

## **TRANSLATION**

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

**GWFF Gesellschaft zur Wahrnehmung von  
Film- und Fernsehrechten mbH  
Munich**

**GWFF Gesellschaft zur Wahrnehmung von Film- und Fernsehrechten mbH,  
Munich, Germany  
Balance Sheet as of December 31, 2007**

<b>A s s e t s</b>	31 Dec 2007		31 Dec 2006	
	EUR	EUR	EUR	EUR
<b>A. Fixed assets</b>				
<b>I. Intangible assets</b>				
Software		181.544,98		249.536,64
<b>II. Tangible assets</b>				
1. Leasehold improvements	1.941,52		2.364,52	
2. Office equipment	6.828,61	8.770,13	11.726,91	14.091,43
<b>III. Financial assets</b>				
Shares in affiliated companies		893.124,12		905.374,12
		1.083.439,23		1.169.002,19
<b>B. Current assets</b>				
<b>I. Accounts receivable and other assets</b>				
1. Accounts receivable	1.870.997,98		28.590.189,46	
2. Accounts receivable from affiliated company	0,00		69.932,66	
3. Other assets	1.717.526,93	3.588.524,91	895.810,72	29.555.932,84
<b>II. Cash on hand and cash in banks</b>		107.885.248,61		88.487.578,92
		111.473.773,52		118.043.511,76
<b>C. Prepaid expenses</b>		8.021,62		7.994,29
		112.565.234,37		119.220.508,24

<b>Liabilities and Shareholders' Equity</b>		
	31 Dec 2007	31 Dec 2006
	EUR	EUR
<b>A. Shareholders' equity</b>		
Capital subscribed	102.258,38	102.258,38
<b>B. Contributions already made on account of the resolved capital increase</b>	593,29	593,29
<b>C. Reserves and accrued liabilities</b>		
1. Pension reserves	68.022,00	64.016,00
2. Accrued taxes	281,19	385,66
3. Reserves for rightholders	111.485.580,87	117.785.529,16
4. Other accrued liabilities	73.900,00	71.200,00
	111.627.784,06	117.921.130,82
<b>D. Liabilities</b>		
1. Accounts payable	713.821,55	1.111.707,62
2. Other liabilities	120.777,09	84.818,13
	834.598,64	1.196.525,75
	112.565.234,37	119.220.508,24

**GWFF Gesellschaft zur Wahrnehmung von Film- und Fernsehrechten mbH,  
Munich, Germany  
Profit and Loss Statement for the Year ended December 31, 2007**

	2007		2006	
	EUR	EUR	EUR	EUR
1. Revenue from copyright remuneration	57.772.544,21		62.469.359,91	
2. Other operating income	175.674,55	57.948.218,76	178.822,65	62.648.182,56
3. Personnel expenses				
a) Salaries	-569.412,10		-532.777,94	
b) Social security, pension	-116.489,26	-685.901,36	-114.268,04	-647.045,98
--thereof for pensions				
EUR 4,006.00				
(/y EUR 3,734.00)--				
4. Depreciation and amortization		-115.723,81		-151.473,85
5. Other operating expenses		-601.398,17		-659.711,89
		56.545.195,42		61.189.950,84
6. Interest income		5.314.480,97		4.286.682,59
7. Result from ordinary operations		61.859.676,39		65.476.633,43
8. Taxes on income		-281,19		-311,58
		61.859.395,20		65.476.321,85
9. Provision for reserves for rightholders		-61.859.395,20		-65.476.321,85
10. Net income		0,00		0,00

GWFF Gesellschaft zur Wahrnehmung von  
Film- und Fernsehrechten mbH, Munich

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 pro rata temporis over a useful life of four to ten years. Low-value fixed assets are fully written off in the year of acquisition. Foreign currency additions are 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 as well as 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 relate to the fiscal year 2006 and/or which were performed during the period under review. The prepaid expenses include expenses paid in 2006 and relating to 2006.

