

TRANSLATION

**Annual Financial Statements
as of December 31, 2007
and Management Report**

**AGICOA Urheberrechtsschutz-
Gesellschaft mbH
Munich**

AGICOA Urheberrechtsschutz-Gesellschaft mbH, Munich, Germany

Balance Sheet as of December 31, 2006

Assets

	31 Dec 2007		31 Dec 2006	
	EUR	EUR	EUR	EUR
A. Fixed assets				
I. Intangible assets				
Software		68.379,31		89.181,96
II. Tangible assets				
Office equipment		1,02		1,02
III. Financial assets				
Investments		25.564,59		25.564,59
		93.944,92		114.747,57
B. Current assets				
I. Accounts receivable and other assets				
1. Accounts receivable	995.042,47		7.015.317,88	
2. Other assets	640.156,96	1.635.199,43	163.917,31	7.179.235,19
II. Cash on hand and cash in banks		43.933.012,95		50.892.950,79
		45.568.212,38		58.072.185,98
		45.662.157,30		58.186.933,55

Liabilities and Shareholders' Equity		
	31 Dec 2007	31 Dec 2006
	EUR	EUR
A. Shareholders' equity		
Capital subscribed	25.564,59	25.564,59
B. Reserves and accrued liabilities		
1. Pension reserves	71.662,00	64.901,00
2. Reserves for rightholders	44.930.918,79	55.662.409,61
3. Other accrued liabilities	28.000,00	36.000,00
	45.030.580,79	55.763.310,61
C. Liabilities		
1. Accounts payable	567.205,61	2.058.266,60
2. Accounts payable due to shareholders	0,00	25.272,66
3. Other liabilities	38.806,31	314.519,09
	606.011,92	2.398.058,35
	45.662.157,30	58.186.933,55

AGICOA Urheberrechtsschutz-Gesellschaft mbH, Munich, Germany

Profit and Loss Statement for the Year ended December 31, 2007

	2007		2006	
	EUR	EUR	EUR	EUR
1. Revenue cable retransmission	4.762.022,40		19.736.390,86	
2. Other operating income	66.011,23	4.828.033,63	8.613,59	19.745.004,45
3. Personnel expenses				
a) Salaries	-190.287,49		-181.737,97	
b) Social security, pension	-19.106,24	-209.393,73	-19.699,64	-201.437,61
--thereof for pensions				
EUR 6,761.00				
(l/y EUR 6,216.00)--				
4. Depreciation and amortization		-37.712,94		-55.855,79
5. Other operating expenses		-1.108.374,49		-910.218,94
		3.472.552,47		18.577.492,11
6. Interest income		2.274.202,15		1.735.126,43
7. Result from ordinary operations		5.746.754,62		20.312.618,54
8. Provision for reserves for rightholders		-5.746.754,62		-20.312.618,54
9. Net income		0,00		0,00

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Notes for the Fiscal Year 2007

I. Application of the 'Handelsgesetzbuch' [Commercial Code (HGB)] and the 'Urheberrechtswahrnehmungsgesetz [Act relative to the Administration of Copyrights and Neighboring Rights (UrhWG)]

The accounting, audit and publication regulations pursuant to Section 9 (4)-(6) UrhWG and Section 238 HGB and especially Sections 264 et seq. HGB apply to the Company. In the year under review, the Company was to be regarded as a "medium-sized" corporation within the meaning of Section 267 (2) HGB. Nonetheless, the format of the balance sheet and the profit and loss statement accords with the provisions applicable to a "large" corporation. The Company also supplied the data in accordance with Section 285 (4) HGB in the notes to the financial statements.

II. Accounting and valuation methods

The intangible assets and tangible fixed assets are carried at acquisition cost less scheduled depreciation according to use. Depreciation is recorded straight-line over a useful life of five years, in the year of addition on a pro rata temporis basis. Foreign currency additions were converted at the exchange rates applicable at the time of payment. Financial assets are carried at acquisition cost and/or at the lower value to be assessed.

The accounts receivable, other assets, cash on hand and cash in banks are carried at their nominal value. They contain all claims for which the Company received statements prior to preparing the financial statements or which were performed during the period under review.

The pension reserves correspond to the discount value pursuant to Section 6a EStG [Income Tax Act]. The basis for calculation are the "2005 G guiding tables" of Prof. Dr. Klaus Heubeck. The discount rate is 6 %. For reasons of simplification, the tax spreading of the difference over three years beginning in 2005 is applied for the commercial balance sheet as well.

The reserves for rightholders take account of distribution commitments to rightholders and liabilities of still uncertain amount, the latter estimated in accordance with prudent business principles.

The other accrued liabilities comprise all identifiable risks and uncertain obligations in an amount required in accordance with prudent business principles

The liabilities are carried at their repayment amount. They comprise all liabilities for which statements were received with a date prior to the balance sheet date which were paid before preparation of the financial statements.

