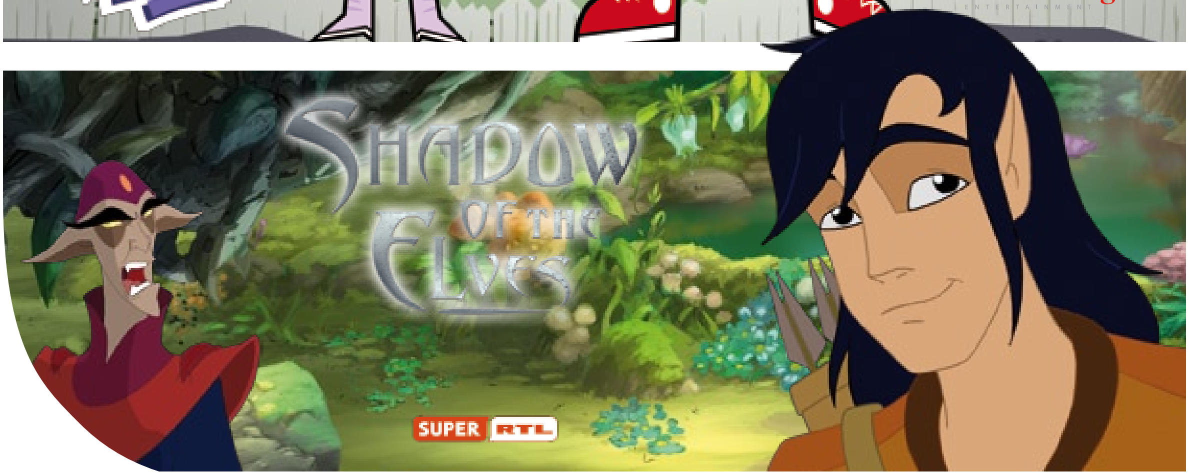
Your Family Entertainment AG

Annual Business and Financial Report 2009

Key data at a glance

Key financial data (in K€)	2009	2008
Sales	3,783	4,853
EBITDA	1,448	2,440
EBIT	837	971
Net income	774	820
Total balance sheet amount	15,981	18,842
Value of film assets	14,156	14,622
Shareholders' equity	12,486	11,712
Interest-bearing liabilities	1,130	2,500



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1. CEO's opening comments

Dear Shareholders,

We are pleased to present a positive report on the progress made by our Company again. The 2009 financial year was characterised by varied developments of fundamental importance for Your Family Entertainment AG.

An outstanding event that occurred in the 2009 financial year was the conclusion of a cooperation agreement with Nelvana International Limited that was signed on January 2nd. The agreement foresees that Nelvana International Limited will be permitted to offer titles on a non-exclusive basis in Eastern Europe and the countries of the former Soviet Union.

With a transfer date of April 1st 2009, Your Family Entertainment AG acquired a package of seven animated film series produced by the Berliner Animation Film BAF GmbH & Co KG in March 2009 and may in future market them throughout the world at all realisation levels such as TV and video, book, music and merchandising. We also acquired the international rights to a further series of animated films from a bank.

The expansion of our TV station "yourfamily" has successfully developed.

We have been available in the international network of UPC in Austria since September 2009, thus enabling us to reach 140,000 additional subscribers. Since September 2009, "yourfamily" has also been fed into the TV platforms wilhelm.tel and willy-tel in Hamburg and the area of Norderstedt. The inclusion of "yourfamily" in the digital programme range of Salzburg AG in December 2009 augurs well for the expansion of the range of our Pay-TV station "yourfamily" in 2010.

Based on the positive results of previous years, 2010 will be characterised by the intensification of existing business sectors.

The Company will concentrate on the continued expansion of international distribution in the field of "License Sales" as well as on the acquisition of new partners for the Company's pay-TV station "yourfamily".

Your Family Entertainment AG's business platform has been continually expanding with the addition of new productions to our library such as "OSCAR The Ballonist" or the programmes acquired as part of the wide-ranging distribution contract with Ettamogah Studios in Melbourne in Australia.

The long-term realisation of our productions and ideas is intended to enthral and inspire children, teenagers and families throughout the world. Behind this goal stands a highly skilled team that was strengthened in 2009 by Klaus Forch and Markus Andorfer, amongst others. Klaus Forch now supports Your Family Entertainment AG in the field of legal and business affairs and Markus Andorfer, with his skilled technical experience acquired, inter alia, during his work as director of the children's station NICK, works in the field of programmes, sales & marketing.

We are gratified by the positive feedback our Company and the values for which we stand has received.

The main focus of our activities remains the continuation of the Company's development through growth in existing and new business sectors, based on the principle of increasing our Company's sustainable value and thereby creating permanent value for you, our shareholders. The Company was established in 1980 as an autonomous department within Ravensburger AG and we are therefore celebrating our thirtieth birthday this year. Based on what has been achieved in past years, 2010 should be a year in which existing business sectors continue to be intensified and stabilised.

I would like to take this opportunity of thanking you, our shareholders, for your trust in our Company. I would also like to thank the members of the Supervisory Board of Your Family Entertainment AG who have supported, and continue to support, the Company in both word and deed.

I would also like to express my sincerest thanks to all of our employees. It is only due to your performance and your dedication that the above has been made possible and I am fully aware that such achievements and projects demand considerable personal involvement. I am therefore even happier to work in a team that accepts challenges day in day out with fantasy and initiative and overcomes them with bravour.

Munich, April 2010.

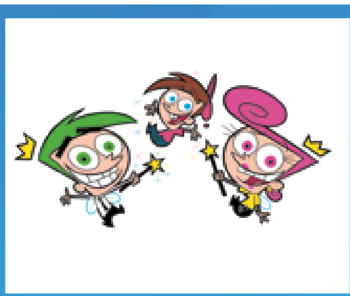
Dr. Stefan Piëch
CEO

2. About us...

YFE is a dependable supplier of good and high-quality entertainment of lasting value for both parents and children. The "yourfamily" brand sees itself as a seal of approval for family entertainment.

Your Family Entertainment AG (YFE) is one of Germany's longest-established television and film production companies in the field of entertainment formats for children, teenagers and the whole family. The YFE Company, which was started in the early-1980s as part of Ravensburger AG, embodies traditional "Ravensburger values" in parts of its product range and has more than 3,500 half-hour programmes at its disposal. The contents of these programmes are trusted, known and popular with children and parents.

We would like to introduce you to some examples of our range of programmes below:

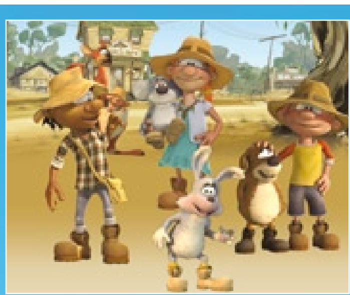


Fairly Odd Parents

This is the story of ten-year-old Timmy Turner, an almost normal child, well, almost normal that is, because Timmy has something that makes him different from other children: the two elves Cosmo and Wanda. They help Timmy out of every scrape.

Adventurers

Lola, Nevin, Paul and Kikko are stumped; where can their computer teacher Professor Krupnik be? He has suddenly disappeared without trace. The children set off on their search for their teacher using internet software developed by Professor Krupnik.



Li´l Larikkins

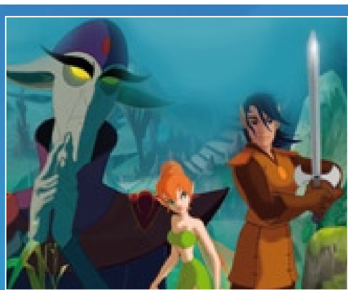
Ten-year old Amy, her koala bear Maddie and her friends are a big-hearted gang made up of quite normal heroes. Cheeky, witty and courageous, the Li´l Larikkins are tiny bundles of energy with a passion for adventure.