The pension reserves correspond to the discount value pursuant to Section 6a EstG [German Income Tax Act]. The basis for calculation are the "2005G guiding tables" of Prof. Dr. Klaus Heubeck. The actuarial discount rate is 6%. For simplification, it has been opted for the tax spreading of the difference over three (3) years beginning in 2005 also for the commercial balance sheet.

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 contingent liabilities in an amount which is necessary 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. Accounts receivable in foreign currency were converted at the official mean rate of exchange as of the balance sheet date.

### 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 low-value assets are, within the fixed assets, shown in the statement of fixed assets both as addition and as retirement in the year of acquisition.

The accounts receivable and the accounts receivable from affiliated company are due and payable within one year. The other assets relate mainly to tax refund claims and accrued interest and are due in one or less than one year. The term of the value of the reinsurance (EUR 76k) is more than five years.

The capital stock registered in the Commercial Register amounts to DM 200,000. It is fully paid in. The conversion of the capital stock to EUR 103,000 has meanwhile occurred on the basis of a shareholder resolution, but has not yet been entered in the Commercial Register. Contributions already made on account of the resolved capital increase are shown separately.

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 74k relate to outstanding invoices, vacation reserves, reserves for the preparation, audit and publication of the financial statements and for the 'Berufsgenossenschaft'.

An amount of EUR 115,895.39 of the accounts payable relates to shareholders.

The full amount of liabilities is due within one year. The other liabilities include:

	12/31/2007	12/31/2006
	EUR	EUR
<b>liabilities for taxes</b>		
tax deduction on the basis of Sect. 50a EstG	109,092.86	64,932.51
wage and church tax	10,239.48	9,770.20
	119,332.34	74,702.71
<b>liabilities for social security</b>	1,044.75	0.00
<b>other liabilities</b>	400.00	10,115.42
	120,777.09	84,818.13

#### Profit and loss statement

Of the total revenues (revenue from copyright remuneration), the amount of EUR 52,144k is attributable to Germany, thereof EUR 47,545k pursuant to Section 54 UrhG, EUR 577k pursuant to Section § 27 UrhG and EUR 4,022k for cable retransmission rights. The amount of EUR 5,629k is attributable to countries other than Germany. Because of the business activity of GWFF most of the total revenues are relating to other periods. The total revenues from countries which withhold non-refundable withholding tax according to the DTC (Double Taxation Convention) applicable from time to time between Germany and the respective country have been shown after deduction of such withholding tax; this concerns Australia and Spain.

The other operating income includes income, relating to other periods, from the release of reserves in the amount of EUR 2k.

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. The amount of EUR 67,557k was distributed or paid to the rightholders in the year under review. The amount of EUR 467k was used for promotion purposes and the amount of EUR 36k for social purposes.

#### **IV. Other information**

##### **Management**

The Managing Directors holding power of individual representation are Prof. Dr. Ronald Frohne, Rechtsanwalt [Attorney-at-Law], Berlin, and Ms. Gertraude Müller-Ernstberger, Rechtsanwältin [Attorney-at-Law], Munich.

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

##### **Advisory board**

In accordance with the statutes, the Company has an advisory board composed of six (6) persons. The advisory board received no remuneration in the fiscal year.

##### **Employees**

The Company had 15 (salaried) employees on the average in the fiscal year 2006.

##### **Other financial obligations**

The other financial obligations in the amount of EUR 473k substantially relate to the office rent agreed until December 31, 2011.

##### **Shareholding**

Shares within the meaning of Section 285 (11) HGB are held in AGICOA Urheberrechtsschutz-Gesellschaft mbH, Munich. As of December 31, 2007, the Company holds 51% of the shares of capital stock (= equity) in the amount of DM 50k (EUR 26k). AGICOA Urheberrechtsschutz-Gesellschaft mbH, Munich, shows a net income for the year of EUR 0 in accordance with the statutes.

The Company holds 100% of the shares in GWFF USA, Inc., Santa Monica, California, U.S.A. which was formed in the fiscal year 2003 with a common stock of US\$ 1,000k. The financial statements for the year ending December 31, 2007 show a net income for the year of USD 0.

