

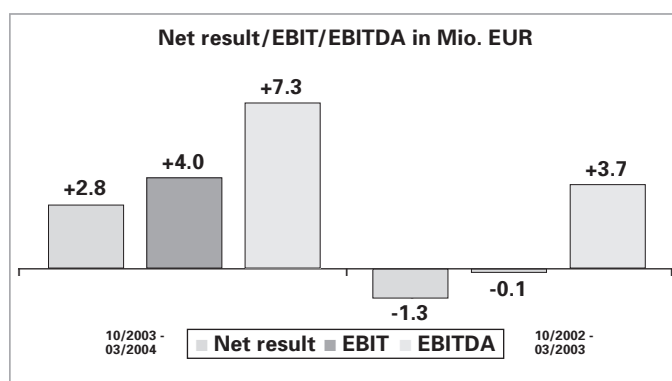
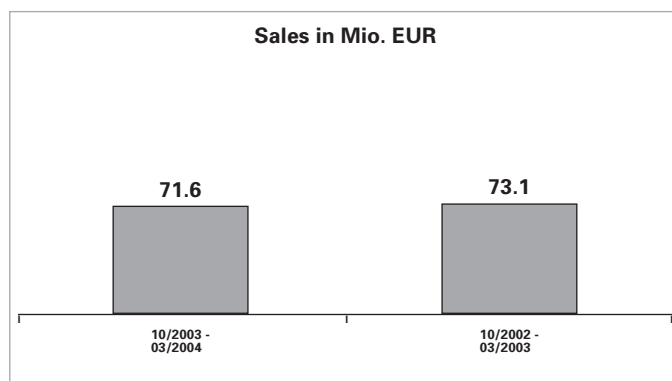


HALF-YEAR REPORTING 2004

CONSOLIDATED BALANCE SHEET EDEL GROUP		
ASSETS	03/2004 EUR (in thousands)	03/2003 EUR (in thousands)
FIXED ASSETS		
Intangible assets	11,360	13,020
Property, plant and equipment and financial assets	40,884	34,165
	52,244	47,185
CURRENT ASSETS		
Inventories	9,516	13,189
Accounts receivable	37,781	43,892
Other assets	12,437	13,658
Checks, cash on hand and cash in banks	12,605	11,365
Deferred charges and deferred taxes	6,144	2,202
	78,483	84,306
	130,727	131,491
LIABILITIES AND STOCKHOLDERS' EQUITY		
	03/2004 EUR (in thousands)	03/2003 EUR (in thousands)
Stockholders' equity	29,874	16,897
Special reserve with an equity portion	0	2,911
Reserves and accrued liabilities	36,899	43,319
Liabilities	30,866	35,468
Liabilities due to banks	33,088	32,878
Deferred charges	0	18
	130,727	131,491

BALANCE SHEET EDEL MUSIC AG		
ASSETS	03/2004 EUR (in thousands)	03/2003 EUR (in thousands)
FIXED ASSETS		
Intangible and fixed assets	2,391	2,937
Financial assets	28,782	29,813
	31,173	32,750
CURRENT ASSETS		
Accounts receivable, Other assets	21,548	18,332
Checks, cash on hand and cash in banks	3,648	1,422
	25,196	19,754
	56,369	52,504
LIABILITIES AND STOCKHOLDERS' EQUITY		
	03/2004 EUR (in thousands)	03/2003 EUR (in thousands)
Stockholders' equity	17,187	19,085
Liabilities and accrued liabilities	39,182	33,419
Liabilities due to banks	0	0
	56,369	52,504

CONSOLIDATED STATEMENT OF INCOME (GERMAN-GAAP)	01.10.2003-31.03.2004 EUR (in thousands)	01.10.2002-31.03.2003 EUR (in thousands)
Sales	71,570	73,100
Cost of sales	-47,769	-49,598
Selling expenses	-9,730	-12,898
General and administrative expenses	-11,527	-12,614
Amortization on goodwill	-416	-462
Other operating income	3,136	3,418
Other operating expenses	-693	-838
Operating result	4,571	108
Financial result	-1,568	-1,108
Loss from ordinary operations	3,003	-1,000
Taxes on income	-176	-209
Other taxes	-6	-6
Minority interest	-11	-104
Consolidated net loss/-income	2,810	-1,319
CONSOLIDATED CASHFLOW STATEMENT		
	01.10.2003-31.03.2004 EUR (in thousands)	01.10.2002-31.03.2003 EUR (in thousands)
Net result	2,820	-1,215
<i>Adjustments not affecting working capital:</i>		
Depreciation	3,351	3,831
Other adjustments	158	605
	6,329	3,221
Change in working capital	-2,208	-1,009
Cashflow from operating activities	4,121	2,212
Cashflow from investing activities	-2,956	-3,343
	1,165	-1,131
Cashflow from financing activities	-863	1,846
Changes in cash	302	715



KEY FACTS

October 1, 2003 – March 31, 2004

- **Half-year group net profit of 2.8 million EUR**
- **Sales stable despite continuing market decline**
- **Focus on high-quality content and service business**

In the first six months of the financial year 2004, edel music AG improved its results still further. With sales largely constant compared with the same period the year before, the group returned to making a clear profit once again. Since its strategic reorientation, edel music has systematically concentrated on marketing established high-quality content and expanding its service business.

RESULTS

The group surplus of edel music AG for the first half of the financial year 2004 came to 2.8 million EUR, following a deficit of 1.3 million EUR in the same period the year before. Sales by the edel Group after elimination of inter-group sales amounted to 71.6 million EUR, and thus essentially remained at the previous year's level (first half year 2003: 73.1 million EUR). The EBITDA¹ figure, at 7.3 million EUR, was virtually doubled compared with the same period the year before (3.7 million EUR), and the EBIT² result was stepped up from -0.1 million EUR in the first half of 2003 to 4.0 million EUR. The edel Group recorded a positive operating cash flow of 4.1 million EUR (previous year: 2.2 million EUR).

