commercial exploitation of Intellectual Property Rights ■ Owner of one of the world's largest independent recorded music catalogue with over 150,000 tracks ■ Partnership with BMG developing strategic alliances in recorded music catalogues. BMG is Sanctuary's worldwide distributor ■ Aim to increase Music Publishing presence and have used recent fund raising to start acquiring catalogues · Recently acquired 15,000 song country catalogue ■ Music publishing activities through Music Publishing division and Air Edel Air-Edel represents artists solely dedicated to Film scores
Kobalt	■ Willard Ahdritz, *CEO & Founder of Kobalt* ■ Johan Ekelund, *Managing Director of Kojam* ■ Sas Metcalfe, *Creative Director of Kojam*	■ Independent Music Publisher offering global creative and administrative services to writers, publishers, and other publishing rights holders ■ Divided into Kobalt Music Services (KMS) and Kojam KMS is the IT software sold to clients for royalty collection and administrative rights Kojam is the Music Publishing Division headquartered in London with offices in Sweden, France and the USA ■ Koop (2002 Grammy winners), Overhead, Mats Hedstrom, Badly Drawn Boy (excl. UK), Howard New ■ KMS clients include Sanctuary Music Publishing, Air-edel, B-unique Music, Noel Hogan, RG Music
MADACY	■ Mark Jenkins, *President* ■ Harris Sterling, *Senior Vice President Strategic Marketing*	■ Independent Music company and distribution label separated into Sports Music, Special Products, Latino, Kids, Special Markets (MSM), Christian Music Group, Label Group, Entertainment Interactive and Home ■ MSM licenses songs/music to clients, including Seagram, Kellogg's, Nabisco, Sports Illustrated ■ MSM owns Countdown Music and 101 Strings which can offer 100,000 owned and/or controlled recording masters ■ MSM involved in licensing music in films as well as TV shows

Agenda

Warner Chapell overview

Key highlights

- Catalogue of over one million songs
  Owns Warner Bros. Publications, the world's largest publisher of printed music
- 36 offices around the world with over 1,000 employees
- Warner acquired Chapell in 1987 for $250mm forming on of the top tier Music publishers
- The focus of the company has been on increasing share of local repertoire by signing local writers and composers and purchasing local publishing companies
- Expansion into Central and Eastern Europe has positioned Warner Chapell as the leading music publisher in the Czech Republic and the number two in Poland and Russia
- Management
  Les Bider, Chairman and CEO
  Ira Pianko, COO/CFO
  Rick Shoemaker, President and Morgenstern

Catalogue

[illegible]	[illegible]
Happy Birthday	Ray Charles
Rhapsody in Blue	Led Zeppelin
Winter Wonderland	Madonna
Ain't Misbehavin'	Aretha Franklin
42nd Street	Bob Dylan
I Only Have Eyes for You	Eric Clapton
Happy Days are Here Again	Aaliyah
Works by Cole Porter and George and Ira Gershwin	Ace of Base

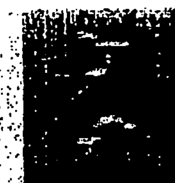
General overview

- Warner Chappell Music is the publishing division of Warner Music Group
- 36 offices around the world with over 1,000 employees
- Warner Bros. Publications the world's largest publisher of printed music is a subsidiary
- Catalog composed of over one million songs and 65,000 songwriters
- In 1987, Warner Music acquired Chappell Music for $250mm
- Expansion into Central and Eastern Europe has positioned WC as the leading music publisher in the Czech Republic No. 2 in Poland and Russia
- Administers the music of several television and film companies, including Lucasfilm, Ltd. And Hallmark Entertainment

Financials (US$mm)

	2001A	2002A	2003A
Revenue	547	563	563
% growth		3%	0%
EBITDA	87	93	110
% margin	15.9%	16.5%	19.5%

Key stars in catalogue


CO04031235

Universal Music Publishing Group (UMPG)

Key highlights

- UMPG catalogue comprised of over one million copyrights
  - UMG acquisition of 60,000 song catalogue of Motown classic Rondor Music
  - Owns or administers numerous other catalogues including: Def Jam Music; Interscope; All Nations Music; Prince, Forerunner Music; and, Epitaph
- Technological and administrative strengths
  - Royalty collection in emerging markets
  - Electronic worldwide song circulation and society registration
  - Centralised song database
  - Additional sub-publishing for independent music publishers and artists

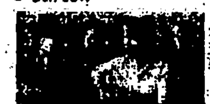
General overview

- One of largest global music publishers
- Offices in 41 countries
- UMPG recently acquired the administrative rights of Paul Simon music outside North America and will represent him worldwide for synchronisation licensing for Motion Pictures, TV, advertising and other mediums
- UMPG Management
  - David Renzer, Worldwide President
  - Michael Sammis, EVP and CFO

Catalogue

- I will survive
- That don't impress me much
- Beautiful day
- Born to be wild
- Candle in the Wind
- Magic Carpet Ride
- Strangers in the Night

- Frank Sinatra
- Beach Boys
- B.B. King
- ABBA
- Fred Astaire
- Bon Jovi


Rondor

- Al Green
- Otis Redding
- Tom Petty
- Isaac Hayes




[1] Based on broker consensus estimates
[2] Based on broken SOP valuation of Vivendi Universal

APPENDIX

JPMorgan

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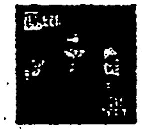
Sony/ATV

Business overview

- Joint venture between Sony and Michael Jackson's ATV
- Reported as fifth largest music publisher
- Catalogue of over 240,000 income generating songs
  - Approximately 240 Beatles' songs
    - Michael Jackson purchased the Northern Catalogue in 1984 for between $50 and $70mm
- Estimated NPS of $62mm and $65mm respectively in 1997 and 1998
- Reported to have been valued at approximately $931mm in 1999
- Joint venture between Sony Music entertainment and Michael Jackson set up in 1995
- Offices in over 40 countries
- One of the largest global country catalogue's through the Tree catalogue

Library

- Beatles
- Bob Dylan
- Destiny's Child
- The Fugees
- Babyface
- Wyclef Jean
- Sarah McLachlan
- Nile Rogers



Management

- David Hockman — Chairman and CEO
- Kathy Coleman — VP Film, TV, Advertisement in New York
- Jonathon Palmer — Director, Film and TV in New York

- Babyface
- Cyndi Lauper
- Mariah Carey
- Lauryn Hill

Recent News

- Rumours regarding Michael Jackson's state of personal finances have led people to believe that he may be willing to sell parts of the Beatles collection
- Rumours regarding the strenuous relationship between Michael Jackson and Sony Music, specifically relating to Sony dropping him as a recording artist after his Number One Hits album

- Like A Rolling Stone
- Hey Jude
- Sgt. Peppers Lonely Hearts Club Band
- Killing me softly with his song
- Rock around the clock

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Selected Music publishing transactions

Year	Buyer	Seller	Asset	(US$)	NPS multiple	Comments
2004	EMI	B. Gordy	Jobete Music (20%)	80	N/A	■ All cash offer for remaining 20% stake
2003	EMI	B. Gordy	Jobete Music	110	N/A	■ All cash offer made for additional 30% of company following 1997 purchase
2003	Classic Copyright	Boosey & Hawkes	Boosey & Hawkes catalog	64	N/A	■ All cash offer outbidding Regent Street Music in a competitive process
2003	Windswept Holdings	Lieber & Stoller	Trio Quartet Catalog	66	18x	■ Acquired catalog of over 20,000 titles, including "What a wonderful world" and "Fever"
2002	Sony/ATP	Gaylord Ent.	Acuff-Rose	157	18x	■ All Cash offer for 55,000 strong country music catalogue
2000	Vivendi	Alpert/Moss	Rondor Music	230	18x	■ Seagram acquired Rondor. Vivendi subsequently acquired Seagram and Rondor
1999	EMI	Windswept Pacific	Selected Titles	200	16x	■ Cash offer for over 40,000 songs of Windswept catalogue
1997	EMI	B. Gordy	Jobete Music	132	N/A	■ All cash offer made for 50% of Motown publisher
1990	EMI	Filmtrax	Filmtrax Pub	115	N/A	■ Acquired film music catalogue
1990	EMI	SBK Entertainment	CBS Songs	296	N/A	■ Purchased CBS/April catalogue and United Artists film music catalogue

Source: Broker reports, Factiva

APPENDIX

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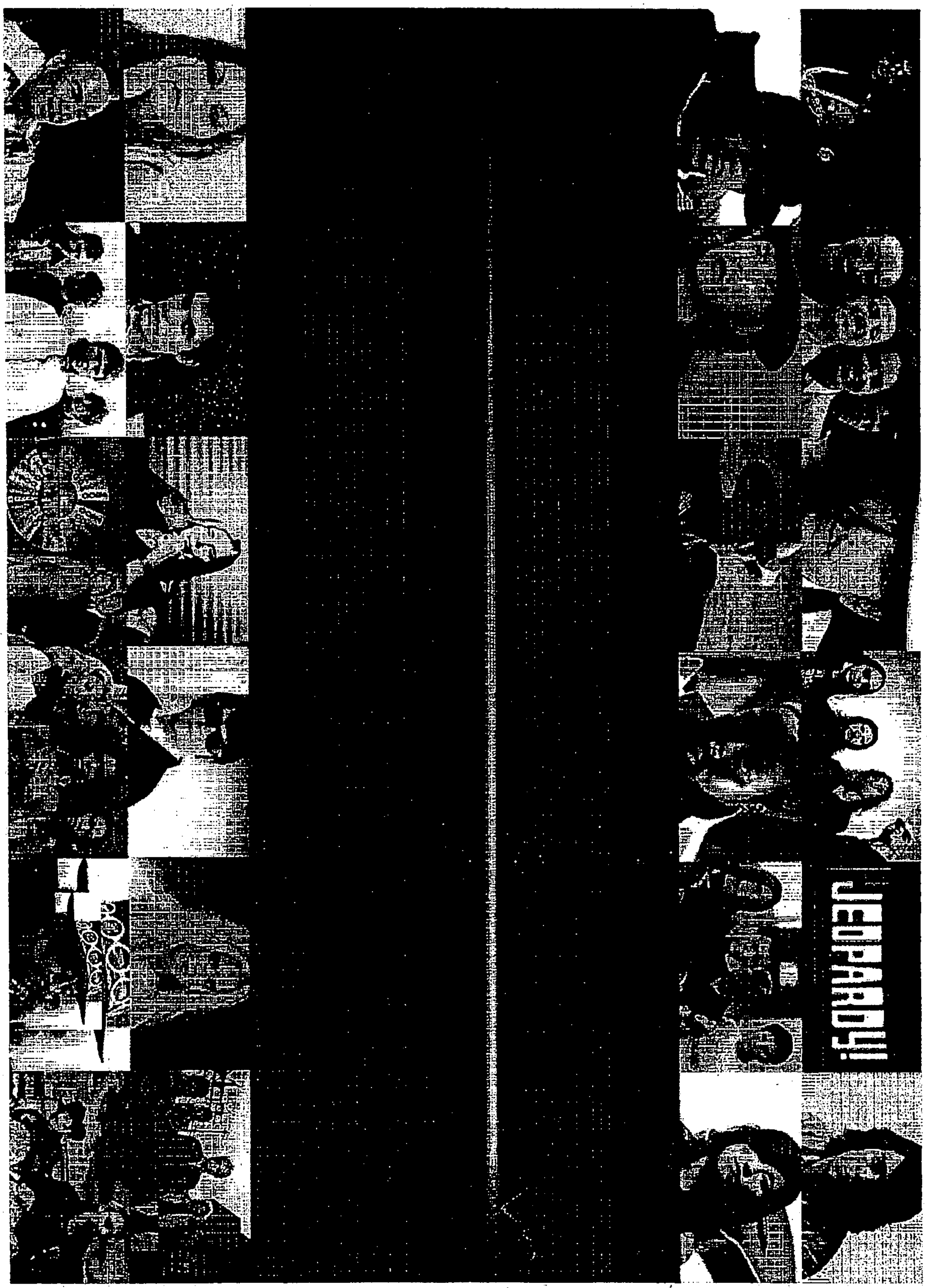
RIAA Ex. 132-RR

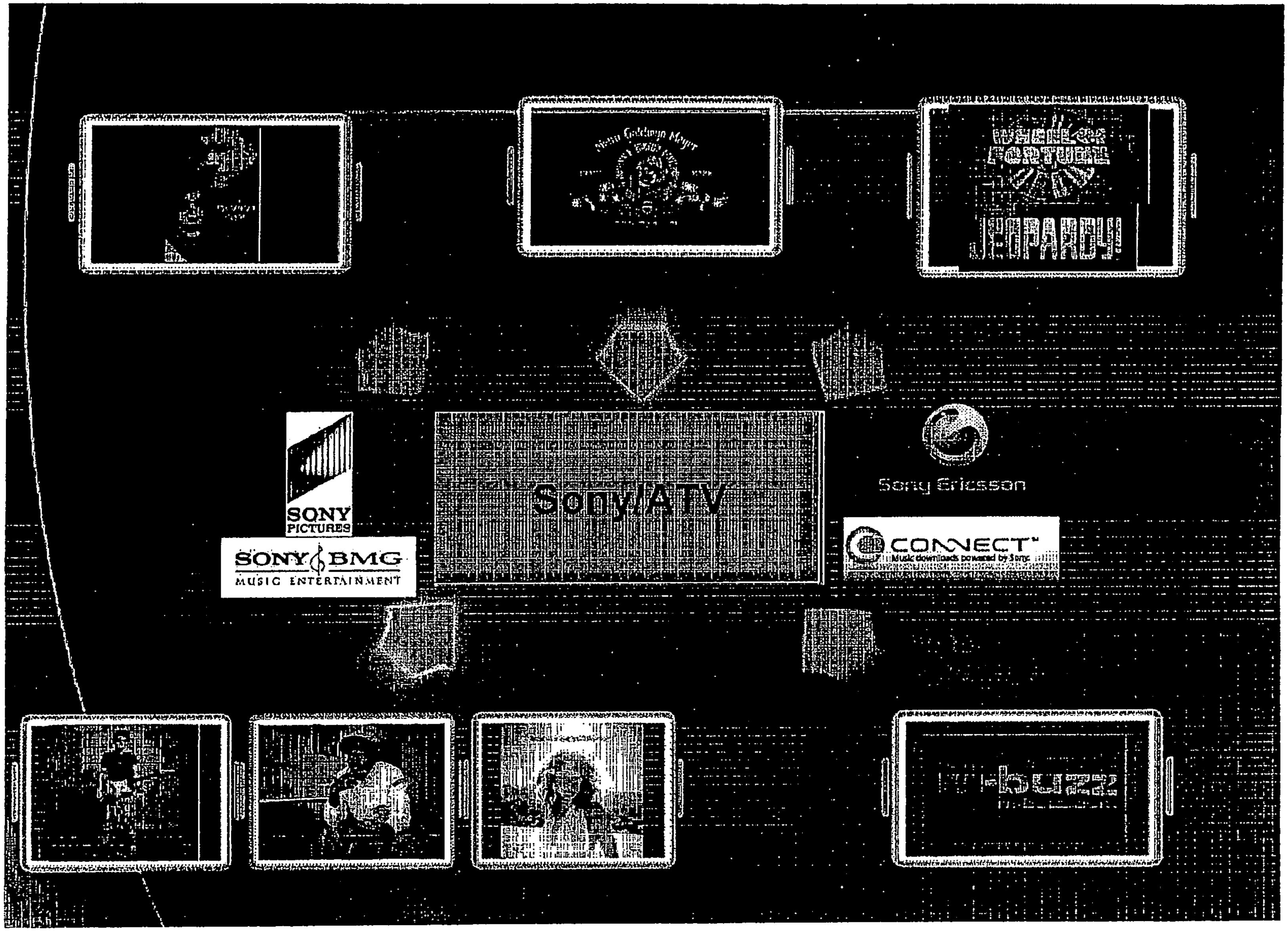


1. Sony Introduction

2. Sony/ATV Presentation
    a) Music Publishing Basics
    b) Sony/ATV Overview
    c) Industry Overview
    d) Sony/ATV Artist/Writer Portfolio
    e) Current Year Highlights (FYE March 2007)
    f) Key Strategic Initiatives
    g) Key Takeaways