In addition, the Company holds 51% of the shares in ISAN Gesellschaft zur Registrierung von Film- und Fernsehwerken mbH, Munich which was formed in the fiscal year 2006 with a capital stock of EUR 25k.

**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 contained in the reserves established for this purpose (see above).

Munich, May 9, 2008

Prof. Dr. Ronald Frohne      Gertraude Müller-Ernstberger

**GWFF Gesellschaft zur Wahrnehmung von Film- und Fernsehrechten mbH,  
Munich, Germany  
Statement of Fixed Assets in fiscal year 2007**

At cost				
	1 Jan 07	Additions	Deductions	31 Dec 07
	EUR	EUR		EUR
<b>I. Intangible assets</b>				
Software	1.224.992,29	38.804,85	0,00	1.263.797,14
<b>II. Tangible assets</b>				
1. Leasehold improvements	28.046,25	0,00	0,00	28.046,25
2. Office equipment	184.174,36	3.606,00	0,00	187.780,36
	213.212,81	3.606,00	0,00	215.826,61
<b>III. Financial assets</b>				
1. Shares in affiliated companies	905.374,12	0,00	-12.250,00	893.124,12
2. Investments	33.233,97	0,00	0,00	33.233,97
	938.608,09	0,00	-12.250,00	926.358,09
	2.376.813,19	42.410,85	-12.250,00	2.405.981,84

Appendix to the Notes

Accumulated depreciation				Net book value	
1 Jan 07	Depreciation fiscal year	Deductions	31 Dec 06	31 Dec 07	31 Dec 06
EUR	EUR		EUR	EUR	EUR
975.455,65	106.796,51	0,00	1.082.252,16	181.544,98	249.536,64
25.681,73	423,00	0,00	26.104,73	1.941,52	2.364,52
172.447,45	8.504,30	0,00	180.951,75	6.828,61	11.726,91
199.121,38	8.927,30	0,00	207.056,48	8.770,13	14.091,43
0,00	0,00	0,00	0,00	893.124,12	905.374,12
33.233,97	0,00	0,00	33.233,97	0,00	0,00
33.233,97	0,00	0,00	33.233,97	893.124,12	905.374,12
1.207.811,00	115.723,81	0,00	1.322.542,61	1.083.439,23	1.169.002,19

GWFF Gesellschaft zur Wahrnehmung von  
Film- und Fernsehrechten mbH, Munich  
2007 MANAGEMENT REPORT

**Preamble**

In the fiscal year 2007, the activities of the Company comprised, as in the past, the fiduciary administration of the blank tape and VCR levy rights pursuant to Section 54 UrhG [Copyright Act] in Germany in accordance with the statutes. The rights pursuant to Section 54 UrhG have been administered both in Germany as well as in the area of private copying on the basis of reciprocity agreements with several foreign collecting societies.

In addition, the Company had been entrusted with the administration of the author's claims pursuant to Sections 27, 22 UrhG in Germany.

On the basis of reciprocity agreements with several foreign collecting societies, GWFF administers rights in the areas of cable retransmission and use at schools also abroad. The rights of the right-holders are now represented in the following countries: Austria, France, Belgium, Spain, Switzerland, Liechtenstein, Netherlands, Norway, Ireland, Denmark, Australia, Sweden, Canada, Portugal, Finland, Luxembourg, Great Britain and New Zealand; in 2005, for the first time, also in Bosnia, Bulgaria, Estonia, Latvia, Lithuania, Slovakia, Slovenia, Poland and Ukraine as well as Romania.

**Course of business**

During the period under review, GWFF recorded revenues of EUR 52,244k for the administration of rights for Germany. Of this amount, EUR 47,646k are attributable to remuneration pursuant to Section 54 UrhG, EUR 577k to remuneration pursuant to Section § 27 UrhG and EUR 4,022k to cable retransmission rights. Compared with the previous year, the domestic revenues decreased by EUR 5,989k, in particular, in the area of blank tape and VCR levy.