My Dad´s an Evil Genius

Plague and his sister Apocalypse are absolutely normal children. They go to school, do their homework, have hobbies and a pet. The only problem is that their father is an evil genius which, however, does not mean that they also try to conquer the world.

Timmy goes to school

At last – Timmy's first day at school. Timmy knows right from the first minute as he enters the colourful classroom, says hallo to his friendly teacher and meets other children of his own age, that he is in the right place.



Shadow of the Elves

Mittelland is a small paradise. Flowers bloom on verdant pastures and a sugar-sweet smell pervades the whole place. The elves look after their truly heavenly Mittelland, a country of pure peace, with love and joy. But suddenly this peace is threatened.

The Magic Pudding

The magic pudding Albert demands that everyone eat him until they burst. On the search his owners - sailor Bill, an eccentric penguin named Sam and the koala bear, Bunyip, who loves wandering – have one fantastic adventure after another with him.

Oscar The Ballonist

Oscar the balloonist is an absolutely devoted discoverer of nature. He travels throughout the world in his hot-air balloon and visits the animals. The fantastic thing is that he can not only speak to the animals but also change the seasons!

Altair in Starland

If you think that a boy with blue skin and long, floppy ears is funny then you don't know the country he lives in ... bizarre islands in a sea of stars, surrealist houses and extraordinary inhabitants – that's Starland.

Teen Buzz

What do you do when a magazine for young people runs out of readers and threatens to close? The publisher of "Teen Buzz" knows just what to do he exchanges the editors for a teenage quintet. Because who in the world knows teenagers better than 14 year-old boys and girls?

3. Report of the Supervisory Board 2009

Dear Shareholders,

The Supervisory Board regularly monitored, controlled and advised on the work of the Board of Management during the 2009 financial year. The Board of Management kept the Supervisory Board comprehensively and punctually informed by means of both verbal and written reports. The Supervisory Board and the Board of Management were also in constant contact between meetings. The Supervisory Board was therefore informed at all times of intended business policy, the Company's planning including financial, investment and human resources planning as well as on the development of the business and its current situation.

A total of four meetings of the Supervisory Board were held in the 2009 financial year at which every member of the Supervisory Board took part. All the members of the Supervisory Board have therefore participated in at least half of its meetings during their period of office in the 2009 financial year. During these meetings, all major matters of business policy, especially those relating to the Company's commercial and financial development, its strategy and planning, important business events and matters requiring the consent of the Supervisory Board were subjected to detailed and empirical analysis, deliberated upon and discussed with the Board of Management on the basis of comprehensive and complete reports prepared by the Board of Management. During the 2009 financial year, the Supervisory Board also made use of its right to inspect the books and correspondence as well as the Company's assets on several occasions. The Board of Management was available at all times to answer questions and to give explanations.

Key subjects discussed by the Supervisory Board

As in previous years, the Supervisory Board's deliberations and control activities in the 2009 financial year were dominated by, on the one hand, the stabilisation of the Company's core business and, on the other, discussions on the development of new business sectors and monitoring activities newly initiated by the Company. The successful increase in the Company's capital created operational room to manoeuvre.

In the field of License Sales, the main events during the year were the acquisition of the rights of the Berliner Animation Film BAF GmbH & Co. KG in Berlin and the signing of a distribution cooperation agreement with Nelvana International Limited. The Supervisory Board was involved in the negotiations the whole time and followed them closely. The Supervisory Board is of the opinion that both events create considerable potential for the Company in the future. The Company's Pay TV station has developed satisfactorily. Whilst it is true that sales in absolute figures are still small, the rates of increase are overproportionate so that they should, in future, reach the relevant critical mass.

Nevertheless, sales still did not reach the level of stability in 2009 that the Supervisory Board considers to be desirable. This applies in particular to the decline in sales relative to the same period in the previous year. The Supervisory Board has raised this matter repeatedly in discussions with the Board of Management and will continue to follow developments closely.

The Supervisory Board was closely involved in the pending legal dispute pursued by Claude Robinson with the company in Canada. The Supervisory Board does currently not believe that these proceedings will entail substantial risks for the Company, but wil continue to follow the case.

As in previous years, the continuous monitoring of the liquidity situation remained a major priority of the Supervisory Board. The Board of Management reported regularly on the situation. The current liquidity situation has improved considerably in comparison with previous years, not least as a result of the successful capital increase. Nevertheless, the Supervisory Board must continue to keep the situation under close review. This applies particularly to the pending discussions with respect to a continuation of existing bank financing. The Supervisory Board has made clear that it sees the maintenance of this financing as of particular importance for the Company.

Human Resources
In a resolution passed on October 30th 2009, the Supervisory Board appointed Dr. Stefan Piëch as CEO of the Company for an additional year, namely until December 31st 2010.

Sub-committees of the Supervisory Board
The Supervisory Board has not established any subcommittees.

Report on the audit of the annual financial statements
The annual financial statements and the management report of Your Family Entertainment AG were prepared in accordance with the provisions of the German Commercial Code (HGB).

In accordance with the Supervisory Board's instructions, Ernst & Young AG, auditors and tax advisers in Ravensburg, audited the Company's accounting system and its financial statements and management report for the 2009 financial year. The auditors issued an unqualified audit opinion based of their audit. The Company's annual financial statements and management report, as well as the audit reports, were submitted to the members of the Supervisory Board and examined by them. The Supervisory Board discussed these documents in detail at its meeting held on March 17th 2010 to discuss the financial statements in the presence of the auditors who reported on the principle findings made in their audit. The Supervisory Board took note of and approved the results of the audit. Following its own conclusive examination, the Supervisory Board established no grounds for objecting to the Company's financial statements and management report for the 2009 financial year. In its meeting of March 17th 2010, the Supervisory Board approved Your Family Entertainment AG's financial statements submitted by the Board of Management. Accordingly, the Company's financial statements are adopted. The Board of Management has prepared its report on the Company's relationships with affiliated companies and submitted this report, together with the auditors' report on this subject, to the Supervisory Board. The auditor granted the following unqualified audit opinion:

"We confirm, following our obligatory examination and assessment, that

1. the factual details contained in the report are correct,

2. the services provided by the Company in the legal transactions listed in the report were not excessive."

The auditors took part in the Supervisory Board's deliberations on the report dealing with relations with affiliated companies and reported on the principle results of its audit. The Supervisory Board's examination of the Board of Management's report and the audit report gave no cause for objections; the Supervisory Board agrees with the results of the audit. The Supervisory Board, having examined the matter, raised no objection to the declaration made by the Board of Management at the end of the report on the relations of Your Family Entertainment AG with affiliated companies.

The auditor also carried out an examination in accordance with § 317 section 4 of the German Commercial Code and concluded that the Board of Management had installed a monitoring system, that the legal requirements as regards the early recognition of risks threatening the existence of the Company are fulfilled and that the Board of Management has taken appropriate measures to recognise developments at an early stage and to counter risks.

The auditors submitted the independence declaration required by the Corporate Governance Code to the Supervisory Board and disclosed the audit and consultancy fees in the current year to the Supervisory Board.

Corporate governance and the compliance declaration

The subject of corporate government has a high priority for the Supervisory Board. The Supervisory Board involved itself with the refinement of the Corporate Governance principles in the Company. The declaration given by the Board of Management and the Supervisory Board in accordance with § 161 of the German Companies Act is reproduced in the chapter of the company report dealing with Corporate Governance and is also to be found on the Company's website (www.yf-e.com) under Investor Relations.

Additional information on the subject of Corporate Governance is contained in the company report on pages 09 -10 (Corporate Governance Report).

The Supervisory Board thanks the Board of Management and all the employees for their commitment during 2009.