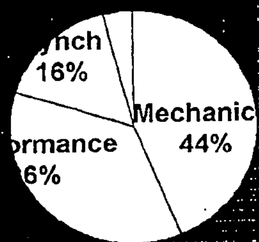
3. Board Approval

1. Economic foundation is the exploitation of intellectual property
2. Stable, high margin cash flow
3. Music publishing companies are better strategically positioned than record companies to become the music companies of the future.
4. New revenue streams emerging – digital and non-digital
5. Further industry potential to be realized


WHEEL OF FORTUNE
JEOPARDY!
SONY PICTURES
SONY BMG MUSIC ENTERTAINMENT
Sony/ATV
Sony Ericsson
CONNECT™
Music downloads powered by Sony
buzz

Music Publishing Basics

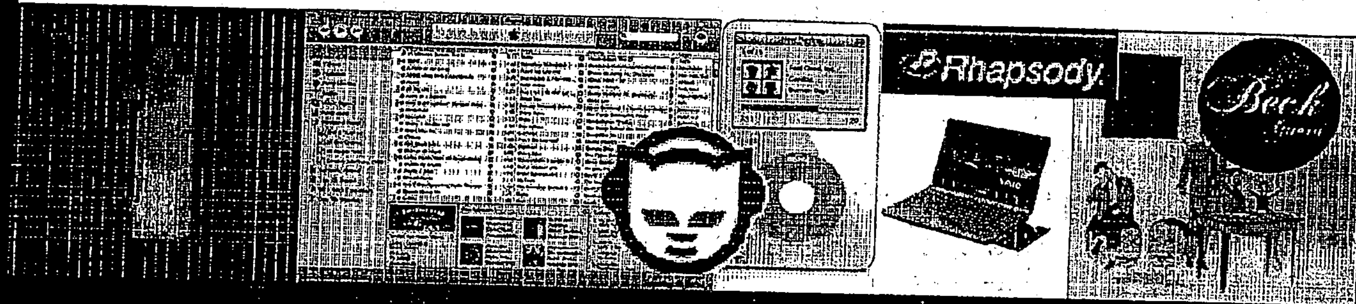
...now About Music Publishing



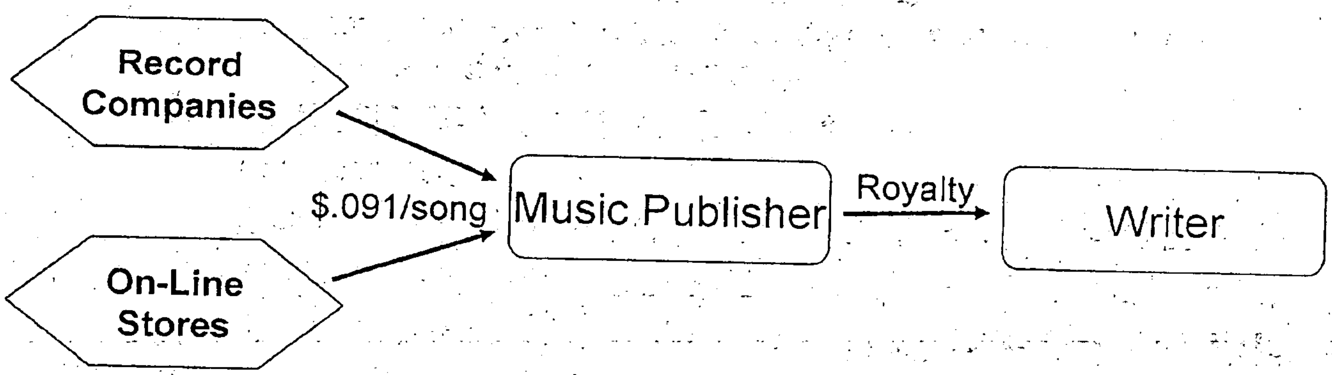
- Copyright in the WORDS and MUSIC ... not Master Recording
- Publishers ACQUIRE Rights
  - Acquisition of Established Catalog
  - New Talent Deals – Writers, Artists, Producers
  - Administration – Short-Term Catalog Deals
- Publishers EXPLOIT Rights
  - Reproduction (Mechanical): CDs, Digital Downloads
  - Public Performance: Radio, Concerts, Streaming Digital
  - Synchronization (Timed Relation of Music and Visual)
    - Films, TV, Commercial Advertisements (TV, Radio, Websites)
  - Merchandising
  - Print
  - Grand Rights/Broadway Shows/Other Theater
- DIVERSITY OF EXPLOITATION
- COPYRIGHT LAW is critical

CO07002643

Mechanical Reproduction: Approximately 44% of a music publisher's revenue



Royalty Flow: Mechanical Income



CO07002644

Performance: Approximately 36% of a music publisher's revenue

Royalty Flow: Performance Income

Radio/TV Stations $\xrightarrow{\text{Contractually Agreed Fee}}$ ASCAP/BMI/SESAC

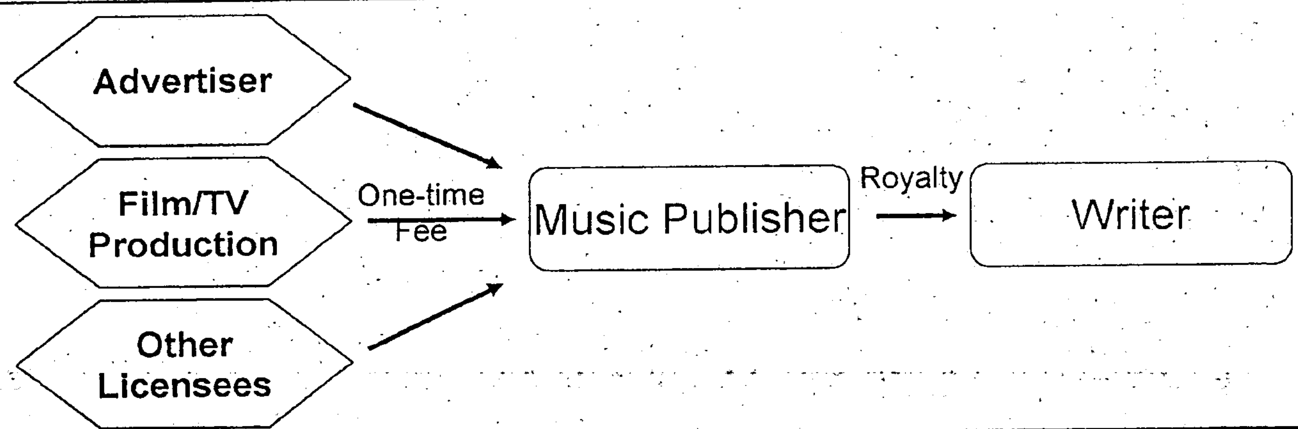
ASCAP/BMI/SESAC $\xrightarrow{\text{Publisher's Share}}$ Music Publisher

ASCAP/BMI/SESAC $\xrightarrow{\text{Writer's Share}}$ Writer

Music Publisher $\xrightarrow{\text{Royalty}}$ Writer

Synchronization: Approximately 16% of a music publisher's revenue

Royalty Flow: Synch Income



"Other" Exploitations: Approximately 4% of a music publisher's revenue

- What is Copyright?
- Who Owns Copyright?
- Is Copyright Exclusive?
- Is Copyright Perpetual?

	Target Criteria:
Catalog Acquisitions	➢ Steady, predictable revenue stream ➢ Favorable margins ➢ Genre penetration ➢ High synch and reissue opportunities (underexploited) ➢ Target Return on Investment: 5 –10% after tax.
Writer Deals	➢ The "next big hit" performance & synch opportunities ➢ Genre penetration ➢ Better revenue splits (75/25 typically) ➢ Life of copyright or minimum 10-20 year retention ➢ 1-3 year recoupment of advance ➢ Target Return on Investment: 12 – 20% after tax
Administration Deals	➢ Steady, predictable revenue stream ➢ Minimum 90/10 Revenue split (20% on synch deals) if possible ➢ Retention of rights until recoupment ➢ Potential inside track on catalog purchase opportunities ➢ Target Return on Investment: 10% after tax

Sony/ATV Overview

Northern Songs/ATV

- 1960s: Beatles members form Northern Songs
- 1965: Northern Songs public
- 1969: ATV buys Northern Songs
- 1985: Michael Jackson buys Northern Songs

Sony Music Publishing

- 1989: SMP purchases Tree country catalog
- 1990: SMP establishes international affiliates
- 1990 – 1995: SMP builds catalog

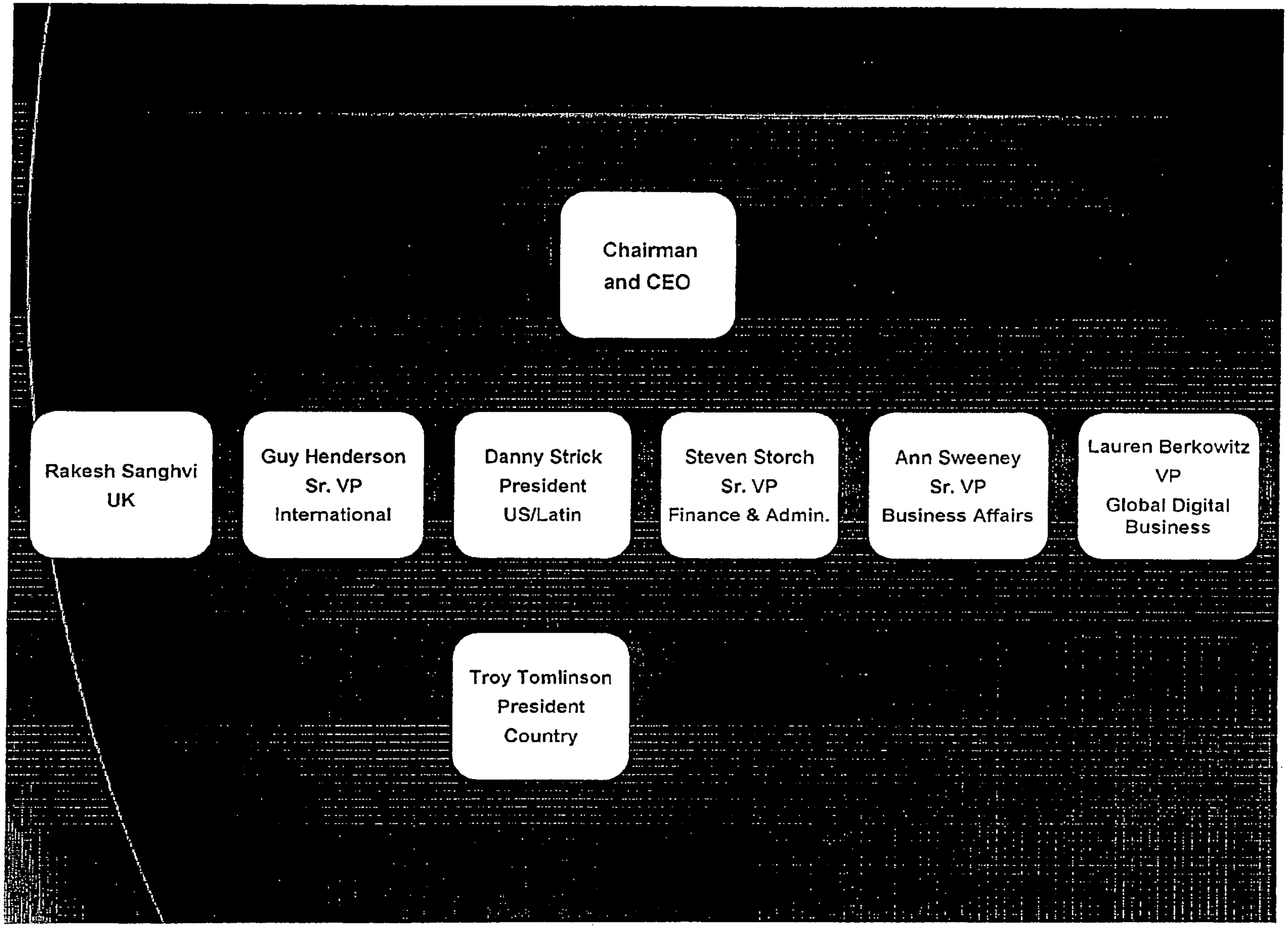
Sony/ATV Music Publishing

- 1995: Sony/ATV Joint Venture Created

- Joint Venture: Sony Music and Michael Jackson
- Approximately 500,000 copyrights
- [redacted]
- Net Publisher Share *(forecast year ending 3/31/07)*: [redacted]
- Market Share: 7.4%
- Employees: 284
- <u>Locations</u>
  - Headquartered in NY
  - Global Administration in Nashville
  - US Offices in NY, LA, Nashville, Miami
  - Wholly-owned affiliates in 26 countries

- 1992: Randy Bachman *(Takin' Care of Business)*
- 1992: Kelley/Steinberg *(True Colors, Like A Virgin, I Drove All Night)*
- 1995: Nile Rodgers *(Good Times, Le Freak, We Are Family)*
- 1995: Fisher *(Second Hand Rose, Chicago Chicago)*
- 1996: Leonard Cohen *(Bird On A Wire, Hallelujah)*
- 1999: Lowery *(Games People Play, I Never Promised You a Rose Garden)*
- 1999: Maypop *(Alabama)*
- 2000: Web IV *(Piece of My Heart, Twist and Shout)*
- 2002: Acuff Rose (Hank Williams, Roy Orbison)
- 2002: Heart *(Len Freedman)*
- 2002: Wheel of Fortune/Jeopardy
- 2003: Christmas Song
- 2005: Richie Sambora (Bon Jovi)

[redacted]



Chairman
and CEO
Rakesh Sanghvi
UK
Guy Henderson
Sr. VP
International
Danny Strick
President
US/Latin
Steven Storch
Sr. VP
Finance & Admin.
Ann Sweeney
Sr. VP
Business Affairs
Lauren Berkowitz
VP
Global Digital
Business
Troy Tomlinson
President
Country