The remuneration for cable retransmission rights abroad amounted to EUR 2,620k, thereof EUR 629k for Switzerland and Liechtenstein, EUR 158k for Austria, EUR 1,655k for Belgium, Netherlands, Ireland, Latvia, Luxembourg, Finland, Sweden, Denmark, Norway, Bosnia, Slovakia, Poland, Ukraine as well as EUR 178k for France. The remuneration for blank tape and VCR levy abroad amounted to EUR 2,996k, thereof EUR 2k for Austria, EUR 1,726k for France, EUR 468k for Belgium, EUR 511k for the Netherlands, EUR 207 for Switzerland and Liechtenstein, EUR 19k for Romania, EUR 22k for Spain and EUR 35k for Sweden. In addition, an amount of EUR 12k has been received for use at schools abroad, thereof EUR 5k for Australia and EUR 7k for Switzerland and Liechtenstein. For the so-called "Kneipenrecht" [pub right] (Section 22 UrhG Germany analogously) revenues of EUR 76k were received from the Netherlands. The foreign revenues increased by EUR 1,393k from last year.

The variation in the received revenues on the basis of a year-on-year comparison is due to the accounting method applied by the respective collecting agency.

Besides these revenues, there has been an interest income of EUR 5,314k and other operating income of EUR 176k. These revenues and income compared with expenses of EUR 1,489k. The remaining amount of EUR 61,874k was allocated to the reserves for distribution to rightholders so that a net income for the year of zero is reported in accordance with the statutes.

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

Also in the fiscal year 2007, it was possible to increase the number of rightholders of GWFF.

During the period under review, the blank tape and VCR levy for the areas 'theatrical German motion pictures and EU-films' for the broadcasting year 2005 and a payment on account for 2006 have been distributed. For 'foreign cinematographic and television works' and for 'other German cinematographic and television works', final statements for 2005, and statements for 2006, have been prepared. In the year under review, payment was made also for solved double registrations and late claims for 1982 through 2004. For the area 'U.S. film music', distributions were made to the rightholders for the broadcasting year 2006. Likewise, the performers share 2002 through 2005 (i.e. the amounts received for the British and the U.S. actors) has been paid to the Screen Actors Guild. In addition, it was possible to distribute solved double registrations for 1984 through 2006. Furthermore, the remuneration pursuant to Section 27 UrhG was distributed for 2005 and 2006. The revenues both for cable retransmission rights (2000 through 2005) and for blank tape and VCR levy in Switzerland and Liechtenstein (for 2000, 2004, 2005) and the revenues for blank tape and VCR levy in France for 1987 through 2005 were distributed. The revenues for cable retransmission rights in Germany, which are due to the U.S. Guilds, were paid for the broadcasting year 2006 in addition to subsequent accountings for 2001 through 2004.

A total amount of EUR 69,653k has been distributed to the rightholders in the fiscal year 2007.

GWFF very efficiently fulfilled the tasks required by law through a small staff of 15 people (thereof ... part-time employees) in 2007. GWFF is conscious of its social responsibility and employs disabled persons even though, in view of the number of staff members, it is not subject to the Disabled Persons Act.

GWFF USA Inc., which has been operating in the U.S. since 2003, transferred its registered office to New York in 2005. Its activities focus on the servicing of the great number of rightholders in the U.S.A., especially the members of MPA, IFTA as well as DGA, WGA and SAG.

Within the framework of the EUROCOPYA, the Company again took part in the WIPO negotiations and represented the interests of its members vis-à-vis the EU Commission.

In the middle of 2005, GWFF applied for a license as ISAN Regional Agency Germany with ISAN International Agency in Geneva. The license as sole licensed German Agency was granted in November 2005. ISAN (International Standard Audiovisual Number) is an ISO certified numbering system to identify audiovisual works. In 2006, GWFF formed a subsidiary which, as ISAN Regional Agency, offers registration services to its rightholders. In October 2007, GWFF sold 49% of the shares to the collecting society VFF.