To the extent that revenues were received in foreign currency, they were converted at the exchange rates applicable at the time of receipt.

III. Notes to the financial statements

Balance sheet

The development of the fixed assets is represented in the statement of fixed assets in the Appendix hereto.

The accounts receivable as of December 31, 2007 have been collected in the meantime to a large extent. The other assets relate, besides tax refund claims, to the cash surrender value of a reinsurance and accrued interest. All accounts receivable are due in one or less than one year. The term of the cash surrender value of the reinsurance (EUR 62k) is more than five years; the term of the remaining other assets is one or less than one year.

The capital stock registered in the Commercial Register amounts to DM 50,000. It is fully paid in. The mathematical conversion was made at the fixed conversion rate of 1.95583 DM/EUR. The capital stock has not yet been changed over to EURO.

The reserves for rightholders are obligations to rightholders, including the social fund and the film promotion fund. The other accrued liabilities in the amount of EUR 28k relate mainly to outstanding invoices and financial statements costs.

Accounts payable relate primarily to liabilities owed to rightholders under the distributions made in 2007 and the preceding years for the periods 1987 until 2006. The full amount of liabilities is due within one year.

The other liabilities consist of the following:

	12/31/2007	12/31/2006
	EUR	EUR
Liabilities for taxes	38,806.31	314,519.09

Profit and loss statement

Of the revenue cable retransmission, an amount of EUR 4,675k is attributable to cable retransmission rights Germany. An amount of EUR 87k is attributable to countries other than Germany.

Income not relating to the period under review is included in the total revenues at an amount of EUR 1,161k and in the other operating income at an amount of EUR 6k as a result of release of reserves.

The provision for reserves for rightholders, shown in a separate item of the profit and loss statement, correspond to the addition to reserves for rightholders. An amount of EUR 17,712k has been distributed or paid to the rightholders in the year under review. An amount of EUR 380k has been used for promotion purposes.

IV. Other information

Management

In the year under review, Prof. Dr. Ronald Frohne, Rechtsanwalt [Attorney-at-Law], Berlin, was the managing director holding power of sole representation.

The protective clause pursuant to Section 286 (4) HGB is being applied.

Advisory board

Pursuant to Art. 11 of its statutes, the Company has an advisory board consisting of six (6) persons who represent the interests of the rightholders. The advisory board received no remuneration in the fiscal year.

Employees

The Company had one (salaried) employee besides the managing director in the fiscal year under review.

Shareholding

Shares within the meaning of Section 285 (11) HGB are held in EPI – "Erich Pommer" Institut für Medienrecht und Medienwirtschaft gemeinnützige Gesellschaft mit beschränkter Haftung, Potsdam. The shares of the capital stock of DM 50k (EUR 26k) are fully held by the Company. The provisional financial statements as of December 31, 2007 show a capital stock of EUR 26k and a net income for the year of EUR 0.

Appropriation of net income

In accordance with the object and purpose of a collecting society, the Company showed no net income in the year under review. The amounts not yet distributed to rightholders or the like are included in the reserves established for this purpose (see above).

Munich, May 9, 2008

Prof. Dr. Ronald Frohne

AGICOA Urheberrechtsschutz-Gesellschaft mbH, Munich, Germany

Statement of Fixed Assets in fiscal year 2007

	At cost		
	1 Jan 07	Additions	31 Dec 07
	EUR	EUR	EUR
I. Intangible assets			
Software	1.136.684,45	16.910,29	1.153.594,74
II. Tangible assets			
Office equipment	3.454,81	0,00	3.454,81
III. Financial assets			
Investments	58.798,56	0,00	58.798,56
	1.198.937,82	16.910,29	1.215.848,11

Appendix to the Notes

<u>Accumulated depreciation</u>			<u>Net book value</u>	
<u>1 Jan 07</u>	<u>Depreciation fiscal year</u>	<u>31 Dec 07</u>	<u>31 Dec 07</u>	<u>31 Dec 06</u>
<u>EUR</u>	<u>EUR</u>	<u>EUR</u>	<u>EUR</u>	<u>EUR</u>
1.047.502,49	37.712,94	1.085.215,43	68.379,31	89.181,96
3.453,79	0,00	3.453,79	1,02	1,02
33.233,97	0,00	33.233,97	25.564,59	25.564,59
<u>1.084.190,25</u>	<u>37.712,94</u>	<u>1.121.903,19</u>	<u>93.944,92</u>	<u>114.747,57</u>

AGICOA Urheberrechtsschutz-Gesellschaft mbH, Munich 2007 MANAGEMENT REPORT

Preamble

During the fiscal year 2007, the activities of the Company comprised, as in the past, the administration of cable retransmission rights in Germany in compliance with the statutes.