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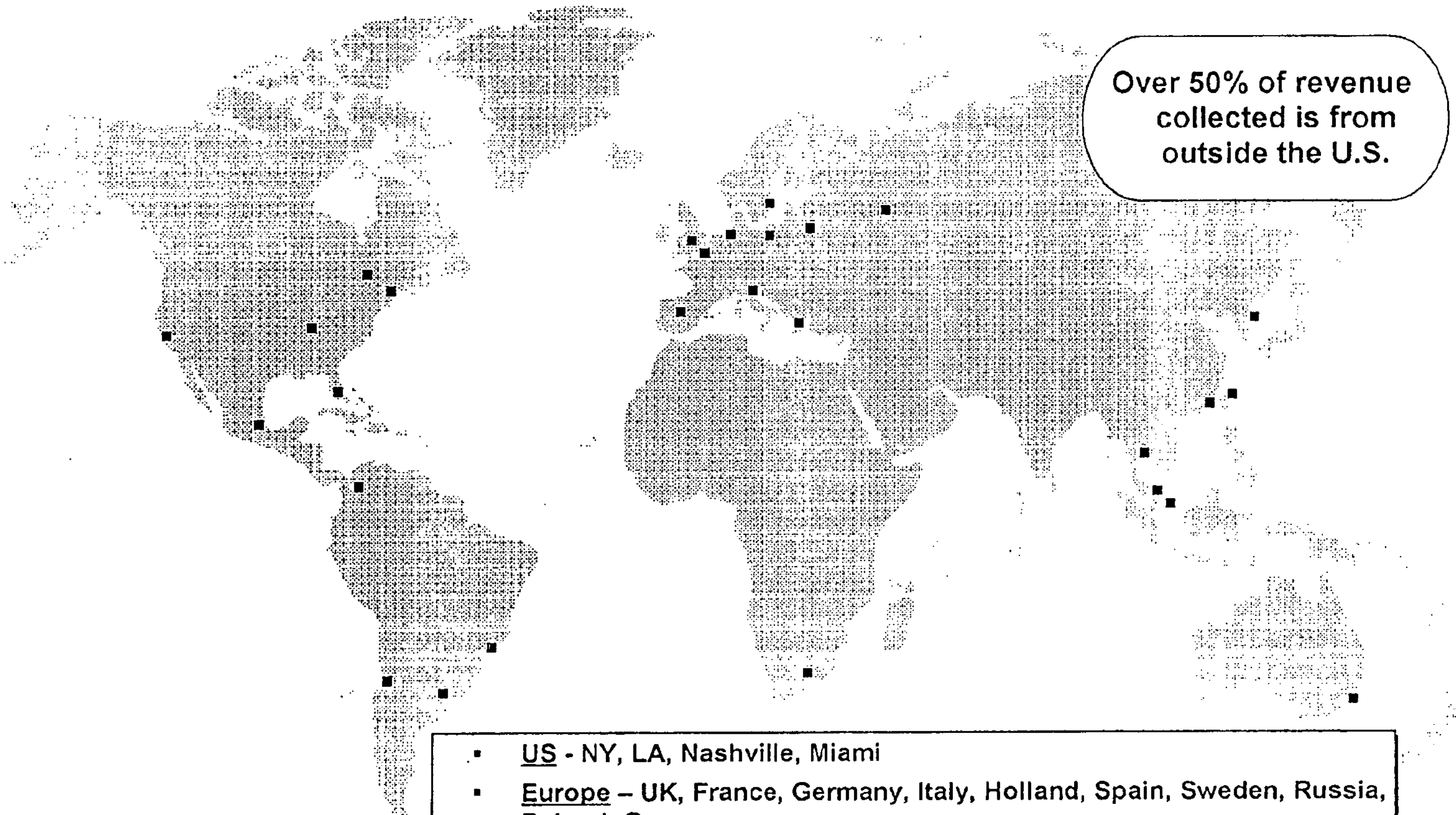
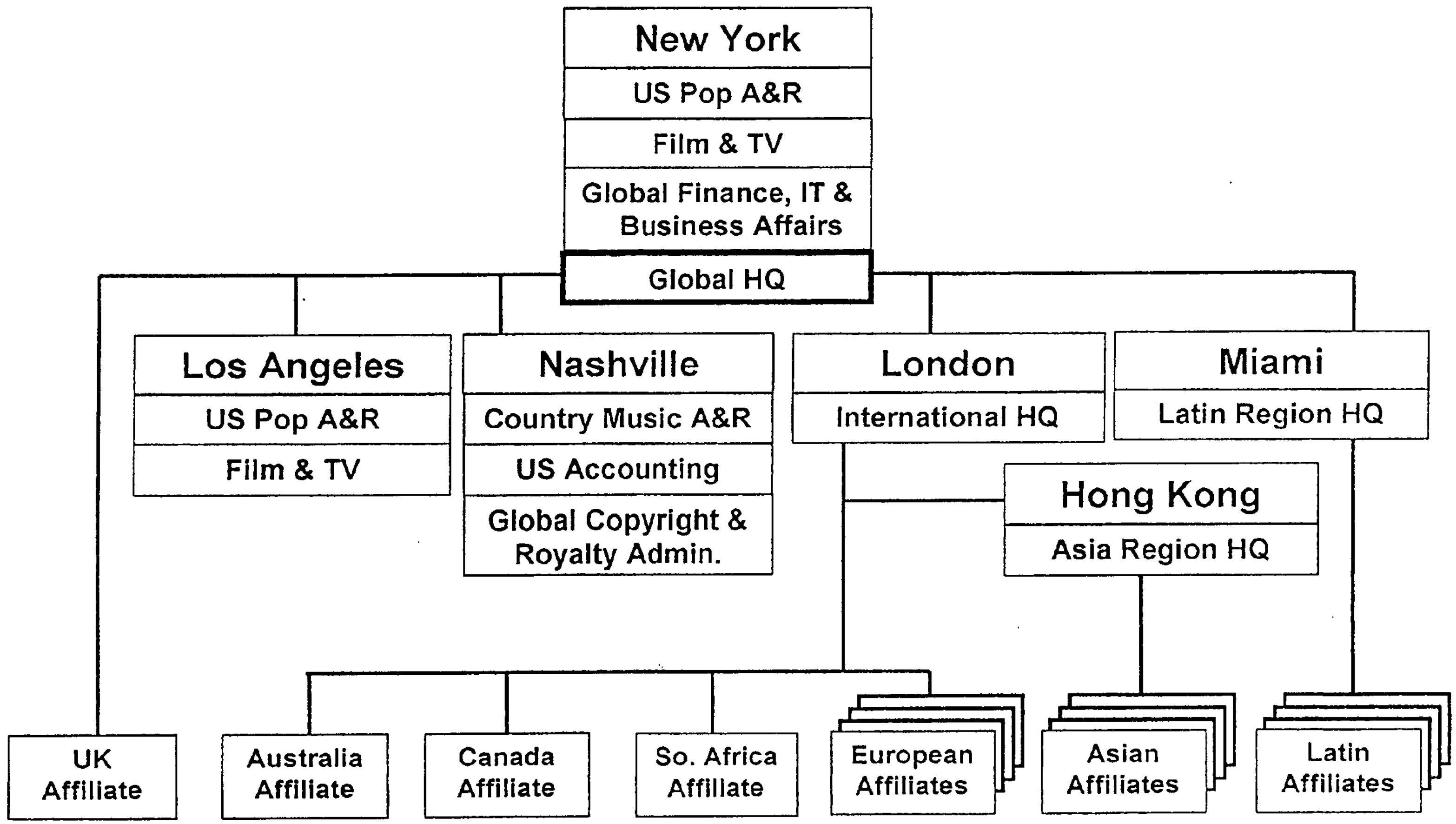
Sony/ATV Overview: Worldwide Office Locations



Over 50% of revenue collected is from outside the U.S.

- US - NY, LA, Nashville, Miami
- Europe – UK, France, Germany, Italy, Holland, Spain, Sweden, Russia, Poland, Greece
- Asia – Hong Kong, Korea, Malaysia, Singapore, Taiwan, Thailand
- Latin America – Brazil, Mexico, Colombia, Argentina, Chile
- Canada, Australia, South Africa

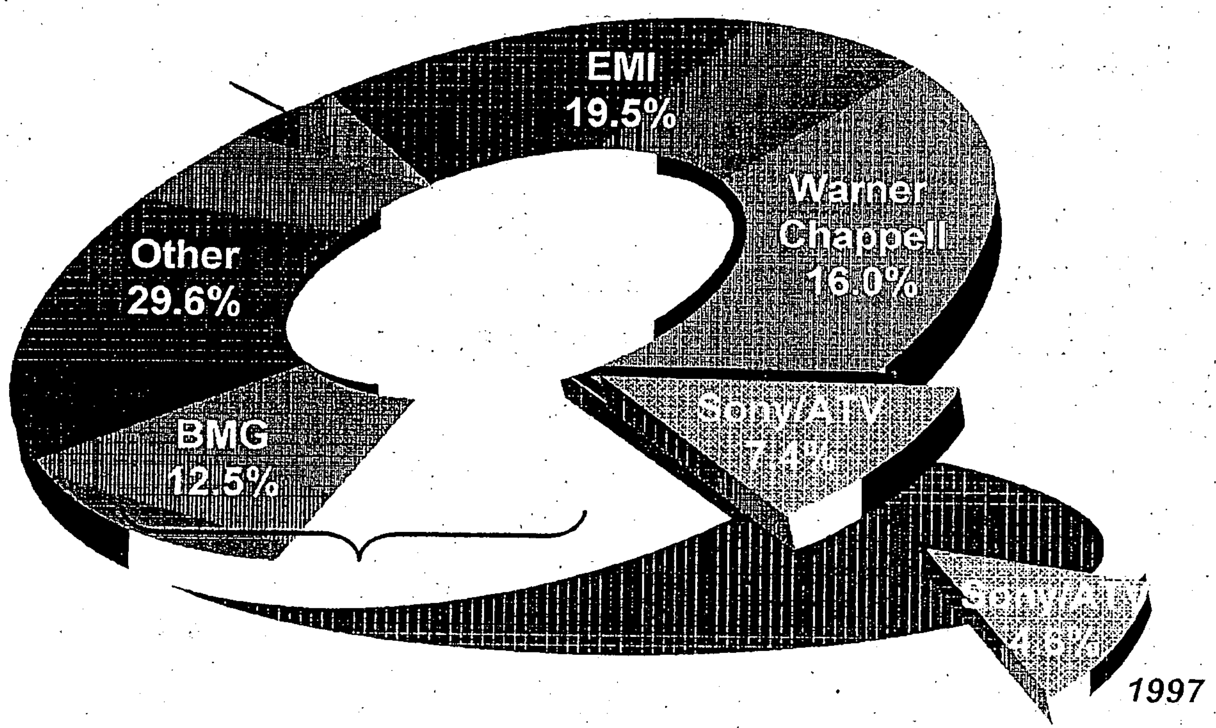
Sony/ATV Overview: Organization Chart by Function



- Breadth of Catalog
  - Market Leader in Country Music
  - 1920's – 1940's "popular music"
  - 1960's "pop" – Beatles, Kinks, Mann/Weil
  - 1970's singer/songwriters
- Global presence
- Intimate, personal attention to writers, music supervisors, advertisers
- Industry leader in administration
  - Centralized, worldwide hub in Nashville
  - Low employee turnover, low cost, owned facility in Nashville

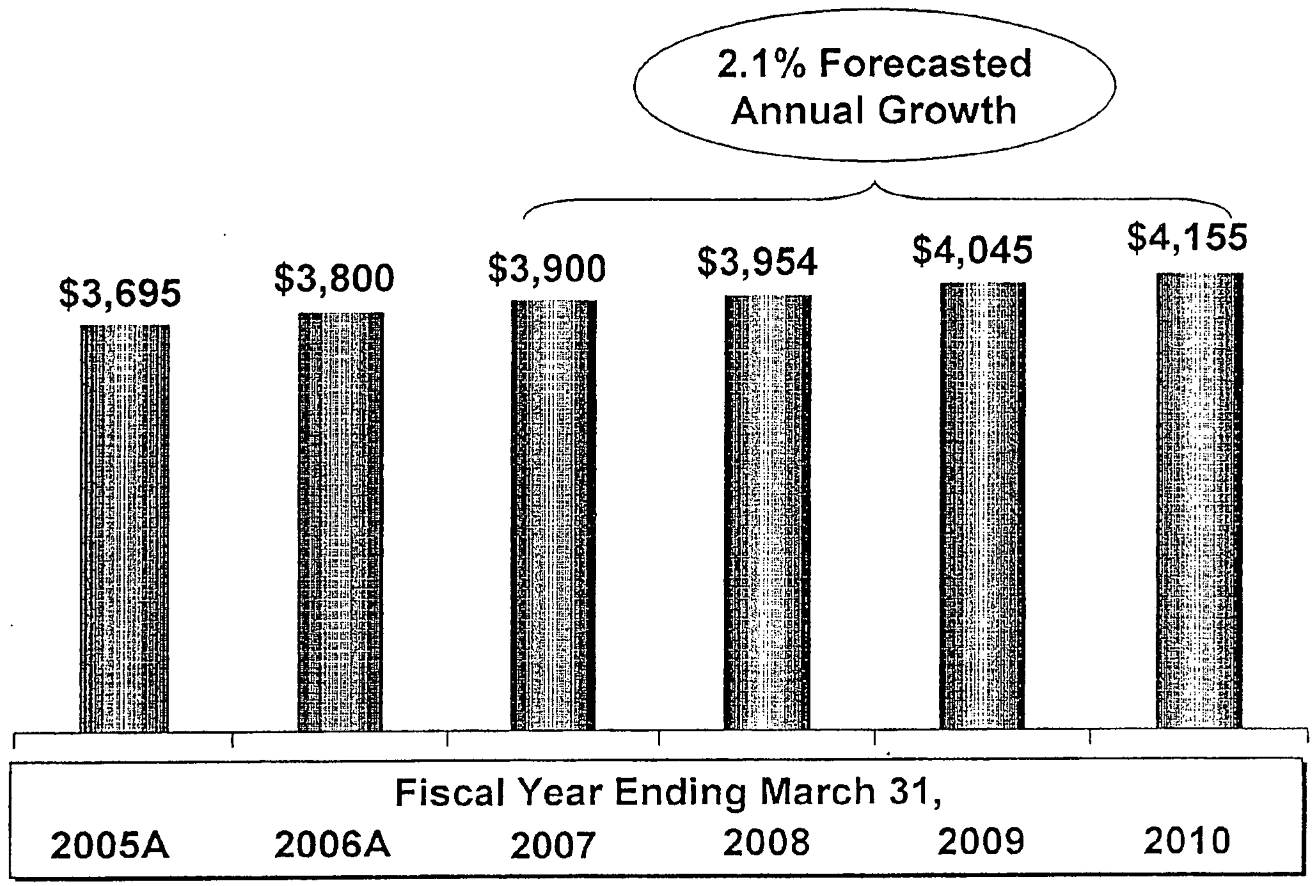
Industry Overview

2006 Competitor Market Share



Source: Credit Suisse Global Music Industry Report June 2006

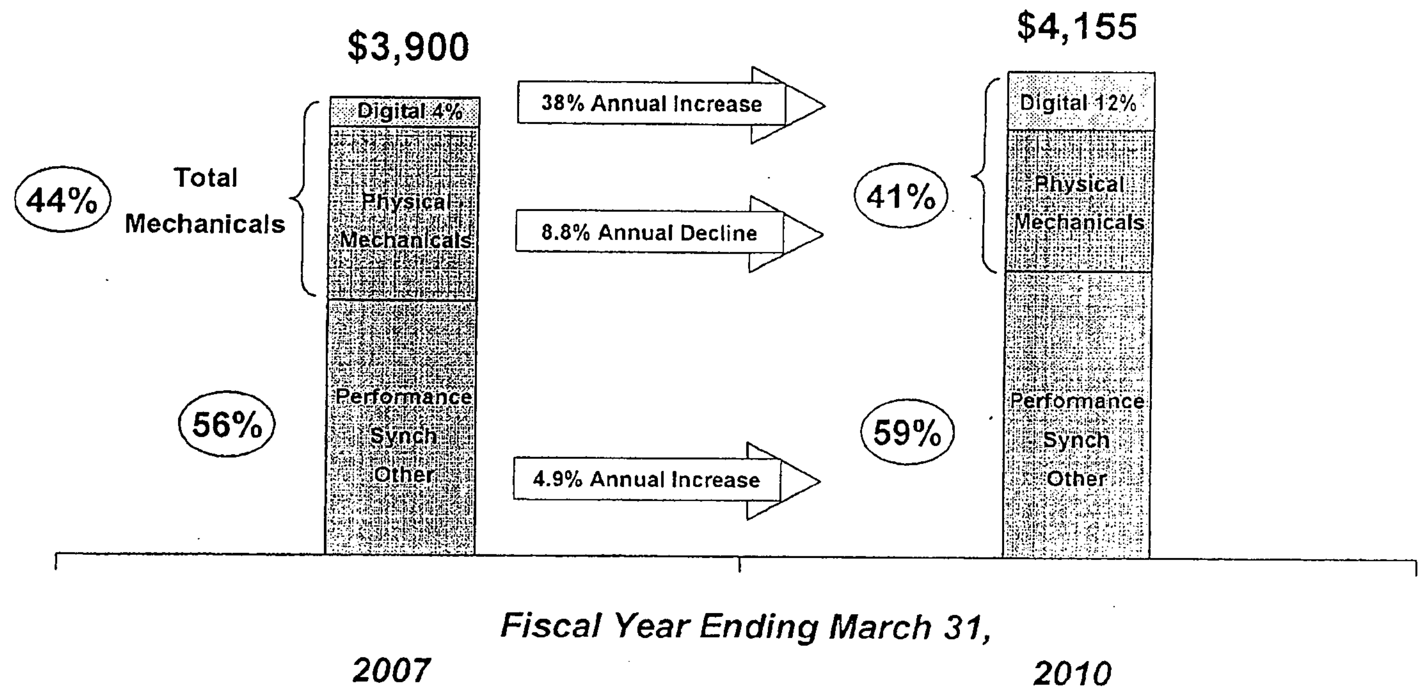
Music Publishing Market Growth Assumptions



Source: Composite Estimates

Music Publishing Revenue by Market Segment FYE 2007 – FYE 2010

Mechanicals (physical and digital) continue to decline as a % of total revenue.



