



NON-BINDING CONVENIENCE TRANSLATION

Annual Financial Statements as of
December 31, 2011 and Management Report

AGICOA Urheberrechtsschutz-Gesellschaft mbH,
Munich

Table of contents

Balance Sheet as of December 31, 2011	1
Profit and Loss Statement for the year ended December 31, 2011	2
Notes for the Fiscal Year 2011 included	3
Management Report 2011	4
Audit Opinion	5
General Engagement Terms	6

Balance Sheet as of December 31, 2011

Assets

	31 Dec 2011		31 Dec 2010	
	EUR	EUR	EUR	EUR
A. Fixed assets				
I. Intangible assets				
Software		70.518,29		62.172,61
II. Tangible assets				
Office equipment		2,00		1.719,00
		70.520,29		63.891,61
B. Current assets				
I. Accounts receivable and other assets				
1. Accounts receivable	850.731,35		1.113.964,87	
2. Other assets	115.322,75	966.054,10	110.241,76	1.224.206,63
II. Cash on hand and cash in banks		60.929.372,13		61.783.564,77
		61.895.426,23		63.007.771,40
C. Deferred charges		24.028,82		23.679,32
		61.989.975,34		63.095.342,33

Liabilities and Shareholders' Equity

	31 Dec 2011		31 Dec 2010	
	EUR	EUR	EUR	EUR
A. Shareholders' equity				
Capital subscribed		25.564,59		25.564,59
B. Reserves and accrued liabilities				
1. Pension reserves		111.861,00		102.362,00
2. Reserves for rightholders		59.684.073,24		61.448.522,96
3. Other accrued liabilities		29.500,00		34.500,00
		59.825.434,24		61.585.384,96
C. Liabilities				
1. Accounts payable		2.007.172,52		1.295.701,33
2. Accounts payable due to shareholder		69.122,28		71.400,00
3. Other liabilities		62.681,71		117.291,45
		2.138.976,51		1.484.392,78
		61.989.975,34		63.095.342,33

Profit and Loss Statement for the Year ended December 31, 2011

	2011		2010	
	EUR	EUR	EUR	EUR
1. Revenue cable retransmission	20.451.098,38		24.295.326,06	
2. Other operating income	16.706,00	20.467.804,38	10.402,50	24.305.728,56
3. Personnel expenses				
a) Salaries	-243.683,53		-219.903,73	
b) Social security, pension --thereof for pensions EUR 4.030,00 (p.y. EUR 4.593,00)--	-16.868,07	-260.551,60	-17.459,20	-237.362,93
4. Depreciation and amortization		-23.846,10		-31.508,97
5. Other operating expenses		-1.397.214,49		-1.070.896,63
6. Interest income		697.321,88		616.751,58
7. Interest expenses		-5.469,00		-5.013,22
8. Result from the ordinary operations		19.478.045,07		23.577.698,39
9. Extrordinary expenses due to BilMoG		0,00		-4.688,00
10. Provision for reserves for rightholders		-19.478.045,07		-23.573.010,39
11. Net income		0,00		0,00

AGICOA Urheberrechtsschutz-Gesellschaft mbH, Munich Notes for the Fiscal Year 2011

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

The accounting, audit and publication regulations pursuant to Section 9 (4)-(6) UrhWG and Section 238 et seq. HGB and especially Sections 264 et seq. HGB apply to the Company except where the particularities resulting from the tasks of a collecting society do have to be considered. In the year under review, the Company was to be regarded as a "medium-sized" corporation within the meaning of Section 267(1) 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 financial statements as of December 31, 2011 have, for the first time, been prepared in accordance with the accounting and valuation method pursuant to the 'Bilanzrechtsmodernisierungsgesetz' [German Accounting Law Modernization Act [BilMoG]]. Pursuant to Art. 67(8) sentence 1 EGHGB [German Introductory Law of the Commercial Code], Section 252(1) no.6, Section 265(1) and Section 284(2) no. 3 HGB do not need to be considered when the provisions modified by the BilMoG are applied for the first time. Last year's figures have not been adjusted within the framework of the first-time application of the BilMoG (Art. 67(8) sentence 2 EGHGB).

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.

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 and which have been performed by the balance sheet date. The deferred charges contain expenses in 2011 which constitute expenditure after the balance sheet date.

The pension reserves correspond to the settlement amount pursuant to Section 253(1) sentence 2 HGB. The bases for calculation are the "2005 G guiding tables" of Prof. Dr. Klaus Heubeck. The interest rate is 5.14% per annum. The relief provision pursuant to Art. 67(1) s.1 EGHGB has not been used in 2010. As a result, the interest result has been burdened by an additional amount of EUR 5k.

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.