Course of business

In the period under review, the Company recorded revenue cable retransmission of EUR 4,675k for the area cable retransmission in Germany and EUR 87k for the area overspill of German TV-stations in Denmark. In addition, there has been an interest income of EUR 2,274k.

These revenues and income compared with expenses of AGICOA Urheberrechtsschutz-Gesellschaft mbH of EUR 532k after offsetting of income from increase of the cash surrender value of the reinsurance (EUR 8k) and the release of reserves for outstanding invoices and costs of the annual financial statements (EUR 6k). Furthermore, an amount of EUR 816k was paid for administrative expenses of AGICOA Geneva 2007. The remaining amount of EUR 5,747k was allocated to the reserves for rightholders, i.e. for distribution to rightholders so that a net income for the year of zero is reported in compliance with the statutes.

The received remuneration is invested at interest until distribution to the rightholders.

As reported in previous years, the global cable agreement between the cable network operators and the rightholders – without private broadcasting stations – dated November 21, 1991 entered into force again for the period from January 1, 2003 to December 31, 2006 with a fixed remuneration of EUR 49 million per annum having been agreed upon. The film collecting societies receive a share of EUR 17.85 million out of the annual fixed remuneration. The terms of the distribution of the remuneration for 2003 through 2006 internally as between the film collecting societies have been agreed upon at the end of 2004/at the beginning of 2005. The distribution largely corresponded to the distribution made so far. However, no agreement has been reached yet for 2007 and thereafter so that no remuneration by cable network operators has been provided for in the fiscal year.

A settlement agreement has been concluded with the cable network operator PrimaCom covering the periods up to and including 2006. The distribution is made in accordance with the global agreement ANGA 2003-2006. 35% of the remuneration is attributable to the film collection societies; internally, the distributions are generally made in accordance with the distribution under the cable agreement for the respective years. The portion received by AGICOA GmbH in March 2007 for this period amounts to EUR 739k and has been included in last year's financial statements accordingly.

In 2007, ZWF Zentralstelle für die Wiedergabe von Fernsehsendungen, for the first time, distributed remuneration for the period up to and including 2006. In February 2007, the Company received its share of EUR 5,693k which has been included in last year's financial statements accordingly. ZWF was formed by the collecting societies AGICOA, GÜFA, GWFF, VG Bild-Kunst, VFF and VGF. The purpose of ZWF is the management of the rights of secondary exploitation of films – administered by the individual shareholders of ZWF – as far as the operator of a distribution system simultaneously makes the receivers available to the users (e.g. hotel TV systems, hospitals, prisons). The revenue cable retransmission 2007 includes payment of EUR 3,601k by ZWF for the period 2007. In addition, payments by ANGA, GdW and FRK for previous years were received in 2007.

In the fiscal year 2007, the total distribution for cable retransmission rights for the broadcasting year 2006 was made. In addition, payments on account of clarified double registrations and late registrations 2001 through 2005 were made in the fiscal year 2007.

Following the establishment of provisions for films not yet registered and the allocations to the social fund and the film promotion fund, a total amount of EUR 17,712k has been distributed to the rightholders.

AGICOA efficiently fulfills the tasks required by law through a small staff. The Company has only one (salaried) employee and arranges for the performance of the work also by employees of the affiliated collecting society GWFF, which has the required know-how, thereby realizing synergies and cost saving.

Promotion in 2007

In accordance with the resolutions adopted by the advisory board, it will be continued to finance the EPI - "Erich-Pommer" Institut für Medienrecht und Medienwirtschaft gemeinnützige Gesellschaft mit beschränkter Haftung, Potsdam, which has been formed by the Company, out of the promotion fund. The Erich Pommer Institut (EPI) goes back to an initiative of the state government of Brandenburg which is aimed at making the provision of practice-oriented further training a special feature of the Babelsberg location. The EPI has acquired an excellent scientific reputation. It provides substantial scientific contributions in the field of film copyright law and offers also great support regarding the education and further training of young producers and authors in the film and television industry by organizing common lectures etc.

Financial and earnings situation

The earnings situation of the Company is determined by its statutory status as non-profit organization as prescribed by law for collecting societies. Furthermore, it is inherent in the system that most of the revenue cable retransmission is relating to different periods because the amounts to be distributed are received, and passed on to the Company, by the administering institutions for different periods and the Company then issues the respective statements to the rightholders with time-lag. The balance arising from all income and expenditure in a fiscal year is, as provision for reserves for rightholders, shown in full as reserves for rightholders in accordance with the statutes.

In 2007, the picture of the earnings situation is also distorted as a result of the not yet concluded agreement with the cable network operators.