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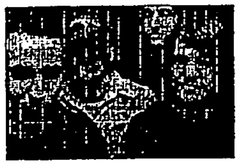
Sony/ATV Artist/Writer Portfolio

Key Artist/Writer Portfolio Overview

Pop	▪ Beatles ▪ Fall Out Boy ▪ John Mayer ▪ Jimi Hendrix ▪ Stevie Nicks	Beck Bob Dylan Billy Mann Cyndi Lauper Bon Jovi	System of a Down Stargate Joni Mitchell Marc Anthony Kinks	Pearl Jam Neil Diamond Destiny's Child Sarah McLachlan Crosby, Stills & Nash
Country	▪ Kenny Chesney ▪ Rascal Flatts ▪ Toby Keith ▪ Hank Williams	The Wreckers Dierks Bentley George Strait Tim McGraw	Keith Urban Brooks & Dunn Gretchen Wilson Faith Hill	Merle Haggard Rodney Crowell Roy Orbison Martina McBride
R&B/Hip-Hop	▪ Rick Ross ▪ Lyfe Jennings ▪ Babyface ▪ Heatmakerz	Rob Fusari Wyclef Jean Fugees Midi Mafia	Brick & Lace Maxwell Ray Cash Scram Jones	Saigon Troy Oliver Jake One Trackmasters
International	▪ KT Tunstall ▪ Katie Melua ▪ Wayne Hector ▪ Oasis	Sade Roberto Carlos Ricardo Arjona Kyo	Frank Farian La Oreja de Van Gogh Roberto Livi Estefano	Chantal Kreviazuk Razorlight Kasey Chambers Delta Goodrem

Recent Releases Making an Impact

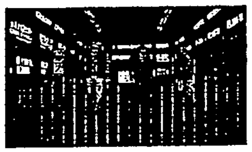


Fall Out Boy — 4.0 million units

- Their second major label album, Infinity On High, was released on February 6th. The debut single, "This Ain't A Scene", is a #1 download single and video and currently climbing into the top 20 on the Pop charts.

KT Tunstall — 4.0 million units

- Featured in many TV shows and movies. New album spring 2007.
- Nominated for Grammy for Best Female Pop Vocal Performance.



Bon Jovi — 3.5 million units

- Single, Who Says You Can't go Home, was #1 on the Country Chart.
- New album to be released in 2007.

Katie Melua — 3.3 million units

- First and second albums combined sales of around 8 million.
- Third album to be released in September 2007.

Pink — 3.0 million units

- Writer/producer Billy Mann has racked up massive ex-US sales on the Pink album which has included two European and UK hits. He has also had songs released on big selling releases such as Take That and The Backstreet Boys.

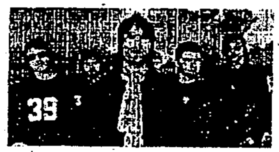
The Beatles — 3.0 million units

- The soundtrack to the Cirque De Soleil show "Love" was released in late November 06.
- Over 2 million units sold outside the U.S.

Recent Releases Making an Impact

John Mayer	1.5 million units	▪ His third studio album <u>Continuum</u> has been a strong seller and the debut single "Waiting On The World" has climbed into the Pop Top 20. The new single "Gravity" is on deck and building.

James Morrison	1.5 million units	▪ Debut album, Undiscovered, to be released in the US release in March 07. ▪ Nominated for 3 Brit Awards – British male Solo Artist, British Single, British Breakthrough Act. Winner British Male Solo Artist.

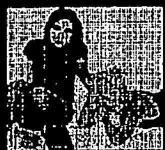


Oasis	1.5 million units	▪ Greatest Hits album selling strongly in Europe. ▪ The 'Outstanding Contribution to Music Award' was presented to Noel Gallagher and Oasis at the Brit Awards in February.

Take That	1.3 million units	▪ New album, Beautiful World, was a UK #1 album in the 4th quarter. ▪ Brit Award Winner for Best British Single Patience.

Ricardo Arjona	1.0 million units	▪ One of the premier singer/songwriters in Latin America, known for beautifully descriptive lyrics. ▪ Winner of 2006 Latin Grammy Award for Best Male Pop Vocal Album.

Rick Ross	1.0 million units	▪ This Miami based rapper shook the hip/hop community with his summer hit anthem "Hustlin", and his debut album Port Of Miami. ▪ Sold over 1 million ringtones.

	800,000 units	▪ His new album, The Information, continues the succession of quality releases by this great artist. Released in November, 2006. The current single "Think I'm In Love" is currently climbing the alternative charts.
	700,000 units	▪ This pop/country duo scored a #1 hit with "Leave The Pieces" and their debut album is now approaching 700,000 units. They will be touring with Keith Urban in the spring.
	500,000 units to date	▪ The sophomore release of this artist spawned a number one urban single with "S.E.X".
	350,000 units	▪ Their second album, The Sufferer and The Witness, continues to build off of radio and touring support. The new single "Prayer for the Refugee" is climbing the alternative and rock charts.
	300,000 units	▪ The debut album for this 18 year old artist has songs were featured on both the NOW 22 and NOW 23 multi-platinum compilations. His single "Confidence" was top 20 Pop and top 10 Hot AC.
	Just Released	▪ His debut album for Island/Def Jam had a #5 debut on the Billboard album charts. The lead single "Our Country" has had maximum exposure as the theme for Chevrolet in major television advertising.

Mikkel S. Eriksen of 'Stargate'

<u>Hit songs for:</u>

- Ne-Yo - <u>Sexy Love</u> and <u>So Sick</u>
- Rihanna - <u>Unfaithful</u>
- Beyonce - <u>Irreplaceable</u>
- Paula DeAnda - <u>Walk Away (Remember Me)</u>
- Mario Vazquez - <u>Gallery</u>
- And now...... Elliott Yamin

Recent Awards

Grammy Awards 27 Nominations	Winners	John Mayer
		Brett James
Brit Awards 11 Nominations	Winners	James Morrison
		Gary Barlow
		Oasis
Country Music Awards 20 Nominations	Winners	Kenny Chesney
		Rascal Flatts
		Brooks & Dunn
Latin Grammy Awards 24 Nominations	Winners	Shakira
		Ricardo Arjona
		Gilberto Santa Rosa
		Olga Tanon
		La Oreja de Van Gogh

Current Year Highlights (FYE March 2007)

FYE March 2007 Highlights

Increased Hits Fueling Higher Global Performance Income	• Performance revenue forecasted to be [redacted] excluding additional BMI Payment). • Sony/ATV ranked 3rd (ahead of both BMG and Universal) with 11% market share for 4th quarter 2006.
Resurgence of the UK Company	• Revenue forecasted to increase by [redacted] • Huge increase in 4th Qtr. '06 market share to 15.5% (was 8% last year). • Numerous hits fueling rest of Europe.
Successful Year for Synchronization Deals	• Synch revenue forecasted to increase by [redacted] vs. last year. • Represents [redacted] • Revenue from Cirque du Soleil Las Vegas show averaging over [redacted] per week.
Recorded Music Projects on Schedule	• Elliott Yamin initial shipment forecasted at 200k units (based on early solicitations), March 20th release date. • Roberta Flack – Recording album on her own. To include a Donny Hathaway 'duet' of <u>Yesterday</u> (a la Natalie Cole "Unforgettable').
Renewed Urban Focus beginning to show Results	• <u>Rick Ross</u> – Over 1 million ringtones. **Certified Gold shipments.** • <u>Oak</u> – 6 songs on new Def Jam artist 'Sterling'; 3 songs on new Mario album (J Records last album, sold 1.2 million units). • <u>Brick & Lace</u> – Akon produced 3 songs all due out by end of year. • <u>Jake One</u> – Produced 3 songs for Young Buck's new album coming this spring on Interscope Records.

Significant Synch Deals in FYE March 2007

Synchronization – Film & TV, Commercials, Videos, DVDs, Video Games

Top Synch Deals – through February 2007

Territory	Song Title	Project/Source
USA	Various Beatles	Cirque du Soleil (Las Vegas show)
USA	Hello Goodbye	Target
USA	All You Need is Love	Chase Bank
USA	Various	MTV Networks (Blanket License)
UK	Various Beatles	The Space Within Us (TV Show)
France	Come Together	Orange
Germany	Konig von Deutschland	Media Market (Electronics retailer)
USA	Burning Love	Honda CRV
USA	Our Country	Silverado Trucks
Australia	All You Need is Love	ABC Childcare Centers
USA	Well Well Well	Departed (Motion Picture)
USA	Yesterday	Magnum P.I. (TV Show)
USA	Games People Play	West Virginia Lottery
USA	You Really Got Me	Desperate Housewives (TV Show)
USA	We're Not the Jet Set	Chevy

[redacted]

Key Strategic Initiatives

Sony/ATV Growth Strategy

Continue to grow core business revenue through new digital and on-line models.

Pursue new music markets and revenue streams. Less dependence on recorded music revenue.

A&R investment focused towards key genres and changing demographics.

Control costs and continue to explore cost savings opportunities.

"Best in Class" Global Administration.

FYE March 2008 Initiatives

Increased Market Share in Core Business

- Aggressive new talent signings – additional spending on new writers.
- Focus on key segments - US Latin, Hip Hop, Pop. Pursuing high profile producers.
- Continued success of US synch team - volume of deals up. Strategic marketing consultants for Europe.
- Pursue digital deals – direct licensing with new websites – YouTube, MTV, Label cooperation.

Continue to Pursue Catalog Acquisitions

- Leiber Stoller
- Jeune Music (France)
- Vasco Rossi (Italy)
- Marc Bolan (UK)

Build New Business "Beyond the Core"

- Recorded Music Projects – 3-4 projects planned for F'08.
- Production Library Business – organic growth and acquisitions to enter important strategic market. All major competitors already in this $250 million business.
- Merchandising Business – renewed effort and focus (clothing, toys).

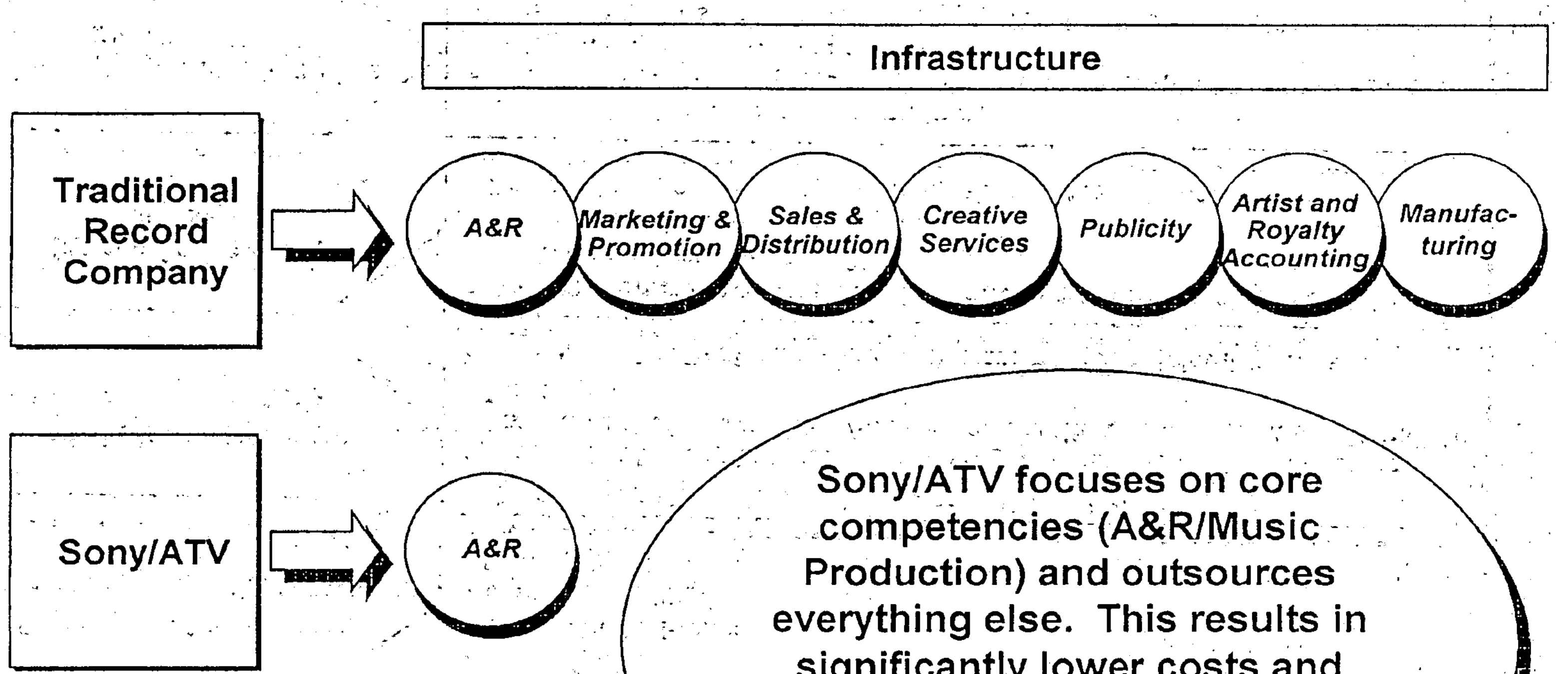
Invest in Foreign Markets

- Company officially opened in China - government approval received.
  - Budgeted revenue over $1 million.
  - Two locations – Shanghai and Beijing.
- Eastern Europe – Poland performing above expectations.

New Royalty System Live by June 2008

- Ahead of Schedule and under budget.
- Ahead of the competition – Warner: little investment; Uni/BMG: focus on integration; EMI – no apparent plans.
- Potential interest from Warner Chappell (back office venture?).

Sony/ATV – A Different Spin on the Recorded Music Business Model



Sony/ATV focuses on core competencies (A&R/Music Production) and outsources everything else. This results in significantly lower costs and break-even units.
All profits are shared equally with recording artist.