Munich, March 2010

Dr. Hans-Sebastian Graf von Wallwitz
Chairman of the Supervisory Board

4. The share

4.1 Overview

Your Family Entertainment AG is quoted under the security identification number 540891/ISIN: DE0005408918 and the abbreviation "RTV" on the regulated market of the Frankfurt Stock Exchange (General Standard).

Number of shares:	**8,700,000 units**
Subscribed capital:	**€ 8,700,000**
Initial notice:	**8th June 1999**
Designated sponsor:	**Schnigge AG**
Industry:	**Media & Entertainment**

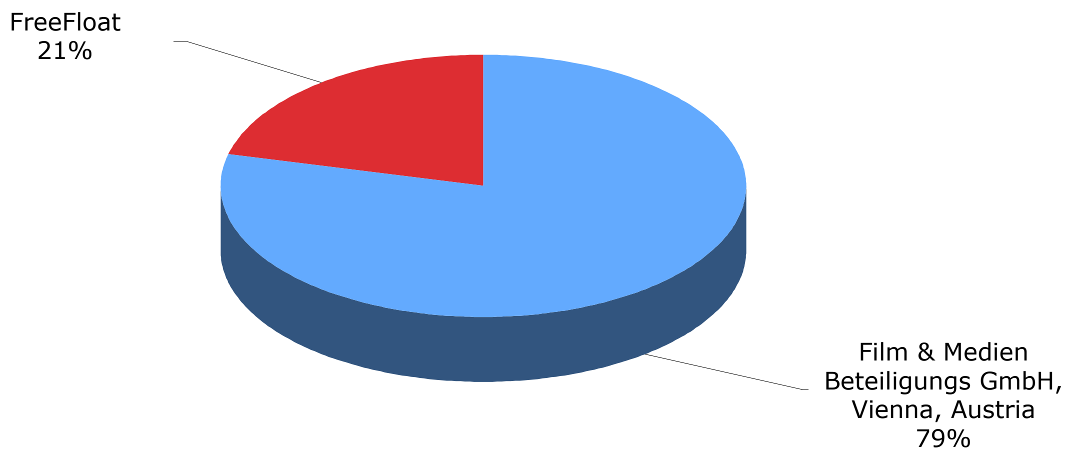
4.2 Development of the price of the share in 2009

During the period from January 1st to December 31st 2009, the price of the Your Family Entertainment AG share on the Frankfurt Stock Exchange developed as follows:

Source: www.ariva.de

4. 3 Shareholding structure

December 31st 2009:



5. Corporate governance report

Your Family Entertainment AG continued to develop its corporate governance practice in 2009 and also complies as far as possible with the changes in the code introduced in the version issued on 18th June 2009.

Since the Supervisory Board of Your Family Entertainment AG only consists of three members, it has not created any committees but includes a member who is an independent financial expert and who fulfils the required criteria. This person is independent and was never a member of the Company's management (suggestions in section 5.3.2). In its present composition, the Supervisory Board of Your Family Entertainment AG has a very wide range of expert knowledge that also covers the Company's international orientation (section 5.4.1). The YFE board will continue to be guided by these considerations in respect of suggestions for new elections to the Supervisory Board.

Should Your Family Entertainment AG make use of the exceptions in section 5.4.4 of the Code, in electing a member of the Board of Management to the Supervisory Board, the Supervisory Board will explain its reasons to the shareholders' meeting.

YFE also largely follows all the new recommendations with respect to all matters relating to the remuneration of the Board of Management, the main emphasis of the amendments brought about by the law and the Code. Should the Supervisory Board of Your Family Entertainment AG seek the services of an external expert on remuneration, it will ensure that he is independent (section 4.2.2). The Supervisory Board decides collectively and regularly checks the Board of management's remuneration system as well as major elements of the members' contracts of employment (section 4.2.2 of the Code). The Managementboard members' system of remuneration takes account of both positive and negative developments in the Company. Obviously, the variable elements of their remuneration are determined in such a way that the Managementboard members are not tempted to take on inappropriate risks.

The fees paid to the Board of Management and the Supervisory Board are shown in the appendix to the 2009 financial report. No conflicts of interest arose in 2009 in either the Board of Management or the Supervisory Board. A possible conflict of interest in connection with the Supervisory Board member, Dr Sebastian Graf von Wallwitz was avoided in that a resolution sought by the company on cooperation with the legal firm of Schwarz Kelwing Wicke Westphal, in which Graf von Wallwitz is a partner, was submitted to the 2007 shareholders' meeting as a resolution and appropriate approval given.

It is still the case that the Board of Management does not hold any Supervisory Board or comparable office. The Supervisory Board monitors the efficiency of its own activities every year. It is the Supervisory Board's opinion that it has a sufficient number of independent members.

A comparison of the compliance declaration with the Corporate Governance Code. which was actually implemented in 2009, did not reveal any discrepancies. Your Family Entertainment AG complies as far as possible with the recommendations of the government-appointed commission on the Corporate Governance Code, departing from the Code only in areas where this appears justified due to the Company's size, the usefulness of such measures and the financial possibilities of such a medium-sized company.

The rules of business procedure under which the Board of Management and the Supervisory Board operate were not changed in 2009. Approximately 50 shareholders and guests representing 83.7% of the voting share capital took part in the 2009 shareholders' meeting. All items upon which resolutions had been submitted were accepted.

The compliance declaration required by § 161 of the German Companies Act was published on the Internet (www.yf-e.com) in December 2009 under the heading Investor Relations / Corporate Governance:

Joint declaration of the Supervisory board and Board of Management of Your Family Entertainment AG (hereafter also referred to as the Company) to the suggestions of the "Government Commission on the German Corporate Governance Code" in accordance with § 161 of the German Companies Law:

The Board of Management and Supervisory Board welcome the Corporate Governance Code and declare the following:

§ 161 of the German Companies' Law requires that the Board of Management and Supervisory Board of a listed company declare annually that the recommendations made by the Government Commission on the German Corporate Governance Code, published by the Federal Ministry of Justice in the official part of the electronic Federal Gazette, have been and will be complied with or which recommendations were not and will not be applied.

The following declaration relating to the past is covered by the Code issued on June 6th 2008. The current version of the declaration issued on June 18th 2009 covers the Company's current and future practice with respect to corporate governance. The last annual declaration was submitted in December 2008.

The Board of Management and Supervisory Board of Your Family Entertainment AG declare that the re-commendations of the "Government Commission on the German Corporate Governance Code", published by the German Federal Ministry of Justice in the electronic Federal Gazette, have been complied with since the last annual declaration submitted in December 2008 and still are being complied with, subject to the following exceptions:

- Due to time constraints, it cannot be guaranteed that the published company report will be available at the time the invitation to the shareholders' meeting is issued (section 2.3.1 of the Code), it also cannot be guaranteed that the group financial statements will be made publicly available within 90 days of the end of the financial year and the half-yearly report within 45 days of the end of the reporting period (section 7.1.2 of the Code).

- The transmission of the shareholders' meeting via modern means of communication (section 2.3.4. of the Code) has not been carried out. The expense in terms of financial and human resources required for this purpose is totally disproportionate given the shareholders' structure and the Company's total volume of business

- The D&O (Directors' and Officers') insurance policy for the members of the Supervisory Board is not subject to any excess as this does not reflect general practice in the business, whereby the Company remains of the opinion that, given the responsibility and motivation of the members of the Supervisory Board, an excess is not required. (section 3.8 of the Code).

- Following the conclusion of the Company's restructuring in January 2003 and due to the reduced volume of business, the Board of Management is composed of one person only (section 4.2.1. of the Code). The Supervisory Board is therefore unable to insist on diversity in the composition of the Board of Management (section 5.1.2 of the Code).