All reserves are carried at the settlement amounts required in accordance with prudent business principles. In the case of reserves with a residual term of more than one (1) year, the valuation pursuant to Section 253(2) sentence 1 HGB has no impact in terms of amount since the interest income must be added to the relevant distribution reserve in view of the non-profit organization of the Company prescribed in § 2(2) of its articles of association. The respective interest income is set off against the respective expenditure incurred for the addition to the reserve so as to give a fair and true picture of the earnings situation of the Company.

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 in the first three (3) months of the new fiscal year.

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, 2011 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. All accounts receivable are due in one or less than one year. The term of the cash surrender value of the reinsurance (EUR 97k) 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 30k relate mainly to outstanding invoices and financial statements costs.

Accounts payable relate primarily to liabilities owed to rightholders under the settlements (also advance payments) made in 2011 and the preceding years for the periods 1987 until 2010. The liabilities owed to shareholders (EUR 69k) are based on statements of account and/or offsetting. The full amount of liabilities is due within one year.

As in the previous year the other liabilities are made up only of liabilities for taxes.

Profit and loss statement

Of the revenue cable retransmission, an amount of EUR 20,350k is attributable to cable retransmission rights Germany. An amount of EUR 101k is attributable to countries other than Germany.

Income not relating to the period under review is included in the revenues cable retransmission in an amount of EUR 3,121k and in the other operating income in an amount of EUR 7k as a result of release of reserves.

The provisions 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 20,217k has been distributed or paid to the rightholders in the year under review. An amount of EUR 188k has been used for promotion purposes.

IV. Other information

Management

In the year under review, Prof. Dr. Ronald Frohne, Rechtsanwalt [Attorney-at-Law], Berlin, and Mrs. Gertraude Müller-Ernstberger [Attorney-at-Law], Munich, were the managing directors each holding power of individual representation.

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

Advisory board

Pursuant to Art. 11 of the articles of association, 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 no (salaried) employee besides the managing directors in the fiscal year under review.

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, June 12, 2012

AGICOA Urheberrechtsschutz-Gesellschaft mbH
Management Board

Prof. Dr. Ronald Frohne

Gertraude Müller-Ernstberger

Statement of Fixed Assets in Fiscal Year 2011

	At cost				Accumulated depreciation				Net book value	
	1 Jan 2011	Additions	Disposals	31 Dec 2011	1 Jan 2011	Depreciation fiscal year	Disposals	31 Dec 2011	31 Dec 2011	31 Dec 2010
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
I. Intangible assets										
Software	1.232.284,96	30.474,78	0,00	1.262.759,74	1.170.112,35	22.129,10	0,00	1.192.241,45	70.518,29	62.172,61
II. Tangible assets										
Office equipment	24.060,81	0,00	0,00	24.060,81	22.341,81	1.717,00	0,00	24.058,81	2,00	1.719,00
	1.256.345,77	30.474,78	0,00	1.286.820,55	1.192.454,16	23.846,10	0,00	1.216.300,26	70.520,29	63.891,61

AGICOA Urheberrechtsschutz-Gesellschaft mbH, Munich Management Report 2011

Preamble

In the fiscal year 2011, the activities of the Company comprised, as in the past, the administration of cable retransmission rights in Germany in compliance with the articles of association.

Course of business

In the period under review, the Company recorded revenue cable retransmission of EUR 20,350k for the area cable retransmission in Germany and EUR 101k for the area overspill of German TV-stations in Denmark. In addition, there has been an interest income of EUR 692k.

These revenues and income compared with expenses of AGICOA Urheberrechtsschutz-Gesellschaft mbH of EUR 1,665k after offsetting of income from increase of the cash surrender value of the reinsurance (EUR 10k) and the release of reserves for outstanding invoices and costs of the annual financial statements (EUR 7k). The remaining amount of EUR 19,478k has been 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 articles of association.

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 received 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.

In April 2009, the following understanding has been reached on the cable agreement for the years 2007 through 2012: A fixed remuneration of EUR 49 million has been agreed upon with the ANGA cable network operators for 2007. For 2008 through 2012, the amounts to be finally paid will be determined after submission of the audited revenue cable retransmission of the cable network operators (3.3% and 3.1% respectively of the revenue cable retransmission) with a minimum remuneration of EUR 52 million *per annum* being planned for 2009 through 2011. In the fiscal year 2011, an agreement has been reached with the new collecting society TWF which administrates the rights of advertising film producers. According to that agreement, TWF receives a fixed amount of EUR 2,155k with retroactive effect for all claims from 2008 through 2010 and, from 2011 on, an amount equal to 1.3% of the share of the collecting societies. Apart therefrom, the distribution of the remuneration between and among the film collecting societies will probably be made in almost the same proportion as in the previous years.

Therefore, the agreed amounts for the cable retransmission rights 2011 (EUR 14.065k) have been received in the fiscal year 2011. Due to the agreement with the collecting society TWF, GEMA, as collecting agent, accordingly corrected the remuneration to which the Company is entitled. Furthermore, the Company received subsequent statements for 2007 through 2010.