New Business – Recorded Music Masters

Elliott Yamin

- AOL First Listen February 9th
- Finished Master February 20th
- Digital single to iTunes February 23th
- In Store release March 20
- Initial orders of 160k – 200k units
- Strong interest from
  - Wal-Mart } Exclusive tracks 120k units
  - Target
  - Best Buy
- Lined up for appearances on Regis and Kelly, Jimmy Kimmel, Good Morning America, Montel Williams
- Projected first week SoundScan: 75 – 100k?

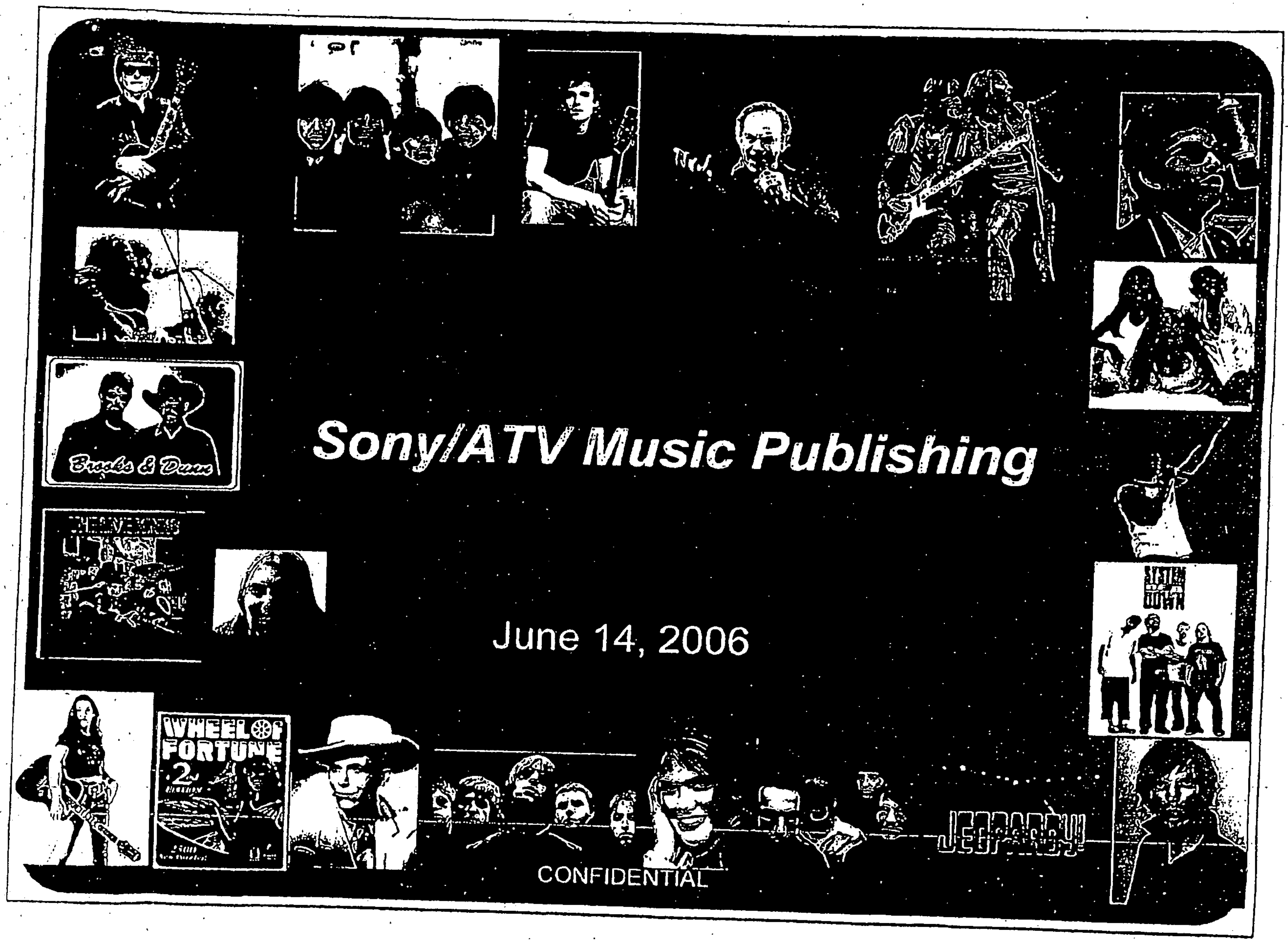
Key Takeaways

Sony/ATV...

- ... *is a boutique major publisher, combining intimate focus on songwriters with global presence*
- ... *has a blue-chip asset base spanning all eras of popular music*
- ... *has a geographically diverse catalog, with over 50% of revenue derived from outside the US*
- ... *is the largest independent music publisher, able to pursue innovative strategies in the evolving music marketplace*
- ... *Has had revenue growth at twice the market rate since inception, thanks primarily to strategic acquisitions and organic development*
- ... *is the industry leader in administration, providing optimal flexibility in catalog acquisitions and new media business models.*

RIAA Ex. 133-RR

RIAA Ex. 133-RR



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Agenda

1. Music Publishing Basics
   Income Streams, Copyright Basics, Principal Functions

2. Sony/ATV Overview
   Company History, Organization Structure, Catalog Strategy

3. Sony/ATV F'2006 Results and F'2007 Budget

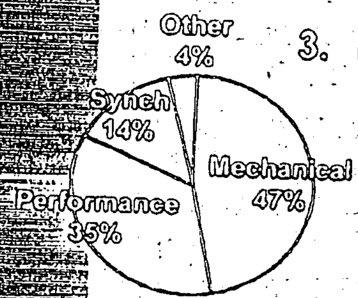
4. Other Matters
   Pending Litigation, Approval Procedures

5. Excess Cash Flow Payment Priorities, Option Price Calculation and Operating Agreement Restructuring Planning (SCA Corporate)

Publishing Basics: The Fundamentals

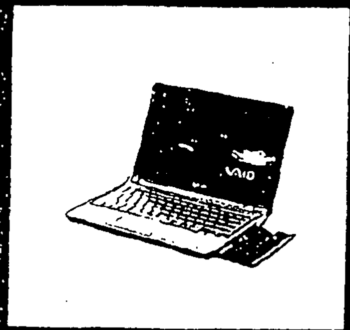
The 5 Things You Need to Know About Music Publishing

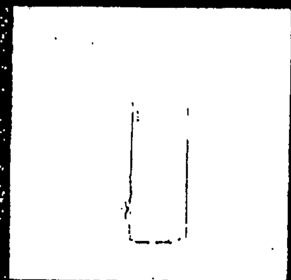
1. Copyright in the WORDS and MUSIC ... not Master Recording
2. Publishers ACQUIRE Rights
   - Acquisition of Established Catalog
   - New Talent Deals – Writers, Artists, Producers
   - Administration – Short-Term Catalog Deals
3. Publishers EXPLOIT Rights
   - Reproduction (Mechanical): CDs, Digital Downloads
   - Public Performance: Radio, Concerts, Streaming Digital
   - Synchronization (Timed Relation of Music and Visual)
     - Films, TV, Commercial Advertisements (TV, Radio, Websites)
   - Merchandising
   - Print
   - Grand Rights/Broadway Shows/Other Theater
4. DIVERSITY OF EXPLOITATION
5. COPYRIGHT LAW is critical



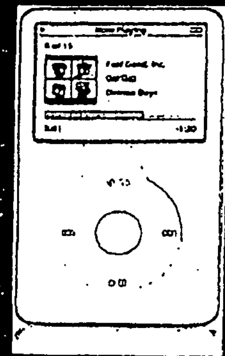
Publishing Basics: The Income Streams

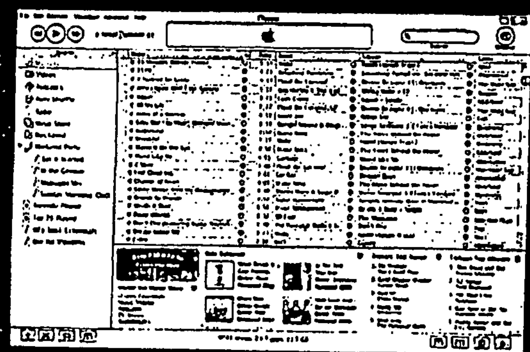
Mechanical Reproduction: approx 47% of a music publisher's revenue





Rhapsody.

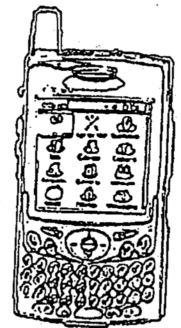




Publishing Basics: The Income Streams

Performance: approx 35% of a music publisher's revenue

Y! MUSIC



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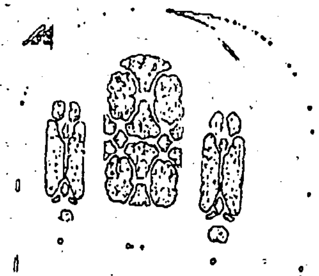


XM SATELLITE RADIO

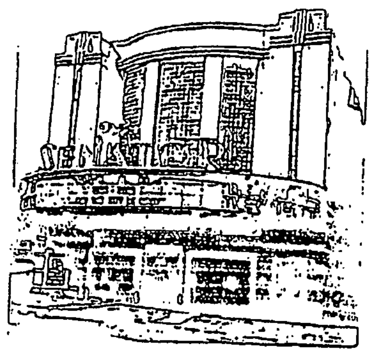
SONY PICTURES

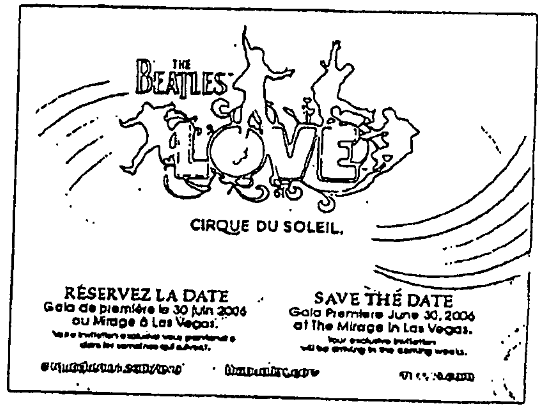
SIRIUS SATELLITE RADIO

Publishing Basics: The Income Streams

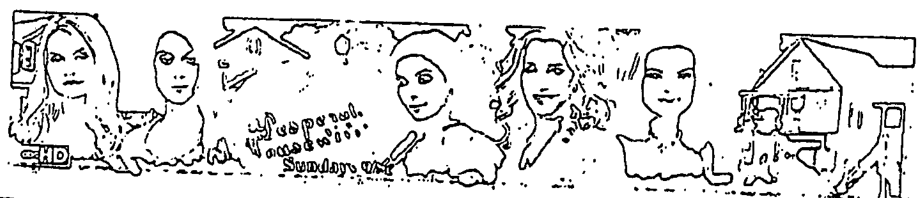
Synchronization: approx 14% of a music publisher's revenue

MTV
MUSIC TELEVISION





Office DEPOT.
Taking Care of Business



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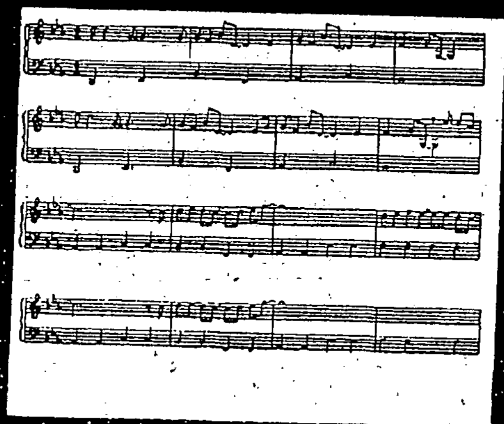
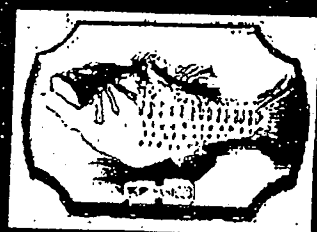
Publishing Basics: The Income Streams