- Disclosure of the total remuneration of individual members of the Board of Management in a remuneration report forming part of the Corporate Governance Report is not accepted. The Company is therefore not in agreement with the recommendations in section 4.2.5. The Company believes that protection of the Board members' rights to privacy should be given higher priority.

- Due to the limited size of the Company and the Supervisory Board, no committees have been created (section 5.3. of the Code).

- The Supervisory Board receives a fee which is laid down in § 16 of the Company's statutes. Performance-related components have not so far been included in this remuneration (section 5.4.6. of the Code). The Company reserves the right to amend § 16 of its statutes at a future date.

- In accordance with the Regulations Governing the Regulated Market and the rules imposed by the German Securities Trading Law, a semi-annual report and interim announcements are published in addition to the annual report; for cost reasons, these are not prepared in accordance with international accounting standards (section 7.1.1 of the Code), but in accordance with the provisions of the German Commercial Code (HGB).

Munich, December 2009

Dr. Hans-Sebastian Graf von Wallwitz
Chairman of the Supervisory Board

Dr. Stefan Piëch
CEO

Annual financial report 2009

(in accordance with the German Commercial Code)

(from January 1st to December 31st 2009)

6.1 Balance sheet

6.1.1 ASSETS

	Dec. 31st 2009 €	€	€	Dec. 31st 2008 €
A. FIXED ASSETS				
1. Intangible assets				
1. IT Software	5,135.00			22,643.00
2. Film assets and other rights	14,155,747.81			14,622,387.55
3. Prepayments made on film assets	134,353.36			0.00
		14,295,236.17		14,645,030.55
II. Property, plant and equipment				
Other equipment, operational and office equipment		62,195.00		67,576.00
III. Financial investments				
Security investments		0.00		73,150.00
			14,357,431.17	14,785,756.55
B. CURRENT ASSETS				
I. Inventories				
Finished goods		65,995.59		57,998.23
II. Accounts receivable and other assets				
1. Accounts receivable trade	420,821.80			1,024,596.23
2. Other assets	21,780.76			74,465.63
		442,602.56		1,099,061.86
II. Cash on hand and balances with banks		1,076,204.24		2,832,870.11
			1,584,802.39	3,931,931.97
C. DEFERRED CHARGES AND PREPAID EXPENSES			38,368.33	66,009.99
			15,980,601.89	18,841,696.74

6.1.2 SHAREHOLDERS' EQUITY & LIABILITIES

	Dec. 31st 2009		Dec. 31st 2008
	€	€	€
A. SHAREHOLDERS' EQUITY			
I. Capital subscribed Conditional capital € 65,534.00 (Previous year K€ 66)	8,700,000.00		8,700,000.00
II. Capital reserve	2,287,456.00		2,287,456.00
III. Accumulated earnings	1,498,371.55		724,305.35
		12,485,827.55	11,711,761.35
B. RESERVES & ACCRUED LIABILITIES			
1. Pension reserves	288,839.00		345,569.00
2. Other reserves and accrued liabilities	225,942.87		354,637.58
		514,781.87	700,206.58
C. LIABILITIES			
1. Loans	1,130,000.00		0.00
2. Advance payments received on account of orders	547,934.36		1,714,403.50
3. Accounts payable, trade	1,237,745.43		1,625,361.79
4. Accounts due to affiliated companies	0.00		2,992,079.30
5. Other liabilities thereof for taxes: € 62,410.87 (previous year K€ 17) thereof for social security € 250.87 (previous year. T€ 0)	64,312.68		97,884.22
		2,979,992.47	6,429,728.81
		15,980,601.89	18,841,696.74

6.2 Income statement

	2009 €	2009 €	2009 €	2008 €
1. Sales		3,783,010.72		4,853,082.78
2. Other operating income		1,503,164.20		2,020,175.11
			5,286,174.92	6,873,257.89
3. Cost of materials				
a) Cost of licences, commissions and materials		241,554.94		275,860.75
b) Cost of purchased services		282,027.42		266,388.87
			523,582.36	542,249.62
			4,762,592.56	6,331,008.27
4. Personnel expenses				
a) Salaries	674,727.48			882,617.28
b) Social security expenses	95,464.36			94,890.33
c) Expenses of pension schemes	2,890.98			18,608.81
		773,082.82		
5. Depreciation of intangible assets and property, plant and equipment		1,553,421.10		3,259,885.12
6. Other operating expenses		1,599,510.21		1,103,479.48
			3,926,014.13	
			836,578.43	971,527.25
7. Other interest and similar income		15,833.61		83,976.60
8. Depreciation of financial investments		0.00		70,996.57
9. Interest and similar expenses		69,741.79		163,133.81
			-53,908.18	-150,153.78
10. Result from ordinary operations			782,670.25	821,373.47
11. Taxes on income		7,680.05		991.92
12. Other taxes		924.00		709.00
			8,604.05	1,700.92
13. Net income			774,066.20	819,672.55
14. Profit brought forward (previous year loss) from the previous year			724,305.35	-95,367.20
15. Accumulated earnings			1,498,371.55	724,305.35

6.3 Notes to the financial statements

I. General information

The annual financial statements of Your Family Entertainment AG in Munich for the 2009 financial year were prepared in accordance with §§ 242 ff., 264 ff. of the German Commercial Code and the relevant provisions of the German Companies Law. The rules applicable to larger companies limited by shares were applied.

Your Family Entertainment AG has its registered office at Nordendstraße 64 in Munich in Germany.

Object of the Company:
The creation, editing and production of films, video and audio carriers and merchandising products, the purchase and sale of rights, investment in broadcasting companies and national and international rights as well as event marketing. The Company is also a full-service supplier in the sense of an agency for the marketing of its own and others' merchandising rights at home and abroad. The Company's object also includes music publishing and all related transactions or transactions promoting the purpose of the Company, including the production of music, especially film music, either in its own capacity or through third parties.

The Company's business activities are split into the business divisions "Production" and "License Sales".

II. Accounting and valuation methods

The presentation and valuation principles applied in the preparation of the financial statements are as follows:

Balance sheet

Film assets and other rights are shown at their updated costs of acquisition. Depreciation is booked in line with the use of the film rights. A share of depreciation is posted in every accounting period, based on the share of sales achieved during the financial year in relation to the use still planned for the film rights and including the sales achieved during the financial year.

The approach used here is based on the US standard FASB ASC 926 (Entertainment - Films). The provisions of the German commercial Code do not include such rules specific to a particular industry.

In addition, an impairment test is carried out every year-end on the cut-off date.

An impairment is recorded, if indications are present which show that the reduction in value no longer applies, or may have been reduced. The impairment gain is shown as income in the statement of income. The increase in value or the reduction of the value impairment of an asset is, however, only carried out to the extent that it does not exceed the book value which would have resulted, taking account of the effects of depreciation, had no impairment of value been recorded in previous years.

Computer software and fixed assets are shown at their costs of acquisition less scheduled depreciation.

Computer software and fixed assests are depreciated pro rata temporis in accordance with the straight-line method. The period of depreciation is governed by the useful lives of the assets customary in the business. This is three years in the case of computer software and two-ten years for other office equipment.

Inventories are valued at their average costs of acquisition.

Receivables and other assets are shown at their nominal values. Account is taken of all items subject to risk through the establishment of specific bad debt provisions. The overall credit risk is also taken account of through a general bad debt provision of 1%.

The pension reserves are calculated in accordance with actuarial principles using an interest rate of 5.5%. Dr Klaus Heubeck's "2005 G Tables" are used as the basis for the calculation.

Other reserves and accrued liabilities are established to take account of all uncertain liabilities and threatened losses from pending transactions. They are shown with the amounts which sensible commercial judgement considers to be necessary.