It is true that the 2011 revenues from the global cable agreement dropped compared with the previous year. However, this is due to the fact that the revenues relate to different periods and to the correction based on the agreement with TWF.

The collecting societies AGICOA, GÜFA, GWFF, VG Bild-Kunst, VFF and VGF formed ZWF. The purpose of ZWF is the management of the rights of secondary exploitation of films – administered by the individual shareholder-societies 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 2011 includes payments by ZWF for the period 2011 in the amount of EUR 2,379k. At the instigation of the Company, a new distribution formula is being negotiated between the collecting societies with the aim to get a higher share for the Company.

In the fiscal year 2011, it has been possible to prepare the cable retransmission statement for the broadcasting year 2010. In addition, in 2011, payments on account of solved double registrations and late claims for 1987 through 2009 have been made. After reserves for films not yet registered have been set aside and after the allocations to the social fund and the film promotion fund, a total of EUR 21,055k has been paid to the rightholders. An amount of EUR 188k has been spent for promotion purposes in the fiscal year 2011.

Within the framework of the statements, the reserves for films not yet registered, for the social fund and for the film promotion fund have been set aside as prescribed by law and by the articles of association.

AGICOA GmbH efficiently fulfils the tasks required by law through a small staff. The Company has no (salaried) employee in addition to the management. The work is in addition performed by employees of the affiliated collecting society GWFF which has the required know-how. Substantial synergies and cost savings are realized in this manner.

Promotion in 2011

At the end of the fiscal year 2009, the shares in the EPI – “Erich-Pommer” Institut für Medienrecht und Medienwirtschaft gemeinnützige Gesellschaft mit beschränkter Haftung, Potsdam, which has been formed by the Company, have been transferred to the Film and TV University “Konrad Wolf”, Potsdam.

Upon completion of the transfer of the EPI, AGICOA Urheberrechtsschutz-Gesellschaft mbH promised to finance the EPI for further two (2) years until the end of 2011. The University, on its part, confirmed continuation until at least 2014.

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 articles of association.

As a result of the requirements of the law, the balance sheet and thus the financial situation of the Company are determined by items channelled 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

Since in April 2009, a new cable agreement has been concluded with the cable network operators for the broadcasting years from January 1, 2007 to December 31, 2012 inclusive, remuneration for the broadcasting years up to and including 2012 can be expected. Hence, there is no risk of loss of income in this regard. The global cable agreement will be prolonged for one year automatically, as long as the agreement will not be recalled. In the case of a recall the global cable agreement has to be renegotiated, which could prove to be a very difficult task – as shown in the past.

While, as a result of the agreement reached with the new collecting society TWF in the fiscal year 2011, the risk of a possible reduction of the Company's previous share - as described in previous years - has materialized. The Company's share of the total remuneration is still considerable.

There is the risk of new additional collecting societies being formed in future which might lead to a further reduction of the Company's share.

The main risk inherent in the business operation of the Company is still 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 still notes with concern the (unfavorable) judgments on cable retransmission issued abroad (in particular in the Netherlands) and the heavy lobbying of the cable operators to remove the cable retransmission remuneration at the national and European levels as well as the attempts of broadcasters to acquire the cable retransmission rights directly from the producers. The Company endeavors to counter these attempts with arguments both at the national level and at the EU level. In addition, the management is concerned that Section 20b UrhG might not cover further forms of retransmission such as IPTV, ADSL or retransmission via satellite platforms. The Company vehemently advocates a "functional" interpretation of Section 20b UrhG and endeavors to bring about a respective clarification by the legislator.

A ruling of the German Federal Supreme Court on the so-called hotel-TV has been published on September 12, 2009. The German Federal Supreme Court held that the hotels are not obligated to pay remuneration pursuant to Section 20b UrhG in any case if and when they adopt without change the supplied program of the cable operator. The ruling has no impact on the Company so far. The ruling of the European Court of Justice of March 15, 2012 has ascertained the obligation of hotels to pay a reasonable remuneration.

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, ADSL etc.

Presumable development

It is intended to make the distributions to the rightholders as soon as possible also in the years to come. For 2012, the Company plans to distribute the amounts for the broadcasting year 2011.

Material events after completion of the fiscal year

There are no material events after the balance sheet date except the aforesaid current negotiations on the distribution formula for the ZWF-revenues between the collecting societies.

Audit Opinion

We issued the following unqualified audit opinion:

We 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 1 to December 31, 2011. The accountings 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. Our function is to give an opinion on the annual financial statements including the accounting records and on the management report on the basis of our audit.

We performed our 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. We are of the opinion that our audit constitutes a sufficiently secure basis for our assessment.

Our audit has not led to any reservations.

In our 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.

We, 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 our properly performed audit.

Lindau, June 12, 2012

(Seal of BAY GmbH)

BAY GmbH
Wirtschaftsprüfungsgesellschaft
Rechtsanwaltsgesellschaft

(Signature)

Karl-Christian Bay
Wirtschaftsprüfer