"Other" Exploitations: approx 4% of a music publisher's revenue

KILLER TRACKS
A UNIT OF BMG



musicnotes.com
change the way you buy sheet music



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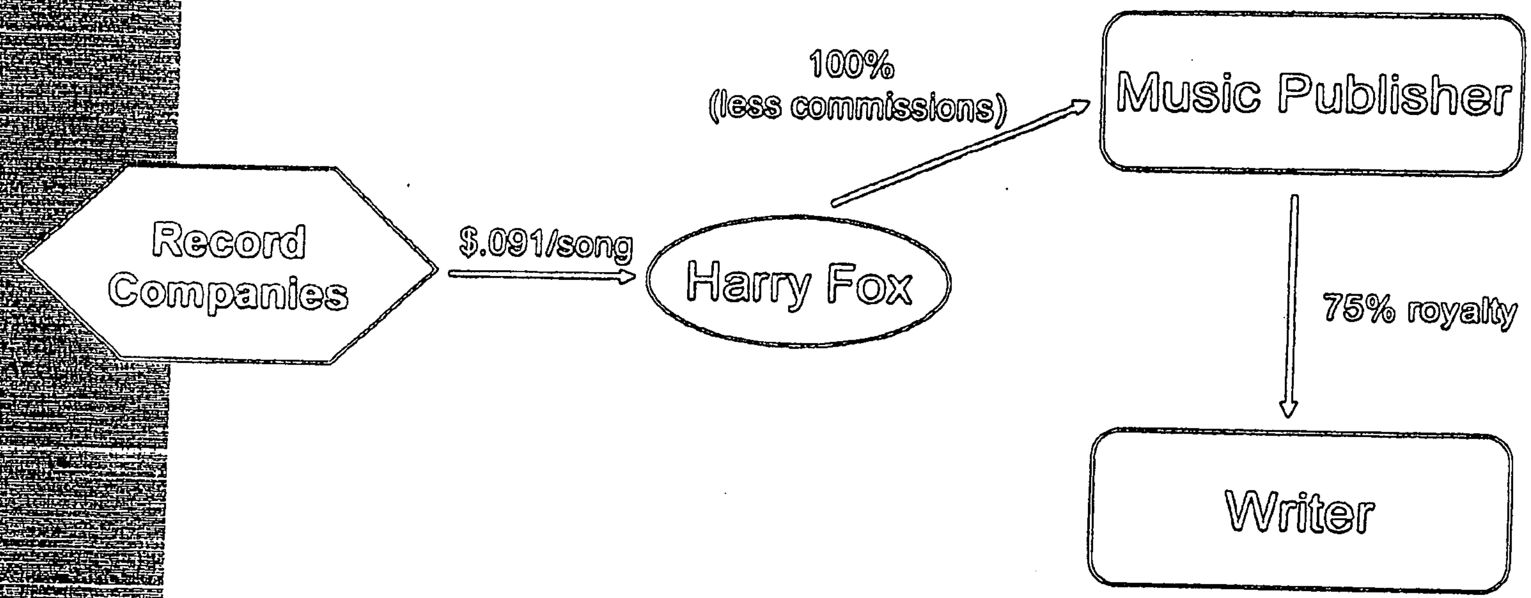
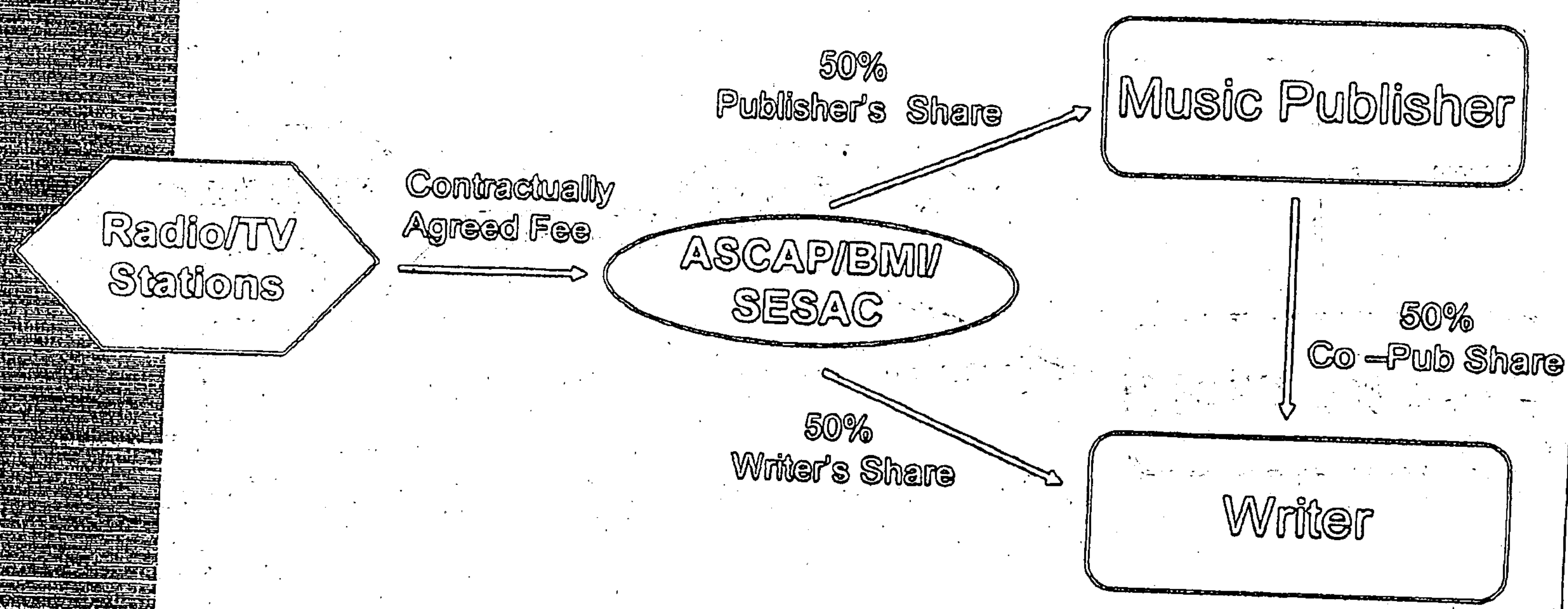
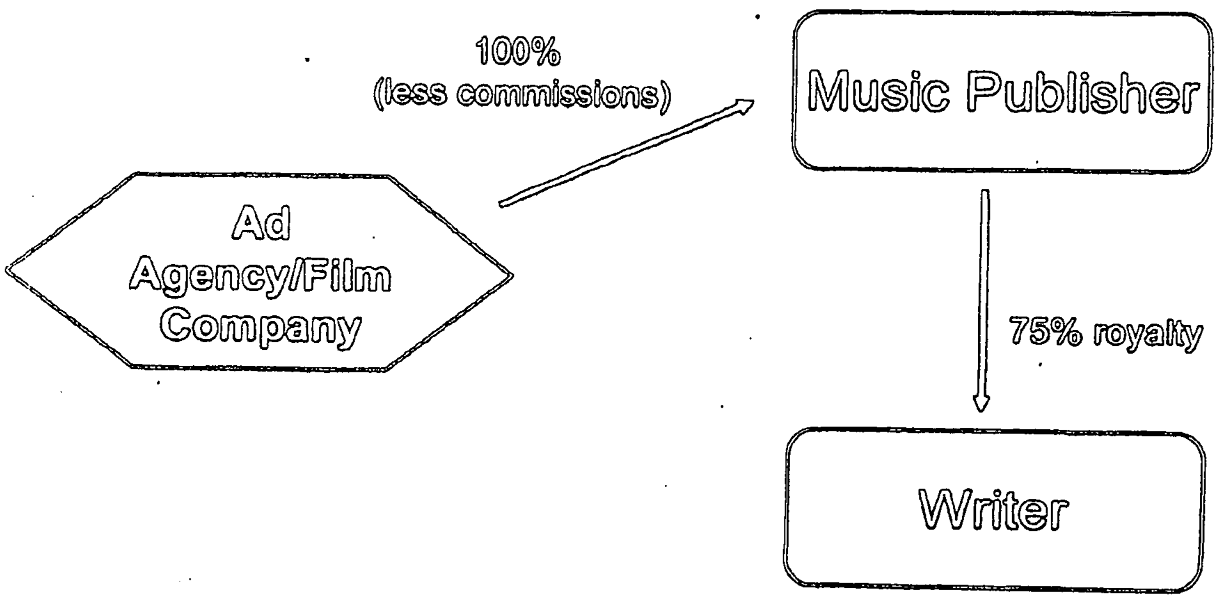
Royalty Flow: Mechanical Income
75/25 Co – Pub Deal



Royalty Flow: Performance Income
75/25 Co – Pub Deal



Royalty Flow: Synch Income
75/25 Co – Pub Deal



Publishing Basics: Copyright Law Basics

- <u>What is Copyright?</u>
  - Original authorship
  - Infinitely divisible
- <u>Who Owns Copyright?</u>
  - Transferability of Copyrights
  - Ownership vs. Administration
  - Writer's Share vs. Publisher's Share
  - Downstream Arrangements: sale, co-publishing, administration
- <u>Is Copyright Exclusive?</u>
  - *Generally yes, but....*
  - Exceptions e.g. Compulsory Mechanical
  - Current Debate about "Gate-Keeping"
- <u>Is Copyright Perpetual?</u>
  - The Term of Copyright
  - Reversions and Recaptures

The Principal Functions of a Music Publisher

Acquire Rights
Investment Strategy, Types of Deals, Creative Considerations, ROI

Administer Rights
Copyright Registration, Collection Societies

Exploit Rights
Licensing, Marketing, Income Streams

Royalty Processing and Accounting
Royalty Collection and Payment, Cash Flow Cycle

Categories of Music Publishing Deals and Investment Strategy

- <u>Catalog Acquisitions</u>
  - Target Criteria:
    - ➢ Steady, predictable revenue stream
    - ➢ Favorable margins
    - ➢ Genre penetration
    - ➢ High synch and reissue opportunities (underexploited)
    - ➢ Target Return on Investment: 5 –10% after tax
- <u>Writer Deals</u>
  - Target Criteria:
    - ➢ The "next big hit" performance & synch opportunities
    - ➢ Genre penetration
    - ➢ Better revenue splits (75/25 typically)
    - ➢ Life of copyright , or minimum 10-20 year retention
    - ➢ 1-3 year recoupment of advance
    - ➢ Target Return on Investment: 12 – 20% after tax
- <u>Administration Deals</u>
  - Target Criteria:
    - ➢ Steady, predictable revenue stream
    - ➢ Minimum 90/10 Revenue split (20% on synch deals) if possible
    - ➢ Retention of rights until recoupment
    - ➢ Potential inside track on catalog purchase opportunities
    - ➢ Target Return on Investment: 10% after tax

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Copyright Administration Basics

- Contract Database – Executed writer contract is entered into centralized *Contract Summary Database*
- Song Delivery – Song data entered into Royalty System
- Song Registration – Register songs with collection societies around the world ("Common Works Registration")
- Role of Collection Societies

Licensing and Exploitation

- ***Mechanical:*** *Physical (CDs), Ring Tones and Digital ("DPDs" such as iTunes)*
  - Subject to compulsory licensing in certain circumstances
  - Rates: $.091/song U.S.; 9.0% of wholesale price in Europe ($.09-$.10/song)
  - Collection Societies issue licenses and collect royalties labels/e-tailers
- ***Public Performance:*** *Radio, TV, Concert, Streams, Public Venues*
  - Collection Societies - ASCAP and BMI annual licenses with U.S. broadcasters of approximately $200 million each
  - Rates - ASCAP pays publishers up to $2.00 for each hit pop song radio performance
  - Writer's and Publisher's shares segregated
  - Film & TV administration and production libraries
- ***Synchronization:*** *Film, TV, Commercials, Videos, Digital Videos, Video Games*
  - Direct relationships and negotiation of fees by publishers with music users such as ad agencies, film & TV studios, video game companies, music supervisors and producers
  - Fees depend on quality of work, nature of use, recognizability of a song, rights sought

Royalty Processing and Accounting

- <u>Revenue Tracking</u>
  - Publishers must ensure they are paid properly - Run various reports/Analyses.
- <u>Royalty Processing and Accounting to Writers</u>
  - Most Publishers utilize processing hubs – Sony/ATV completely centralized in Nashville, Tenn.
  - Local affiliate publishing companies receive payment and statements from collection societies. Send to central processing center.
  - Most publishers process royalties twice per year (some writers quarterly). Royalty statements printed centrally sent to local affiliates. Affiliates mail statement and accompanying royalty check (if recouped).

Music Publishing - Typical Cash Flow Cycle

- Royalties generally processed twice per year (September, March)
- Can take as long as 15 months to credit a writer's account for revenue collected today

1st Half 06 — 2nd Half 06 — 1st Half 07

Dec 05 | Mar 06 | Jun 06 | Sep 06 | Dec 07 | Mar 07 | Jun 07

Jan '05
MCPS pays UK company royalty for song composed by US writer

Sep '06
UK Company pays intercompany royalty to the US company

Mar '07
US Credits/Pays all US writers for royalties collected in the US during 2nd Half 06

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Music Publishing
Sony/ATV Accounting Policies

- Revenue Recognition – Cash Basis – revenue is recognized when cash is received.
- Expense Accruals - When revenue is collected royalty expense is accrued based on historical rates (with 'true-up' twice per year).
- Foreign Affiliates Matrix Agreement - Most Publishers utilize an intercompany matrix agreement which governs how royalty earnings are passed back and forth between affiliates (50/50 NPS split).
- Advances to Writers - Publishers follow FAS 50 – Accounting for Recording and Music Industry.
- Catalog acquisitions
  - GAAP purchase accounting principals are followed for catalog purchases.
  - Catalog purchases are generally amortized over 15-20 years.
- Royalties to writers - Royalties are generally processed twice per year.
- Audits initiated by Writers - Writers often have audit rights and publishers reserve against audit claims.
- Audits initiated by Publishing Companies
  - Music publishers have right to audit record companies.
  - In the US, Harry Fox conducts audits of Record Companies and other licensees on behalf of Music Publishers.

Modified Cash Basis vs. GAAP

- Sony/ATV Follows GAAP except for Cash Basis Revenue Recognition – PWC audits the same way
- More closely follows Partnership Distributions which are based on Actual Cash Flow of Company
- Eliminates the need for calculation of receivables from collection societies (can lead to inaccuracies)
- More than 85% of revenue comes from collection society scheduled payments (no invoicing)

Sony/ATV Overview

Organization Structure

Company History

Catalog Highlights

Sony/ATV Overview: The Fundamentals

- Joint Venture: Sony Music and Michael Jackson
- Approximately 500,000 copyrights
- [redacted]
- Market Share: 7.4%
- Employees: 270
- Locations
  - Headquartered in NY
  - Global Administration in Nashville
  - US Offices in NY, LA, Nashville, Miami
  - Wholly owned affiliates in 30 countries

Sony/ATV Overview: Organization Chart

David Hockman
Chairman & CEO

Major Territories

Rakesh Sanghvi
UK

Patrick Strauch
Germany

Nicolas Gallibert
France

Guy Henderson	Troy Tomlinson	Danny Strick	Steven Storch	Ann Sweeney
Sr. VP	President	President	Sr. VP	Sr. VP
International	Country	US	Fin & Admin	Bus. Affairs

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Competitive Advantages of Sony/ATV

- Breadth of Catalog
  - Market Leader in Country Music
  - 1920's – 1940's "popular" music
  - 1960's "pop" – Beatles, Kinks, Mann/Weil
  - 1970's singer/songwriters
- Global presence
- Intimate, personal attention to writers, music supervisors, advertisers
- Industry leader in administration
  - Centralized, worldwide hub in Nashville
  - Low employee turnover, low cost, owned facility

Sony/ATV Overview: History

Northern Songs/ATV

- 1960s: Beatles members form Northern Songs
- 1965: Northern Songs public
- 1969: ATV buys Northern Songs
- 1985: Michael Jackson buys Northern Songs

CBS/Sony Music Publishing

- 1986: CBS Records sells CBS Songs
- 1988: Sony acquires CBS Records
- 1989: SMP purchases Tree country catalog
- 1990: SMP establishes international affiliates
- 1990 – 1995: SMP builds catalog

Sony/ATV Music Publishing

- 1995: Sony/ATV Joint Venture Created

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Sony/ATV Overview: Catalog Acquisition Highlights

- 1992: Randy Bachman *(Takin' Care of Business)*
- 1992: Kelley/Steinberg *(True Colors, Like A Virgin, I Drove All Night)*
- 1995: Nile Rodgers *(Good Times, Le Freak, We Are Family)*
- 1995: Fisher *(Second Hand Rose, Chicago Chicago)*
- 1996: Leonard Cohen *(Bird On A Wire, Hallelujah)*
- 1999: Lowery *(Games People Play, I Never Promised You A Rose Garden)*
- 1999: Maypop (Alabama)
- 2000: Web IV *(Piece of My Heart, Twist and Shout)*
- 2002: Acuff Rose
- 2002: Heart (Len Freedman)
- 2002: Wheel of Fortune/Jeopardy
- 2003: Christmas Song
- 2005: Richie Sambora

Sony/ATV Overview:
Creative/Strategic Opportunities, Fiscal 2007

- Catalog Acquisition
  - 2 of the 5 "majors" will probably be on the market
  - Several high quality mid-sized catalogs available

F'06 Actual Results & Highlights

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F'06 Revenue Profile

[redacted]

$ In Millions; *Unaudited

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F'06 Income Statement

[redacted]

F'06 Income Statement

[redacted]

$ In Millions; F'06 Actual restated to exclude April 2005 processing at affiliate level. *Unaudited.

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F'06 Cash Flow

[redacted]

$ in Millions * Unaudited

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F'06 Revenue and Deal Highlights

Highest Revenue and Profit In Company History	• Revenue slightly higher than last year, equal to budget • Lower talent expense due to high level of recoupment of new developing acts [redacted]
Several new Pop & Urban writers reach Platinum	Crossfade – 'Cold' #1 alternative Fall... album 2x Platinum, Lyfe Jenning... #1 Urban , KT Tunstall – #1 sing... – 2 mil units, K. Chesney – 2 x Pla... Also: System,Shakira,Kyo,Destiny's Child,K Melua
Aggressive exploitation of copyrights	• MTV blanket synch license [redacted] Digital Deals to be signed with all major US labels Aggressive negotiations with Performance Rights Societies [redacted]
Several Key Deals Completed	• Deal with independent Label UBO – Reggaeton Market • Urban Label JV "Disturbing tha Peace" (owned by Ludacris with distribution through Universal) Successful renegotiation with important Latin artist Arjona • Creation of Music Library Division – consultants will provide over 100 CDs over three years

Continued Success in Country Music

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Key Operational Initiatives

Corporate Restructuring

- Of 28 foreign offices, 18 have been relocated from Sony BMG; 4 of the remaining offices to be closed (Philippines, Central America, Venezuela, Turkey)
- Almost every affiliate self supported or outsourced IT, Accounting, Payroll
- LA and Nashville Synch departments restructured with new SVP appointed
- Completed migration of admin employees from London to Nashville
- Closedown of NY studio

Global IT Initiatives

- New Website New website live in US; Other affiliates in process. On-line Pitch Tool for Synch business.
- SATV Intranet site up and running – links to all key databases
- JD Edwards Accounting software implementation completed in Nashville and UK
- Data Warehouse/Reporting Completed – Mgt reporting tool 10 yrs of Revenue/NPS by song
- Webex – Internet based meeting tool being rolled out.