Liabilities are shown with the amounts due for repayment.

Amounts in foreign currency are converted at the rate prevailing when they were acquired or at a lower exchange rate on the balance sheet cut-off date.

Statement of income

The statement of income is prepared in accordance with the cost summary method.

The recognition of sales depends on the licence contract concerned, especially the following aspects:

- a licence contract signed by both parties exists;
- the contractual obligations with regard to the delivery/provision of the material have been fulfilled;
- the term of the licence has begun;
- the contractual fee can be determined, e.g. also by means of regular reports of the video-on-demand platforms.

Whether the licensee does not use the rights until later is irrelevant with regard to the timing of the recognition of a sale.

As regards merchandising sales (business segment "Licence Sales"), the guaranteed income is shown at the time the contract is concluded or at the beginning of the relevant licence period. Income that is solely dependent on sales is recognised as the licensee records sales.

Sales in the "Production" business segment are recognised on completion of the film in the case of coproductions and on completion and acceptance of the individual episodes in the case of productions to order.

A contractually agreed partial delivery in the coproduction of series can also lead to a recognition of sales.

III. Explanations of the balance sheet

Non-Current Assets
The development of the individual items of fixed assets may be seen in the separate summary "Development of fixed assets in 2009".

Receivables and other assets
Accounts receivable trade include items with a term exceeding one year of K€ 1 (previous year K€ 0) and other assets an amount of K€ 13 (previous year K€ 13).

Deferred charges and prepaid expenses
This includes a discount of K€ 12 (previous year K€ 44).

Shareholders' equity
The Company's share capital on the balance sheet cut-off date was still composed of 8,700,000 unit shares, each with a share in capital of €1.00. The Company's share capital was therefore € 8,700,000.00 on 31st December 2009. The shares are bearer-shares. They are fully paid up.

On November 3rd 2005, the Board of Management of the Company, then trading under the name of RTV Family Entertainment AG, issued the following announcements in the German stock exchange newspaper ("Börsenzeitung") in accordance with § 25 section 1 of the German Securities' Trading Law:

"Dr Stefan Piëch (of Vienna in Austria) has informed us, in accordance with §§ 21 section 1, 22 section 1.1.1 of the German Securities' Trading Law, that the share of voting rights held by F&M Film und Medien Beteiligungs GmbH (of Vienna in Austria) in RTV Family Entertainment AG (security identification numbers 540891 and 540893) attributed to him in accordance with § 22 section 1.1.1. of the German Securities' Trading Law had, on October 26th 2005, exceeded the thresholds of 5%, 10%, 25%, 50% and 75% of the voting rights and is now 89.27%."

"F&M Film und Medien Beteiligungs GmbH (of Vienna in Austria) has informed us, in accordance with § 21 section 1 of the German Securities' Trading Law, that its share of the voting rights in RTV Family Entertainment AG (security identification numbers 540891 and 540893) had, on October 26th 2005, exceeded the thresholds of 5%, 10%, 25%, 50% and 75% of the voting rights and is now 89.27%."
F&M Film und Medien Beteiligungs GmbH in Vienna, Austria owned 78.77% of the Company's share capital on 31st December 2009.

Authorised capital V
The shareholders' meeting held July 9th 2008 approved new authorised capital (Authorised Capital V). The Board of Management was empowered, with the Supervisory Board's approval, to increase the Company's share capital by July 8th 2013 through the issue of new bearer share certificates in return for cash and/or contributions in kind by up to € 4,350,000.00. The shareholders are to be granted the right to subscribe to this capital. The Board of Management may, however, with the Supervisory Board's consent, exclude the shareholders' right to subscribe should the new shares be issued in return for contributions in kind.

The Board of Management may also, with the Supervisory Board's approval, exclude shareholders' rights to subscribe to shares to eliminate fractional amounts in their shareholdings.

The Board of Management is also entitled, with the consent of the Supervisory Board, to exclude the shareholders' right to subscribe to capital increases in cash should the issue price of the new shares not be materially lower than the stock exchange price. This authority is, however, subject to the condition that the newly issued shares from which subscription rights, in accordance with §§ 203 section 1, 186 section 3.4 of the German Companies Act, are excluded may not exceed 10% of the share capital, neither at the time the exclusion comes into force nor at the time it is exercised.

Conditional capital I
On 6th May 1999, an extraordinary meeting of the shareholders authorised a conditional increase in capital of up to € 400,000.00 through the issue up to 400,000 new shares. The new shares are entitled to participate in profits from the beginning of the financial year in which the issue is made. The option rights are not transferable and may not be sold. The option rights are not transferable and may not be sold. They may be exercised only as long as the beneficiary is not under notice of termination.

Those entitled to benefit include the members of the Board of Management (a maximum of 45% of the option rights) and the Company's employees (a maximum of 55%). The issue of option rights should take place in annual tranches over a period of three years:

- first tranche:
  200,000 option rights up to 30th June 1999

- second tranche:
  100.000 option rights up to 30th June 2000

- third tranche:
  option rights up to 30th June 2001

199,500 option rights were issued on 30th June 1999 as part of the first tranche. The average price for the exercise of the share option was fixed at €51.12.

Those entitled to purchase receive the right to subscribe to one new share of the Company for each option right. The option rights may not be exercised until two years after they have been granted. The last year in which the rights may be exercised is restricted to five years after the scheduled date of issue.

The beneficiary may be paid a cash amount instead of the subscription to new shares. The Board of Management shall decide whether to exercise this option, or the Supervisory Board, if members of the Board of Management are personally involved.

The shareholders' meeting of 4th May 2000 resolved that of the first tranche of 200,000 option rights, only 199,500 should be issued and the issue of the further 200,000 option rights should be terminated. The share option plan is therefore only valid for the option rights to 199,500 new shares. The date by which the option rights must be exercised was extended to 30th June 2004.

Following the capital increase from the Company's own resources (officially registered on 23rd May 2000), the number of option rights had to be doubled and the issue price halved. The share option plan therefore includes 400,000 option rights, of which 399,000 have been issued. The issue price was accordingly € 25.56. The shareholders' meeting that took place on 23rd May 2001 decided that the conditional increase in capital should only be carried out to the extent that the holders of option rights make use of their rights. The new shares participate in profits from the beginning of the financial year in which they were created as a result of the exercise of option rights. The date by which the option rights must be exercised was extended to 30th June 2009. Departing from the rule according to which option rights may only be exercised as long as the beneficiary is not under notice of termination, the option rights, for which the waiting period had already expired at the time the letter of termination was received, may be exercised by the holder within a further grace period of six months from the date the letter of termination was received.

An extraordinary meeting of the shareholders held on 12th August 2002 resolved that the conditional capital I should now be € 259,005.00 instead of € 400,000.00. The conditional capital increase will only be carried out providing that the holders of option rights make use of their option right issued under a share option plan in accordance with the resolutions passed by the extraordinary shareholders' meeting on 6th May 1999, amended and extended by resolutions passed by the regular shareholders' meetings held on 4th May 2000 and 23rd May 2001 and the extraordinary shareholders' meeting of 12th August 2002. The new shares are entitled to participate in profits from the beginning of the financial year in which the option rights are exercised.

Following the simplified capital reduction (officially registered on 9th October 2002), the number of option rights had to be divided by 15 and the issue price multiplied by a factor of 15. The share option plan thus includes 17,267 option rights at an issue price of € 383.40.

Conditional capital II

On 4th May 2000, an extraordinary meeting of the shareholders authorised a conditional increase in capital of up to € 800,000.00 through the issue of up to 800,000 new shares (conditional capital II). The new shares are entitled to participate in profits from the beginning of the financial year in which the issue is made. The purpose of the conditional capital increase is to grant (share) option rights to members of the Board of Management, employees of the Company, members of the Company's management bodies and employees of subordinated affiliated companies. The option rights are not transferable and may not be sold. They may be exercised only as long as the beneficiary is not under notice of termination.