With a virtually unchanged financial structure – edel music AG as an individual company continues to be free from debt – and a continuing stable liquidity situation, cash and cash equivalents in the edel Group as at March 31, 2004 came to 12.0 million EUR.

The group's equity capital at March 31, 2004 amounted to 29.9 million EUR, after 16.9 million EUR on March 31, 2003. This increase was due partly to non-recurring effects owing to changes in accounting regulations, but also partly to improved earnings.

These results are within the planning corridor envisaged by the management. In the second half of the financial year 2004 the aim is to achieve a further increase in earnings compared with the year before.

CONTENT AND SERVICES PORTFOLIO

After good successes in the first half year of 2004, edel music AG will focus the marketing activities for its own content on high-quality repertoire that is already established on the market. In the pop segment this includes selected top acts with readily calculable sales expectations such as Chris de Burgh, Kool & The Gang, Toni Braxton, Scooter (Kontor Records) and The Rasmus (Playground Music / partly licensed to Universal Music), and various products in the children's repertoire field (e.g. "Pettersson and Findus"). With its EarBooks format the company has also successfully introduced a new entertainment product into the market.

In addition to the marketing of its own and licensed content, a key area for edel music AG is the expansion of the service business, which is already generating a significant share of group sales. Under the umbrella of the newly founded division edel Professional Services, the companies in the edel Group offer extensive services for the music and entertainment industry. Here edel music is able to cover almost the entire added-value chain of the music industry – from production and warehousing, through sales and marketing (including abroad and via new technologies) to administrative fields such as royalties and accounting.

edel music AG will continue to expand its portfolio of content and services in the future, but will always concentrate on optimizing entrepreneurial risks and business processes.

GROUP STRUCTURE

The first half of the financial year 2004 saw changes in the group structure in Austria, where edel records Austria GmbH took over all distribution rights from musica Schallplatten-Vertriebs GmbH and changed its name to edel musica Vertriebs GmbH in the process. In Italy the participating interest NuN Entertainment was taken over completely by edel music AG and integrated in the subsidiary edel Italia S.r.l.

MARKET DEVELOPMENT

In 2003 the European recorded music market was once again characterized by distinct problems with sales volume and sales value. With a minus of nearly 20 percent, the German market suffered the biggest losses on an inter-

national comparison. The main reasons for the continuing unfavourable market situation are still the mass distribution of private CD copies and unauthorized downloads of music over the Internet. At international level, however, first signs of market consolidation are emerging. The UK actually managed slight growth in 2003, and in the first quarter of 2004 the North American market grew by as much as 9 percent. In the USA and Europe, the music industry associations are now taking increasing – and successful – action against illegal music providers in the Internet. At the same time, legal download offerings, especially in the USA, are making their first appreciable sales with significant growth rates, though still at a low level compared with physical recordings. In Europe, business in music applications for the mobile phone sector is also clearly gaining momentum. Thanks to new technical formats in this field, music producers are increasingly participating in the revenues generated with their recordings. In the international Internet and mobile phone market, edel music AG succeeded in becoming established at an early stage as the most important independent supplier of digital music rights, and by licensing its repertoire to suitable retail providers it is now generating initial earnings.

MANAGEMENT

During the period under review there were no changes in the Executive Board of edel music AG or in the company management of the principal operating companies of the edel Group.

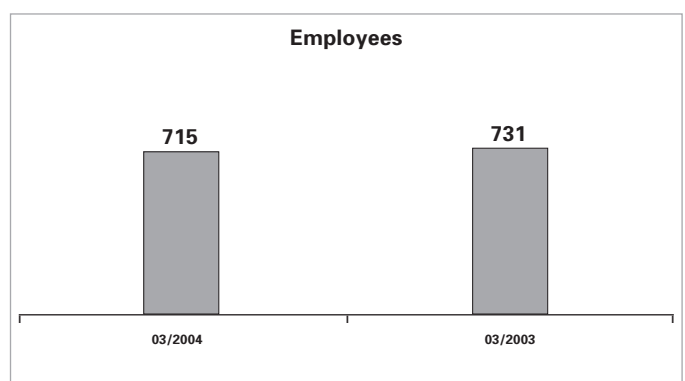
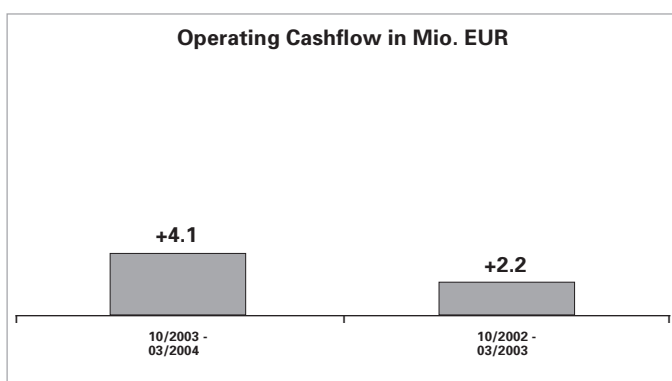
EMPLOYEES

Compared with the first half of the year before, the number of persons employed by the edel Group fell from 731 (March 31, 2003) to 715 on March 31, 2004.

SHARES

The principal shareholder in the first half of the financial year 2004 continued to be Michael Haentjes with 61.18% of the shares. Fitzgerald Asset Management GmbH (sole shareholder: Michael Baur) held 10.00%, while 28.82% of the shares were free float.

¹EBITDA: Earnings before interest, taxes, depreciation and amortization
²EBIT: Earnings before interest and taxes





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