Strengthened Accounting Controls

- Sarbanes and Internal Audit – Completed reviews in Nashville
- Consolidation and JV accounting functions transferred from Nashville to NY -
- Accounting Guidelines Manual policies, common chart of accounts, key controls checklist, approval authorities
- B/S Analysis Package - Every account on balance sheet analyzed quarterly
- Outsourcing of services- Accounting and Tax

F'06 Top Album Releases

	Control	WW Units
Mariah Carey	10%	6.0
Il Divo	10%	3.0
NOW 20	30%	2.5
Bon Jovi	25%	2.5
Fall Out Boy	100%	2.0
Destiny's Child #1's	40%	2.0
System Of A Down	100%	2.0
Carrie Underwood	20%	2.0
Kenny Chesney	30%	2.0
KT Tunstall	100%	1.6
Beck	70%	1.6
Oasis	45%	1.2
Katie Melua	75%	1.0
Lyfe Jennings	90%	1.0
Gretchen Wilson	40%	1.0
Martina McBride	70%	1.0
Kyo (France)	100%	1.0
Dierks Bentley	60%	0.8
Rise Against	100%	0.5
Neil Diamond	100%	0.5
Miranda Lambert	80%	0.5
Brooks & Dunn	60%	0.5

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F'06 Successful Pop Single Activity

- Shakira – "La Tortura"
  - 25 weeks at #1 Hot Latin Songs Chart *(control 100%)*
- Mariah Carey – "We Belong Together"
  - 15 weeks #1, Hot 100 Song of the Year *(control 18%)*
- Pussycat Dolls – "Stickwit U"
  - US #1 and UK #1 Pop Airplay (UK writer) *(control 33%)*
- Fall Out Boy – "Sugar We're Going Down","Dance, Dance"
  - top of both pop and Alternative Charts *(control 100%)*
- System of a Down – "BYOB","Hypnotize"
  - #1 alternative airplay *(control 100%)*
- Beyonce – "Check on It"
  - #1 US Pop Airplay *(control 25%)*
- Beck "E-Pro"
  - #1 Alternative Airplay *(control: 100%)*
- Also - Carrie Underwood, Kelly Clarkson, Neo

F'06 - Top Synch Deals

[redacted]

[redacted]

Music Publishing Market Update

Music Publishing
Market Growth Assumptions

[redacted]

3.3% CAGR

F'2006	F'2007	F'2008	F'2009
$3,800	$3,900	$4,025	$4,190

Published Equity Research on Warner Music Group:

Citigroup – 9/22/05 – 1.7% CAGR

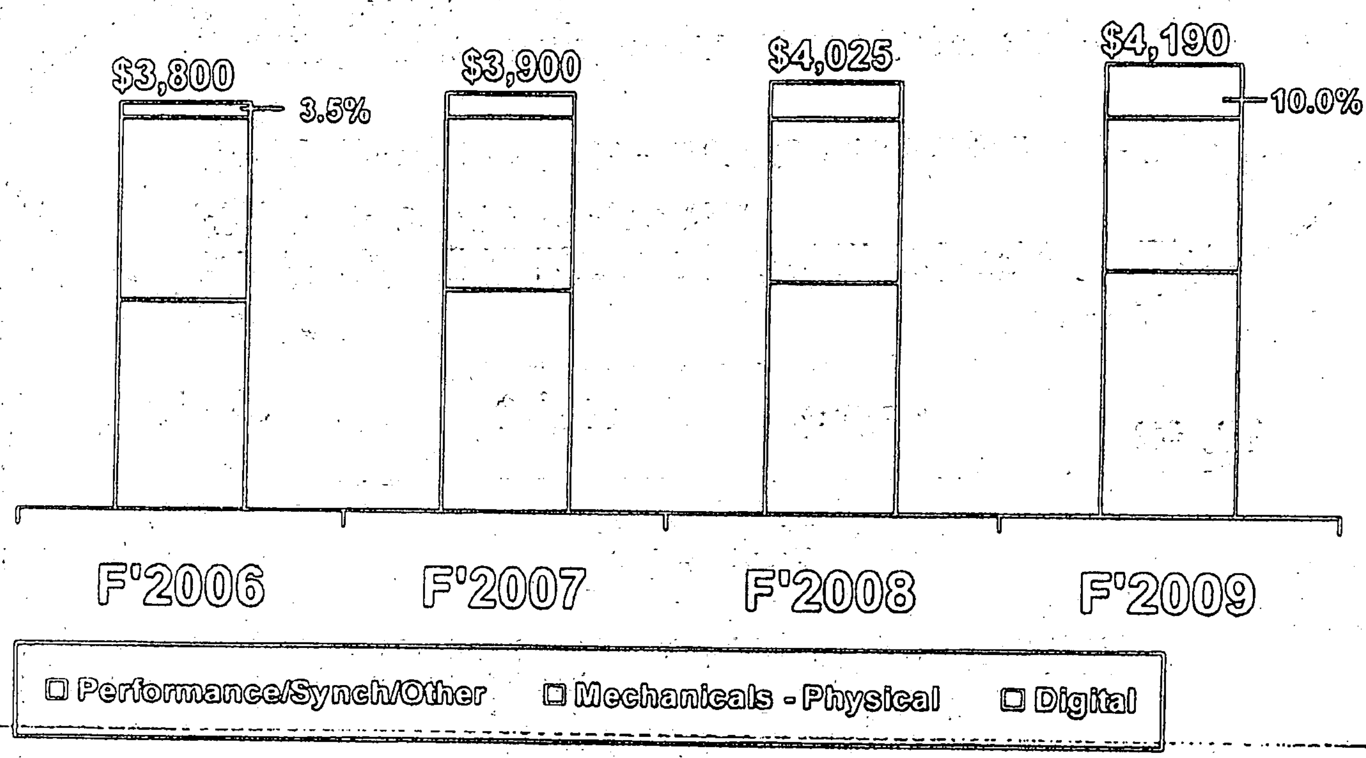
Goldman Sachs – 6/20/05 – "a stable 1% three-year CAGR in 2006-2009

Morgan Stanley – 10/21/05 – "Total publishing revenue growth of 5.5-6.0% in F2005-2010"

[redacted]

Forecasted Music Publishing Market Growth & Sales Profile

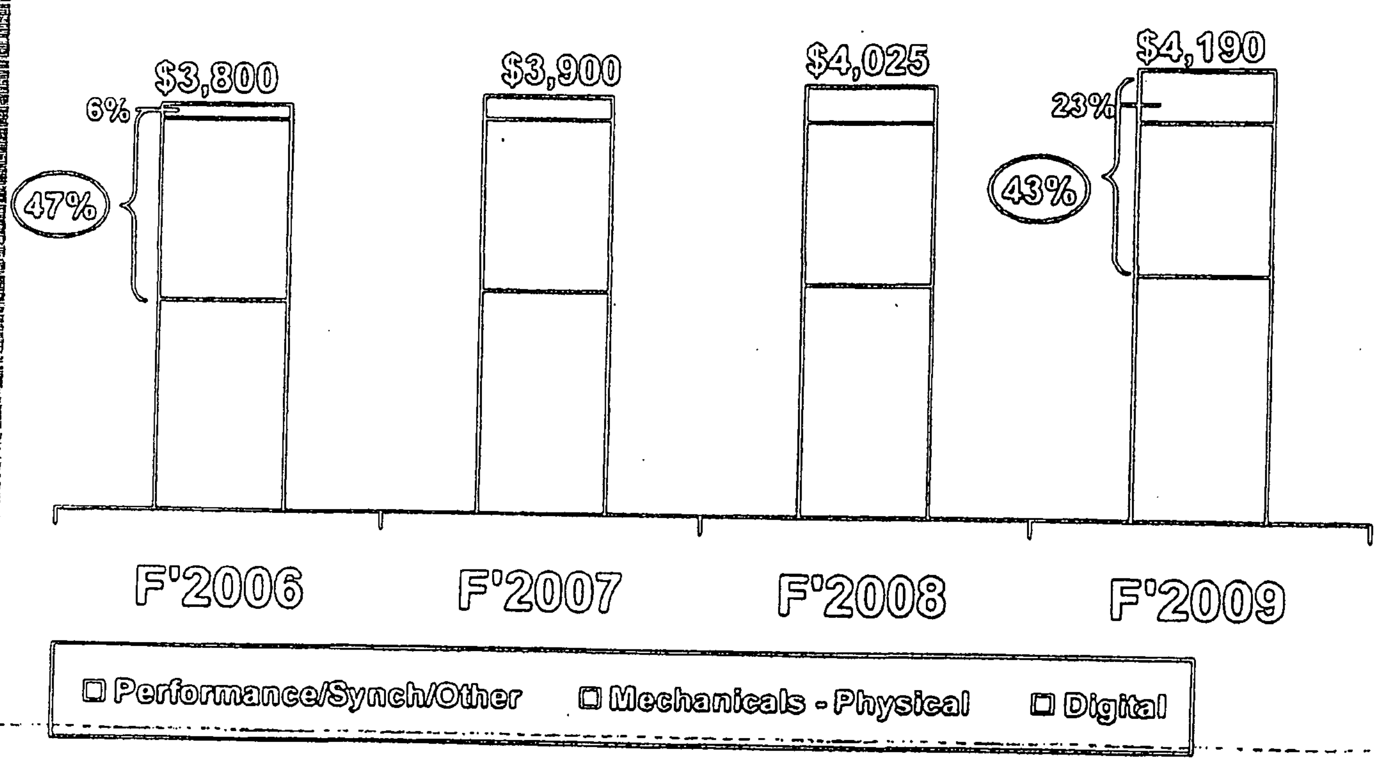
Digital Revenue - 3.5% of total revenue in F'06 growing to 10.0 % in F'09
- 57% CAGR



Forecasted Music Publishing Market Growth & Sales Profile

[redacted]

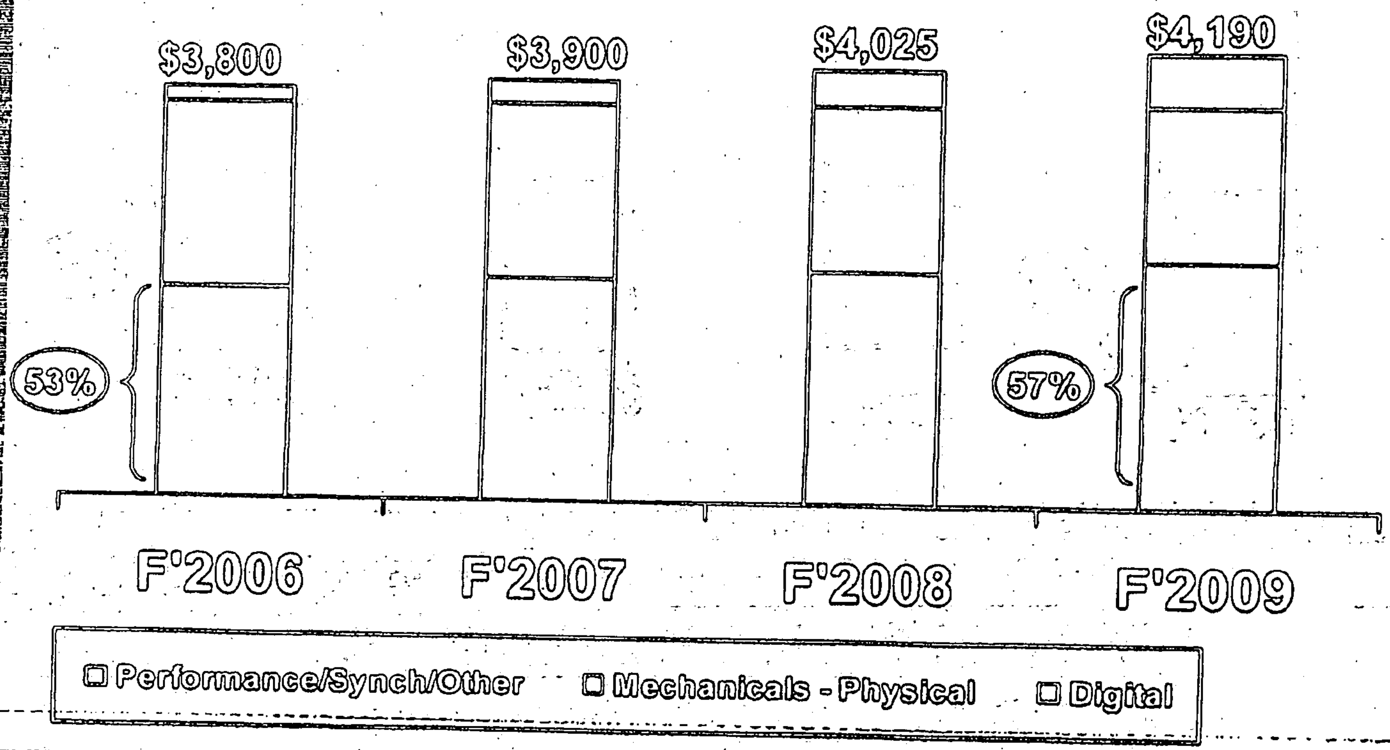
Mechanical Revenue - Reduced from 47% to 43% of total revenue in F'09
- Digital revenue grows to represent 23% of mechanicals in F'09



Forecasted Music Publishing Market Growth & Sales Profile

[redacted]

<u>Performance/Synch</u> – 6% CAGR From 2006 - 2009



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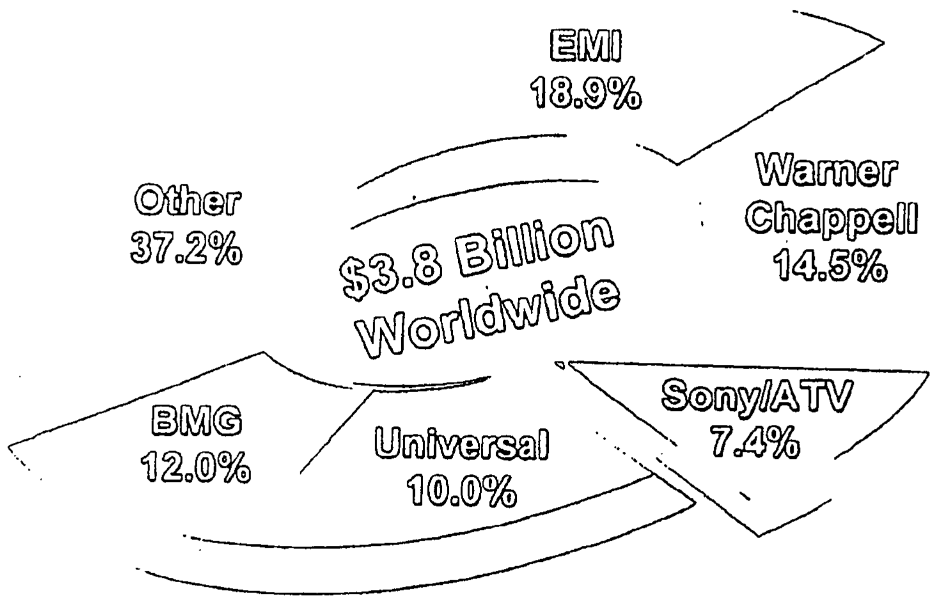
Competitor Market Share



Source: Music & Copyright

[redacted]

F'07 Budget

F'07 Budget – Key Assumptions

[redacted]

- Exchange Rates – Euro at $1.18; Pound Sterling at $1.75

F'07 Budget Revenue Profile

[redacted]

$ In Millions; Unaudited

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F'07 Budget Top Album Releases

New F'07 Releases	Rel Date	Control	WW Units
Tim McGraw	08/06	45%	4.0
Rascal Flatts	05/06	40%	3.0
Pink	04/06	40%	2.5
John Mayer	07/06	100%	2.0
Toby Keith	10/06	25%	2.0
Fall Out Boy	11/06	100%	2.0
Fugees	06/06	80%	1.5
Lyfe Jennings	07/06	70%	1.5
Beck	11/06	70%	1.5
Teddy Geiger	04/06	40%	1.0
Saigon	05/06	50%	1.0
The Wreckers	05/06	50%	1.0
Maxwell	06/06	100%	1.0
Rise Against	07/06	100%	1.0
Crossfade	08/06	100%	1.0
Mika	08/06	30%	1.0
George Strait	10/06	35%	1.0
Gretchen Wilson	10/06	30%	1.0
Cheyenne Kimball	05/06	50%	0.8
Jonas Brothers	06/06	50%	0.8
Razorlight	08/06	100%	0.5
Ray Cash	06/06	50%	0.5

Units In Millions

F'07 Budget P&L

[redacted]

$ in Millions, Unaudited

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F'07 Budget Income Statement

[redacted]

$ In Millions; F06 Restated to exclude April 2005 processing at affiliate level. *Unaudited

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F'07 Budget Cash Flow

Net Cash Flow from Operations	[redacted]
Acquisitions - Catalogs etc.	
Cap Ex (Music Publishing System - Total project cost estimated at $5-$6 million)	
Effect of Exchange Rates on Cash	
Cash Flow from Ops & Investing (excess cash flow)	
Guaranteed Distribution to MJ (April)	
Sony Member Distribution	
Sony Capital Corp Guarantee Fee	
Total Change in Cash	

$ in Millions - Unaudited

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Items Not Budgeted in F'07

- Reimbursement for expenses incurred with respect to Restructuring Sony/ATV - $1.5 million ($750,000 maximum per partner).
- Reasonable travel related expenses of the individual representatives incurred in connection with their attendance at Sony/ATV Board meetings (approximately $250,000).