Those entitled to benefit include the members of the Management Board (a maximum of 25% of the option rights) and employees of the Company, members of the Company's management bodies and employees of subordinated affiliated companies (a maximum of 75% of the option rights).

The issue of option rights should take place in annual tranches over a period of three years:

- first tranche:
  400.000 option rights from
  1st July up to 15th November 2000
- second tranche:
  200.000 option rights from
  1st July up to 15th November 2001
- third tranche:
  200.000 option rights from
  1st July up to 15th November 2002

Those entitled to purchase receive the right to subscribe to one new share of the Company for each option right. Several waiting periods were established for the exercise of the option rights. The waiting period is two years for 40% of the total amount of option rights issued to the individual beneficiaries, three years for a further 30% and four years for the remaining 30%. The option rights under the first tranche may not be exercised before 15th November 2002, those under the second tranche not before 15th November 2003 and those under the third tranche not before 15th November 2004. The dates 15th November 2005, 2006 and 2007 were established as the last dates on which rights may be exercised.

The beneficiary may be paid a cash amount instead of the subscription to new shares. The Board of Management decides on the exercise of this choice, or the Supervisory Board, if members of the Board of Management are personally involved.

Following the capital increase from the Company's own resources (officially registered on 23rd May 2000), the number of option rights and the individual tranches had to be doubled. The share option plan thus contained 1,600,000 option rights.

711,500 option rights were issued as part of the first tranche on 4th August and 15th November 2000. The average price for the exercise of the option was fixed at € 22.56.

The shareholders' meeting, which took place on 23rd May 2001, resolved that the conditional increase in capital should only be carried out to the extent that the holders of option rights make use of their rights. The new shares participate in profits from the beginning of the financial year in which they arose as a result of the exercise of share options. The date by which the option rights must be exercised was extended for the option rights under the first tranche to 15th November 2010, for the option rights under the second tranche to 15th November 2011 and for the option rights under the third tranche to 15th November 2012. In the event of a termination of the contract of employment, the option rights, for which the waiting period had already expired at the time the letter of termination was received, may be exercised within a further grace period of six months from the time the letter of termination is received.

369,500 option rights were issued as part of the second tranche on 30th July 2001 at an issue price of € 1.27.

The extraordinary meeting of the shareholders held on 12th August 2002 resolved that the conditional capital II should now be € 724,005.00 instead of € 1,600,000.00. The conditional capital increase will only be carried out provided that the holders of option rights make use of their option right issued under a share option plan in accordance with the resolutions passed by the extraordinary shareholders' meeting held on 4th May 2000, amended and extended by resolutions passed by the regular shareholders' meeting held on 23rd May 2001 and the extraordinary shareholders' meeting of 12th August 2002. The new shares are entitled to participate in profits from the beginning of the financial year in which the option rights are exercised.

Following the simplified capital reduction (registered on 9th October 2002), the number of option rights had to be divided by 15 and the issue price multiplied by a factor of 15, so that thereafter the share option plan contained 48,267 option rights at an issue price of € 19.05.

Following the capital reduction, the share option programme (conditional capital I and II) may be summarised as follows:

	Number of option rights granted in 2009	**Average subscription price per unit in Euro 2009**	**Number of option rights granted in 2008**	**Average subscription price per unit in Euro in 2008**
Number at the beginning of the financial year	10,000	295.53	10,000	295.53
expired	10,000	295.53	0	0
Number at the end of the financial year	0	0	10,000	295.53
thereof exercisable	0	0	10,000	0

RESERVES & ACCRUED LIABILITIES

The other reserves and accrued liabilities relate chiefly to personnel matters, outstanding invoices and the reserve created for the costs of the annual close and the audit.

Liabilities

Liabilities in K€ on 31.12.2009	Remaining term			Total
	Less than 1 year	2-5 years	More than 5 years	
	K€	K€	K€	K€
Accounts due to affiliated companies	1,130	0	0	1,130
Advance payments received on account of orders	548	0	0	548
Accounts payable, trade	1,238	0	0	1,238
Other liabilities	64	0	0	64
thereof for taxes	(62)	(0)	(0)	(62)
thereof for social security	(0)	(0)	(0)	(0)
Total liabilities	2.980	0	0	2.980

Liabilities in K€ on 31.12.2008	Remaining term			Total
	Less than 1 year	2-5 years	More than 5 years	
	K€	K€	K€	K€
Advance payments received on account of orders	1,714	0	0	1,714
Accounts payable, trade	1,268	357	0	1,625
Accounts due to affiliated companies	2,992	0	0	2,992
Other liabilities	98	0	0	98
thereof for taxes	(17)	(0)	(0)	(17)
thereof for social security	(0)	(0)	(0)	(0)
Total liabilities	6,072	357	0	6,429

In order to secure liabilities to banks, collateral in the form of rights and claims to film licence contracts have been granted.

Accounts due to affiliated companies

On December 31st 2009 the Company had no liabilities to F&M Film und Medien Beteiligungs GmbH in Vienna (previous year K€ 2,992).

Other financial commitments

Other financial commitments due within one year amount to K€ 348 and are composed principally of rental (K€ 76), and leasing commitments (K€ 15) and consultancy and service obligations (K€ 257).
K€ 172 will become due within two to five years, mainly for service obligations.

IV. Explanations of the income statement

Sales of K€ 2,246 (previous year € 3,990) were achieved in Germany and K€ 1,537 (previous year K€ 863) abroad. The sales of K€ 3,783 in 2009 were achieved wholly in the "License Sales" segment (previous year K€ 4,294).

Other operating income

This item primarily includes income from impairment of intangible assets to the amount of K€ 942 (previous year K€ 1,791).

Cost of materials

This position relates to sales-related costs for licences, commissions and materials. These are principally the costs of licences (authors' shares) to the amount of K€ 161 (previous year K€ 81) and commissions of K€ 60 (previous year K€ 162).

Personnel expenses

On average throughout the year, twelve (12) salaried employees (excluding the Board of Management) including three apprentices were employed.

Depreciation & Amortization

An impaiment loss of K€ 549 (previous year K€ 2,081) was recorded for film assets as a result of so-called impairment tests. In addition, write-offs of K€ 960 (previous year K€ 1,137) were made on film assets as a result of the use made of the assets.

Other operating expenses
This collective item chiefly includes the costs of repairs and administration (especially investor relations, legal, court, audit and consultancy costs), rental and leasing costs as well as press, advertising and industrial fair costs.

Interest and similar expenses
Interest expense to affiliated companies was K€ 0 (previous year K€ 150).

V. Information on the company's statutory bodies

Supervisory Board
The members of the Supervisory Board during the 2009 financial year were:

- Dr. Hans-Sebastian Graf von Wallwitz
  of Munich in Germany
  Lawyer
  (Chairman)

- Mag. Johannes Thun-Hohenstein
  of Vienna in Austria
  Media consultant
  (Deputy chairman)

- Dr. Andreas Aufschnaiter
  of Munich in Germany
  Business consultant

The total remuneration of the Supervisory Board in the 2009 financial year was K€ 27. In accordance with § 16 of the Company's statutes, K€ 12 of this amount is due to the chairman, K€ 9 to the deputy chairman and K€ 6 to the other members. The members of the Supervisory Board owned 100 shares on December 31st 2009.