The management succeeded again in reducing the administrative costs; e.g the cost rate without depreciation and without administrative costs Geneva could be decreased by approx. EUR 40k.

As a result of the requirements of the law, the balance sheet and thus the financial situation of the Company are determined by items channeled through. The balance sheet is thus characterized by high cash amounts and receivables from the institutions administering the funds while the fixed assets and the remaining current assets are of secondary importance. The main item on the liabilities side are the reserves for rightholders while the remaining reserves and accrued liabilities, liabilities and also the subscribed capital are secondary items.

Material risks and chances

It was not possible to reach an agreement on the conclusion of a new cable agreement with the cable network operators for the broadcasting period from January 1, 2007 on. Following the failure of the negotiations, the collecting societies published a joint tariff for the cable retransmission of radio and television programs. For the collecting societies and for the non-VG Media organized broadcasters (in particular, public broadcasters), this tariff provides for a claim of 8.97% of all income realized by cable network operators for the retransmission of radio and television programs in cable networks and community antenna systems excl. sales tax as assessment basis. As provided for under copyright law in case of tariff disputes, the rightholders seized the "Schiedsstelle beim deutschen Patent- und Markenamt" [arbitration body at the German Patent and Trademark Office] to have the adequacy of the tariff reviewed. It is not foreseeable yet at what point in time a cable agreement will be concluded and an obligation to pay an adequate remuneration will apply.

The main risk inherent in the business operation of the Company is the possibility of a change in the legal outline conditions regarding the remuneration claims for cable retransmission over the medium or long term.

The management notes with concern the heavy lobbying of the cable operators to remove the cable retransmission remuneration at the national and European levels (Solon Report). The Company counters these attempts with arguments both at the national level and at the EU level.

The possibility of the producers presently represented by the Company choosing to be represented by other collecting societies cannot be excluded. However, the Company succeeded in persistently enlarging the group of rightholders in the last years; no change is expected in this respect.

The chance of the Company consists primarily in the extension of its scope of administration to cover also further forms of cable transmission. e.g. IPTV.

Presumable development

For the aforementioned reasons, it is not possible at present to plan the distribution for the broadcasting year 2007. Despite this, it is intended to make the distributions to the rightholders as soon as feasible also in the years to come. For 2008, we plan to distribute the amounts for the broadcasting year 2007 once an agreement has been reached with the cable network operators and the respective payments have been received.

Material events after completion of the fiscal year

No material events occurred after the balance sheet date.

Audit Opinion

I audited the annual financial statements – consisting of the balance sheet, the income statement and the notes – including the accounting records and the management report of AGICOA Urheberrechtsschutz-Gesellschaft mbH, Munich, for the fiscal year January 01 to December 31, 2007. The accounting as well as the preparation of the annual financial statements and the management report in accordance with the German commercial law provisions and the supplementary regulations contained in the statutes are the responsibility of the management of the company. My function is to give an opinion on the annual financial statements including the accounting records and on the management report on the basis of my audit.

I performed my audit of the annual financial statements pursuant to Section 317 HGB [German Commercial Code], in accordance with the generally accepted German auditing standards established by the Institut der Wirtschaftsprüfer (IDW) [Institute of German Certified Public Accountants]. According to this provision, the audit must be planned and performed in such a manner that any incorrectness or violation which has a material impact on the view of the net worth, financial position and results conveyed by the annual financial statements in accordance with the generally accepted accounting principles and by the management report will be identified with sufficient certainty. The knowledge of the business activity and of the economic and legal environment of the company as well as expectations regarding possible sources of error are taken into account when determining the audit acts. Within the framework of the audit, the effectiveness of the internal accounting control system as well as the supporting documents for the information contained in the accounting records, the annual financial statements and the management report are primarily assessed on a sample basis. The audit includes an assessment of the applied accounting principles and of the essential estimations of the management as well as an appreciation of the overall picture conveyed by the annual financial statements and the management report. I am of the opinion that my audit constitutes a sufficiently secure basis for my assessment.

My audit did not give rise to any objections.

In my judgment based on the findings obtained within the framework of the audit, the annual financial statements are in compliance with the statutory regulations and the supplementary provisions of the statutes and present, in compliance with the generally accepted accounting principles, a true and fair view of the net worth, financial position and results of AGICOA Urheberrechtsschutz-Gesellschaft mbH. The management report is consistent with the annual financial statements, conveys overall a correct picture of the position of the company and correctly presents the chances and risks of the future development.

I, pursuant to Section 9 (5) UrhWG, also issue the unqualified audit certificate provided for therein in the following form:

The accounting records, the annual financial statements and the management report comply with the law and the statutes according to my properly performed audit.

Lindau, August 1, 2008

(Seal of Bay Consulting Crew)

(Signature)

Karl-Christian Bay
Wirtschaftsprüfer
[Certified Public Accountant]