### **Promotion in 2007**

GWFF extended its sponsoring within the framework of the International Film Festival in Berlin (Berlinale) and awarded again the "Best First Feature Award" which was created in 2006. The EUR 25k prize is awarded in equal parts to the producer and the director of the best feature from the program of the Festival, the Panorama and the Children's Film Festival.

In addition, in the fiscal year 2007, GWFF awarded the first prize, i.e. EUR 15k, at the Festival Osteuropäischer Film in Cottbus besides the so-called small scholarships for the participation of students of German film colleges in study-linked projects.

As further support, GWFF created together with the Film and Television College [HFF] "Konrad Wolf", Potsdam-Babelsberg, the 'Babelsberger Medienpreis', i.e. the EUR 18k "Prize for the Best Graduate Film". The award of the prize was celebrated in Potsdam.

Further sponsoring was provided, in particular, to the International Film Festival in Berlin, the Filmboard Berlin-Brandenburg and the International Student Festival "Sehsüchte". The Berkshire International Film Festival was sponsored via GWFF USA Inc. Furthermore, talks are conducted with the Tribeca Film Festival in New York with respect to the joint promotion of specific film making lessons at U.S. schools.

The Company supports together with AGICOA Urheberrechtsschutz-Gesellschaft mbH the Erich Pommer Institut (EPI) in Potsdam. The EPI has built up an excellent scientific reputation. It provides important scientific contributions to the film copyright law and substantially contributes to the education and further training of young producers and authors in the film and television industry by organizing joint 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 total revenues are 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.

The management succeeded again in keeping the administrative costs stable. The administrative costs amount to only approx. 2.5 % of the revenues (approx. 2.3 % last year) which is a low cost ratio for a collecting society.

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**

The main risk inherent in the business of the Company is the fact that the legal outline conditions regarding remuneration claims for blank tape and VCR levy and cable retransmission change over the medium or long term. The Company took part in the discussions about the copyright law reform ("basket II"). At the end of 2007, the area private copying has been newly regulated by "basket II" effective January 01, 2008. By the "basket II", the legislator left it to the collecting societies and the industry involved (Bitkom, ZVEI and IM) to decide in negotiations on the amount of reasonable remuneration for private copying which previously had been provided in an annex to the Copyright Act. The negotiations have so far been without result. The industry representatives terminated all relevant agreements effective December 31, 2007 and, in addition, challenge the continued validity of the old rates during the period of negotiation even though – in the opinion of the collecting societies – the legislator had directed them to pay the remuneration so far prescribed by law until the end of the negotiations. It is to be feared that an agreement between the industry representatives and ZPÜ may be reached only by way of mediation or by way of an action filed with the arbitral body

of the German Patent and Trademark Office. It is therefore not foreseeable when and what amount of remuneration will be paid to GWFF for 2008 in addition to the still unsettled balance for 2007.

The chances of the Company consist primarily in the fact that the Company, as collecting society, will administer the rights of its rightholders and will register, collect and distribute their remuneration claims for private copying, for video rental and for cable retransmission rights in Germany and, via reciprocity agreements, via foreign collecting societies as long as such remuneration claims under copyright law exist, regardless of the amount of such remuneration claims. Despite the unfavorable tendency in Germany to reduce the remuneration claims, it should be noted that more and more foreign countries establish the legislative bases for claims comparable with Sections 22, 27, 54 UrhG. Therefore, the management expects further increases in foreign revenues.

It is possible that authors and producers presently represented by GWFF will entrust other collecting societies with their representation. However, the management does not regard this as a great risk because the number of rightholders is still increasing.

No significant new competitors are to be expected.

#### **Presumable development**

It is intended also in the years to come to distribute the money to the rightholders at the earliest possible time. The management will further endeavor to reduce the period between collection and payment of the money. We plan to distribute in 2008 the money for the periods up to and including 2007, also as payments of account, as the case may be.

#### **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 GWFF Gesellschaft zur Wahrnehmung von Film- und Fernsehrechten 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 GWFF Gesellschaft zur Wahrnehmung von Film- und Fernsehrechten 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]