The members of the Supervisory Board hold the following positions on other supervisory boards and control bodies within the definition of § 125 section 1.3 of the German Companies Act:

- Dr. Andreas Aufschnaiter:
  Full member of the supervisory board of the following companies:
  - MEA Melsinger AG in Aichach
  - Konsortium AG in Augsburg
  - STEMAS AG in Munich

  Chairman of:
  Vantargis AG in Munich

- Mag. Johannes Thun-Hohenstein:
  Member of the Supervisory Board of
  Ronald McDonald Kinderhilfe in Austria

Bord of Management
The sole management board member of YFE in the 2009 financial year was

Dr. Stefan Piëch
Vienna in Austria
Graduate in Film Studies

The Board of Management's total remuneration during the 2009 financial year was K€ 124 and includes both fixed remuneration and insurance contributions.

Since the condition triggering a salary waiver for 2008 and 2009 was not fulfilled and the salary reduction therefore became effective, total remuneration was reduced in comparison with the previous year. Moreover, the conditions for the payment of a management bonus for the 2009 financial year were not fulfilled.

The Board of Management held 59,881 shares on the balance sheet cut-off date.

The total remuneration for former members of the Board of Management was K€ 18.

The pension reserves for former members of the Board of Management and their dependents are fully provided for and amounted to K€ 267 on December 31st 2009.

VI. Audit and consultancy fees

The auditors' total fee invoiced in 2009 for the audit of the financial statements on December 31st 2009 (financial statements in accordance with the German Commercial Code and the audit of the Dependency Report) K€ 33 in total.

VII. Declaration in accordance with § 161 of the German Companies Act (AktG) relating to the Corporate Governance Code

Your Family Entertainment AG in Munich has submitted the declaration for 2009 required under § 161 of the German Companies Law and made this declaration available to shareholders in December 2009 on the Company's website (www.yf-e.com) under the title "Investor Relations".

Munich, 5th March 2010

The Board of Management

6.4 Development of non current assets

Development of non current assets in 2009

	1.1.2009 €	Costs of acquisition €	Disposals €	31.12.2009 €	Write-ups 2009 €	Accumulated depreciation €	Book value 31.12.2009 €	Depreciation for the year €
I. Intangible assets								
1. IT Software	53,718.90	0.00	0.00	53,718.90	0.00	48,583.90	5,135.00	17,508.00
2. Film assets and other rights	138,154,750.02	255,661.59	7,940,768.32	130,469,643.29	942,113.42	117,256,008.90	14,155,747.81	1,508,640.32 [1]
3. Advances paid on film assets	0.00	134,353.36	0.00	134,353.36	0.00	0.00	134,353.36	0.00
	138,208,468.92	390,014.95	7,940,768.32	130,657,715.55	942,113.42	117,304,592.80	14,295,236.17	1,526,148.32
II. Property, plant & equipment								
Other equipment, operational and office equipment	215,430.90	23,036.78	6,597.55	231,870.13	0.00	169,675.13	62,195.00	27,272.78
III. Financial assets								
Security investments	144,146.57	0.00	144,146.57	0.00	0.00	0.00	0.00	0.00
	138,568,046.39	413,051.73	8,091,512.44	130,889,585.68	942,113.42	117,474,267.93	14,357,431.17	1,553,421.10

[1] Including unscheduled depreciation of € 549,281.12

6.5 Management report

A. General

Your Family Entertainment AG (YFE) in Munich is one of Germany's longest-established companies engaged in the production of entertainment programmes for children, young people and families and trade in the licences for these products.

YFE, which previously traded as RTV Family Entertainment AG (RTV) and which has its origins in Ravensburger AG, focuses its activities on educational, non-violent programmes for the whole family.

The Company's high-quality library of programmes currently consists of more than 3,500 half-hour programmes and is therefore one of the largest of its kind in Europe. YFE uses and markets this library of rights in free-TV, pay-TV, via DVD, Video on Demand (VoD) and in merchandising. The library had been built up by the Ravensburger Group over a period of almost 30 years and is being continued by YFE with the same traditional values.

The Company's business divisions are divided between „Licence Sales" and „Productions".

The „Licence Sales" business division includes the trade in licences for free-TV and pay-TV as well as the whole value creation chain of ancillary rights marketing.

The "License Sales" business division also includes the manufacture and the distribution by the Company itself or third parties of DVDs and audio products in the field of home entertainment. The Company's own distribution is made under the "yourfamilyentertainment" DVD label.

Since the end of 2007, YFE has also been successfully operating in the market with its Pay-TV station "yourfamily". The German-language channel broadcasts YFE programmes 24 hours a day via satellite, cable and DSL (IPTV).

The "Productions" division is divided into two sub-divisions, productions-to-order and so-called repertoire productions and extends from the pure development of programmes through to full-service productions. This spectrum includes both animation and live-action programmes on the one hand and game, quiz shows and infotainment programmes on the other.

The Company also develops and produces television series as a co-producer together with international partners. YFE also strengthens its involvement in the production of shows and infotainment programmes as a supplier of entertainment programmes for the whole family.

B. Annual financial statements

1. The overall economic situation

1.1 World economic climate

"The ifo International economic Climate Indicator increased for the third time in succession in the third quarter of 2009. The increase in the indicator results both from the more favourable expectations for the next six months and from less negative assessments of the current economic situation. The recovery in the international economy is driven primarily by the dynamic economic development of Brazil, India, China and the other Asian countries.

The economic climate is improving in all major economic regions. The increase was particularly marked in the Asian economic indicator. This even exceeded its long-term average. The climate indicator also increased considerably in the fourth quarter of 2009 in Western Europe and North America. With the exception of certain countries in central and Eastern Europe, economic expectations are almost universally optimistic. Although considerably improved versus the previous quarter, the current economic situation is, by comparison, viewed as exceptionally unfavourable in all major areas. Opinions on the current economic situation in the Euro-zone, North America, central and eastern Europe and Russia are viewed particularly unfavourably.

On average throughout the world, expectations as regards inflation in 2009 are considerably lower than those made in the previous year (2.5% versus 5.4%). According to the expectations of the participants in the World Economic Survey (WES), the increase in prices will only accelerate slightly over the next six months.

According to the WES experts, interest rates will increase over the next six months for the first time in more than a year. The WES experts anticipate that, consistent with the more favourable economic predictions, long-term interest rates will also increase in most countries during the next few months.

The WES experts regard the Euro on average throughout the world as over-valued. The other major international currencies, the US-Dollar, the Japanese Yen and the British Pound are by contrast regarded as generally correctly valued." (Source: ifo-Institute, Munich).

1.2 Entertainment and media industry

Experts predict a digital revolution in the entertainment and media industry, leading to annual growth of 2.7% to $ 1.6 trillion by 2013.

The "Global Entertainment & Media Outlook 2009-2013" published by Pricewaterhouse-Coopers (PwC) claims that in the next five years digital technologies will dominate all sectors of the entertainment and media industry even more strongly than is currently the case. The current economic downturn that has affected all sectors of this industry partially continues to favour this trend. The digitalisation of the world will accordingly continue to advance.

The total global entertainment and media market will grow by 2.7% per annum to a total volume of $ 1.6 trillion.

Due to the depth of the downturn, the current recession will last longer than earlier recessions so that the effects on consumer behaviour will be more pronounced than in the past.

"That will also affect the entertainment and media industry: consumption in this sector will decline by 1.2% in 2009, remain weak in 2010 and recover to a still modest increase of 3.2% in 2011", is how Johannes Mörtl, partner of PricewaterhouseCoopers in Austria sees the situation. "Reactions to the recession will differ widely from country to country and region to region."

"Certain regions will hardly be affected whilst others will share the agony" Mörtl continues. Latin America and the Asia-Pacific area will remain the fastest growing regions with annual growth rates of 5.1% and 4.5% by 2013.