Headcount

	F'07 Bud
New York	26
Nashville	98
Los Angeles	16
UK	16
France	11
Germany	13
Italy	5
Benelux	5
Scandinavia	6
Australia	6
Mexico	5
Brazil	7
Asia	18
All Other Affiliates	38

Sony/ATV Europe Regional Highlights

[redacted]

$ In Millions

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Sony/ATV Europe Regional Highlights
(cont'd)

[redacted]

$ In Millions

Sony/ATV Asia Regional Highlights

[redacted]

$ In Millions

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Sony/ATV Canada Regional Highlights

[redacted]

$ In Millions

Sony/ATV Australia Regional Highlights

[redacted]

$ In Millions

Sony/ATV Latin Regional Highlights

[redacted]

$ In Millions

Keys to Achieving Budget

Continued Focus on New Writers/ Key Genres / Global Hits	• Low Cost - "Getting in Early" Approach • Build Urban Roster with Writer/Producer Artist Signings (Scram Jones, Heatmakers) • Penetration of growing US Latin Market thru NY based Reggaeton & Synch Deals
Actively Pursue Catalog Acquisitions & Exploitation Opportunities	• Strategic acquisitions to fill gaps in current repertoire - Will not overpay • Use relationships to turn existing superstar admin deals into catalog purchases • Wheel of Fortune & Jeopardy 'PRO' Deal
Continued Focus on Synch	• New 'proven talent' in LA synch department will improve results for F'07. • Forge partnerships with middlemen for advertising synch worldwide to extend reach • Sony Marketing Council
Music Company of the Future – Master Rights	• Acquire Master Rights where strategically advantageous • Creating own masters -cover versions and other owned content for third party licensing • Ability to feed Digital Pipeline

Continue to Reduce Overhead Costs

[redacted]

Overhead Expense

Overhead as a % of Revenue

$ In Millions

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Opportunities & Risks

Opportunities

- Enhanced Digital Opportunities
- Synch Deals
- Catalog Acquisitions (negative cash flow)

Risks

- Continued decline of recorded music market
- Synch Deals

Artists/Writers Making an Impact in F'07

Artists/Writers Making an Impact in F'07

Fall Out Boy

This former indie band has hit pay dirt with their debut album for Island/Def Jam From Under The Cork Tree. Their first 2 singles "Sugar We're Going Down" and "Dance Dance" have reached the top of the alternative rock and pop singles charts. The album was certified double platinum in the US, and the band is in the midst of a major international tour. We expect a new album in Fiscal 07.

Katie Melua

First album, Call Off The Search, debuted at #1 in January 2004, eventually selling 1.4 million copies. In 2004 Katie was Britain's highest selling female artist. Katie's second #1 album, Piece By Piece, released in September 2005 has sold 880,361 copies so far. The first single from Katie's second album, "9 Million Bicycles", written by Sony/ATV supremo Mike Batt has sold 80,683 copies in 2005 peaking at #5 on the charts. Katie has been nominated for Best Female Solo Artist at the 2006 Brit Awards.

Artists/Writers Making an Impact in F'07

Wayne Hector

Wayne has enjoyed a great end to 2005 with songs on both the triple Platinum (UK) selling Westlife album Face To Face and the 2 million (UK) selling Il Divo album Ancora. Also in the UK, Wayne has had album and single cuts with Charlotte Church, Lee Ryan and on the forthcoming Ronan Keating album. Internationally, his song "Rejoice" on the Il Divo US-only Christmas album has sold in excess of 700,000 copies. Il Divo's Ancora was released in the US in January 2005.

Richie Sambora

This New Jersey based writer/artist has been a long time collaborator of Jon Bon Jovi over decades of multi-platinum album releases. Sony/ATV now controls the catalog of Richie Sambora which includes the new worldwide release "Have A Nice Day" which is approaching 3 million units worldwide.

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Artists/Writers Making an Impact in F'07

Crossfade

This rock band achieved platinum status with their debut album Crossfade on Columbia Records. Their single "Cold" was the longest running charted single on the alternative charts in modern history. The performance levels on this song continue to be significant. The band is currently working on a new album for summer of 06.

KT Tunstall

KT Tunstall's debut album, Eye To The Telescope, has sold over 1 million copies in the UK and was the 7th best selling album of 2005. The single "Other Side Of The World" sold 80k copies in 2005 and was co-written with Sony/ATV UK songwriter Martin Terefe, who also produced tracks on the album. KT's single "Suddenly I See" sold over 75k copies in 2005 and won her the Ivor Novello Award for Best Song Musically and Lyrically. KT has been nominated for Best British Female Solo Artist, British Breakthrough Act and British Live Act at the Brit Awards 2006 and also nominated for the Mercury Music Prize in 2005.

Artists/Writers Making an Impact in F'07

Beck

With the album Guero, Beck continued his legacy of mixing artistic integrity with a unique commercial quality, selling 1.6 million units worldwide. The singles "E-Pro" and "Girl" were top 5 Alternative radio singles as well as considerable video airplay for his song "Hell Yes" which featured the Sony QRIO robots. The album was nominated for a Grammy for "Best Alternative Album" and Beck is nominated in the UK for a Brit award for "Best International Artist". We are expecting a new studio album from Beck in late Fall 2006.

Lyfe Jennings

This urban singer/songwriter has been hailed by Billboard magazine as "one of the R&B breakthrough artists of the year". His debut album Lyfe on Sony/Urban has gone platinum in the US after an extensive nationwide tour. His first single "Must Be Nice" reached #1 on the R&B singles chart. Lyfe will have a new album for summer 06 and it will be a huge priority for the label.

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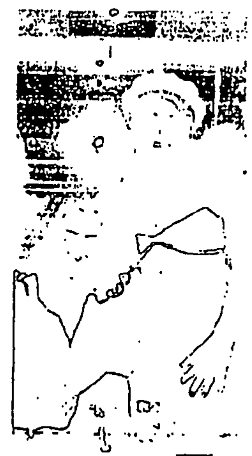
Kyo

Kyo's sophomore album Le Chemin (Jive / BMG), released in January 2003, has sold over 1.4 million units and yielded 6 hit singles, collectively selling over 800k units. In 2005 the band released it's third album, 300 Lésions, (Jive/Epic), which has sold over 500k units. Kyo also wrote 2 of the biggest singles of the year, "Mon Essentiel" from the musical *Le Roi Soleil* (250k singles; over 500k albums) and "Ma religion dans son Regard", the first single from French idol Johnny Halliday's new album (album has sold over 800k units).

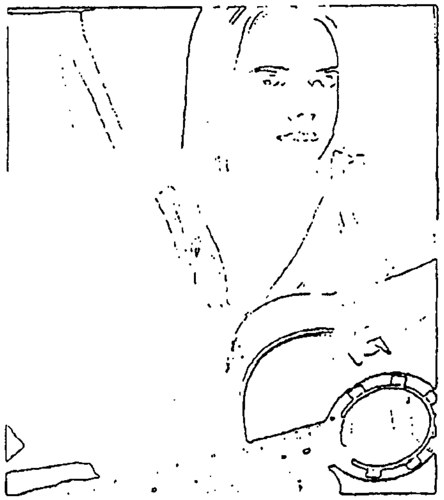
Billy Mann

This multi-faceted Sony/ATV writer/producer continues to be a vital force in the industry. He has co-written and produced 8 songs for the recent Pink album, released in April 2006 on BMG, which will include the first single "Stupid Girls". He has also developed 16 year old Teddy Geiger for Columbia Records, where he produced and co-wrote the bulk of the album including the great first single "Confidence".



New & Developing Writers

New and Developing Writers

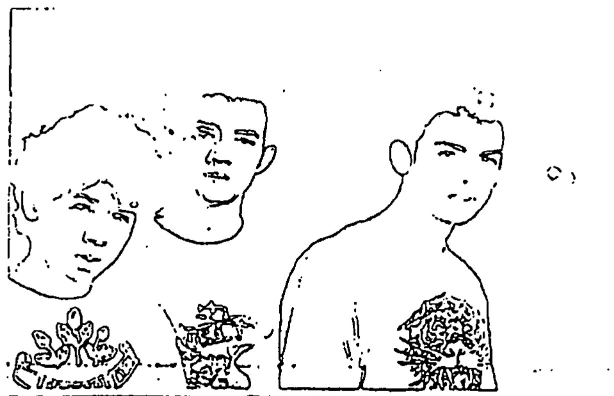


Cheyenne Kimball

This 16 year old girl from Texas won first prize on the NBC show _The Most Talented Kids In America_ before being signed to Epic Record by David Massey. Her debut album is due in stores July 11th following her new MTV Reality Show which began airing in March. She is a strong singer/songwriter in the vein of a young Sheryl Crow.

Jonas Brothers

This teen band made up of brothers from New Jersey is the latest project for Columbia Records President Steve Greenberg (Hanson, Joss Stone, Baja Men). Their new album, It's About Time, will be in stores and on-line August 1st and contains the hit singles "Mandy", "6 Minutes" and "Time for Me to Fly".

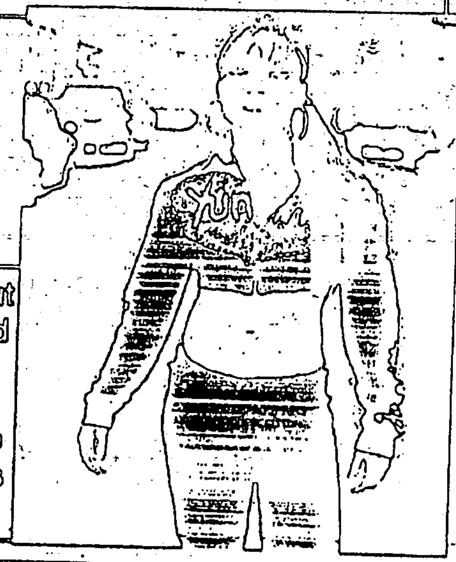


New and Developing Writers

The Wreckers

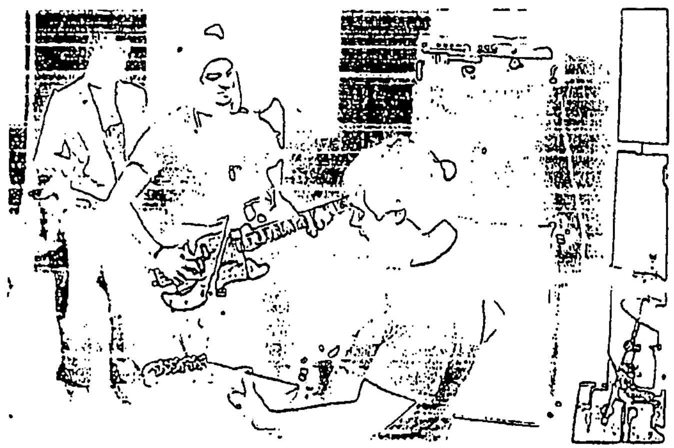
This Pop/Country project is a duet between Michelle Branch and Sony/ATV writer Jessica Harp. The debut album from Warner Brothers Nashville, Stand Still, Look Pretty, is now in stores and will debut in Billboard next week at #14 on the Pop Albums Chart and at #4 on the Country Albums Chart. The duet has been described as having a young Dixie Chicks crossover appeal.

Yummy



This Brooklyn based urban singer/songwriter released her debut album, One More Chance, on May 23rd after being hand-picked to sign to the new Motown Records by Chairwoman Sylvia Rhone. Described by some as a young Chaka Khan meets Mary J Blige, her first single and video "Is It Good To You" were launched in Spring 2006. Yummy is also writing for other artists with producer collaborators Rockwilder, P Diddy and Dr. Dre.

New and Developing Writers

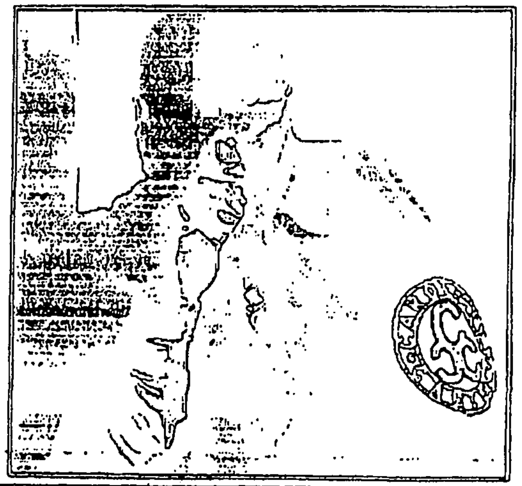


We Are Scientists

This Brooklyn based band was signed to Sony/ATV by A&R staffer Jon Nelson prior to signing with Virgin Records. Their debut album, With Love & Squalor, was released first in the UK and is approaching Gold status. The album has been released in the US and spent time in the Top 10 on the Top New Artists Chart in Billboard. The band will tour the US for the bulk of 2006.

Rick Ross

You can't go into a club, get into a car or walk down the block without hearing the clarion call keyboards of Ross's earthquake of a debut single, "Hustlin'." On Ross's debut LP, Port Of Miami, you are immediately immersed in a fully fleshed out world. As a member of the Slip-N-Slide (Trick Daddy, Trina) crew Rick Ross is part of a bubbling Miami scene that is sure to be making noise on Atlanta and Houston levels this year.



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Other Matters

Other Matters: Litigation, Claims and Audits

- No major outstanding litigations
- No major outstanding audits
- External litigations/audits - opportunities

Other Matters: Approvals, Consultations

- Matters for Board Approval
  - Catalogs and Acquisitions
  - Logo, Name
  - Subsidiary Restructuring
  - Other Matters
- Matters for Consultation
  - Creative
  - Other
- Preferred Procedure
- Board Scheduling

Sony/ATV Music Publishing

June 12, 2006

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