The total volume of the entertainment and media industry will increase in these regions over the period under review to $ 73 billion and $ 413 billion. Excluding Japan, which in 2008 accounted for 45% of the total market in the Asia-Pacific region; entertainment and media consumption in this region will increase by probably 7.1%.
(Source: http://newsflash.unternehmerweb.at, Global Entertainment & Media Outlook 2009-2013 from PwC).

2. Key events during the 2009 financial year

Repayment of the shareholders' loan

On January 14th 2008, YFE signed a contract with Commerzbank AG in Stuttgart (the lender) providing loan facilities. The loan facility granted by the lender is of € 3,500,000.00. YFE may use the facility either for overdraft purposes or as a money market loan. The facility expires on December 31st 2010. The contract for a loan facility is secured by the assignment of rights and claims under film licence and sale contracts, as well as insurance claims, including the transfer of rights to film material.

The loan granted by F&M Film & Medien Beteiligungs GmbH, including interest due, was repaid on January 2nd 2009. The loan facility provided by Commerzbank in the form of a money market loan of K€ 2,000 was used for this purpose and K€ 980 was derived from the Company's own cash reserves. The money market loans are currently concluded on a short-term basis in order to optimise interest on outside borrowing.

Sales Agency Agreement with Nelvana International Limited

A sales agency agreement was concluded with Nelvana International Limited on January 2nd 2009.

The agreement allows Nelvana International Limited to offer selected titles on a non-exclusive basis in Eastern Europe and the CIS states.

The term of the individual titles was agreed separately whereby, assuming that the agreement is not extended, the last title would expire at the end of 2028.

Acquisition of an animated film series from the Berliner Film Company Produktion GmbH (BFC)

In May 2009, Your Family Entertainment AG acquired all the rights to the animated film "Da Boom Crew", consisting of 13 episodes each of 23 minutes from BFC.

Acquisition of an animated film series from Berlin Animation Film (BAF)

In March 2009, Your Family Entertainment AG acquired the rights to a package of seven animated films from Berliner Animation Film BAF GmbH & Co KG, to be transferred on April 1st 2009, which it will in future market throughout the world, both itself and together with marketing partners, through media channels such as TV and video, book, music and merchandising.

The animated film package acquired by Your Family Entertainment includes a total of 222 episodes each of 30 or 15 minutes.

Co-production "Oscar The Ballonist"

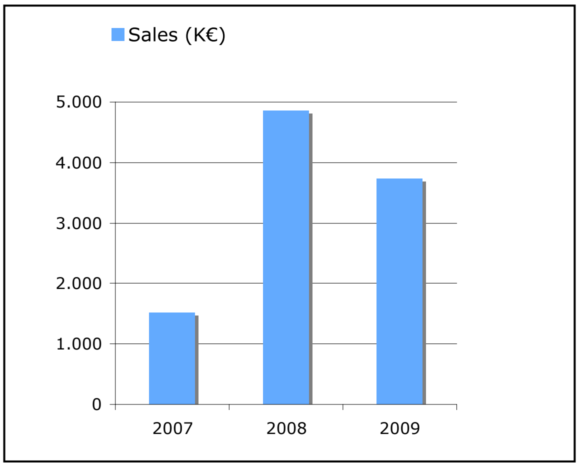
In 2009, YFE signed a coproduction contract with ZDF and Tivola to produce the series "Oscar – The Ballonist". The production is still in progress and delivery is planned to take place in the first half of 2010.

3. Development of the business

3.1 Sales development

Your Family Entertainment AG achieved sales of K€ 3,783 during the reporting period.

Sales were therefore K€ 1,070 below those of the previous year (K€ 4,853) but were in line with the Company's budget since project deals and so-called "package deals" can cause fluctuations in the development of sales.



All of the sales of K€ 3,783 achieved in 2009 were accounted for by the "License Sales" business division (previous year K€ 4,294).

Sales by region

YFE's sales by region during the reporting period were

Regions	2009		2008	
	K€	in %	K€	in %
Domestic	2,246	59	3,990	82
Foreign	1,537	41	863	18
Total	**3,783**	**100**	**4,853**	**100**

as follows:

4. Earnings situation

Earnings before interest and taxes, depreciation and amortisation (EBITDA) were K€ 1,448 (previous year K€ 2,440).

The result from ordinary operations was K€ 783 compared with K€ 821 in the previous year.
Net income in 2009 was K€ 774 compared with K€ 820 in the previous year.

Total other operating income in the reporting period was K€ 1,503 (previous year K€ 2,020). The figure for the reporting year includes primarily the impairment of film assets to an amount of K€ 942 (previous year K€ 1,791).
This impairment gain from film assets by an amount of K€ 942 results, inter alia, from licences that have become available once more.

Compared with the previous year, depreciation has declined by K€ 1,707 from K€ 3,260 to K€ 1,553. In addition to scheduled depreciation, this item includes unscheduled depreciation of film rights to an amount of K€ 549 (previous year K€ 2.081) due essentially to the impairment tests carried out on the balance sheet cut-off date.

5. Asset and financial situation

The repayment of the shareholders' loan was the main reason for the reduction in the total balance sheet amount to K€ 15,981 (previous year K€ 18,842).

Accounts receivable declined from K€ 1,099 to K€ 443. This reduction is due, amongst other things, to provisions for bad debts.

Shareholders' equity increased in comparison with the previous year by K€ 774 to K€ 12,486 (previous year K€ 11,712). As a result, the equity ratio increased by 16 percentage points to 78% (previous year 62%).

The Company therefore reported subscribed capital of K€ 8,700 on December 31st 2009, a capital reserve of K€ 2,288 and accumulated profits of K€ 1,498 (previous year K€ 724).

Other reserves and accrued liabilities declined to K€ 226 (previous year K€ 355). This reduction is due, amongst other factors, to the use of provisions for bonuses.

Cash and cash equivalents consisting chiefly of balances at banks declined from K€ 2,833 in the previous year to K€ 1,076 on the balance sheet cut-off date. This reduction is due, amongst other things, to the repayment of the shareholders' loan (partly from the Company's own cash resources).

6. Investments

Investments of K€ 413 were carried out during the reporting period (previous year K€ 4,928).

Above all, K€ 256 was invested in intangible assets as well as in prepayments of film rights of K€ 134.

7. Key financial data

Key financial data in K€	**2009**	**2008**
Sales	3,783	4,853
EBITDA	1,448	2,440
EBIT	837	971
Net income	774	820
Total balance sheet amount	15,981	18,842
Value of film assets	14,156	14,622
Shareholders' equity	12,486	11,712
Interest-bearing liabilities	1,130	2,500

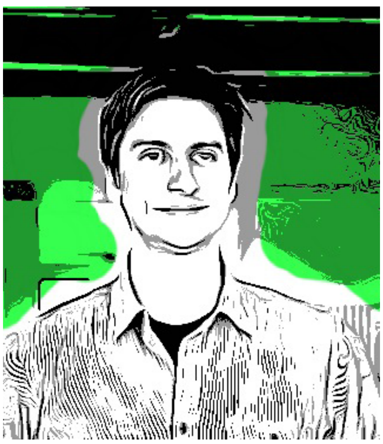
8. Employees

Personnel expenses of K€ 773 incurred in the 2009 financial year were lower than the previous year's value of K€ 996.

This reduction results primarily from a partial salary waiver on the part of the Board of Management and the reduced provisions for bonuses as a result of the reduced results.

On average, over the year and including apprentices and trainees, 12 employees were employed.

Including the CEO, three apprentices and a part-time employee, YFE employed a total of 13 employees on the cut-off date.



C. . Risks and opportunities

1. General business risk

Fluctuations of future business results
Fluctuations in YFE's sales and operating profit during the year and also from year to year are certainly possible – as they generally are with film and television production companies. These fluctuations have a variety of causes such as, for example, the degree and timing of the completion of new productions, the degree and timing of the sales of films and television rights, as well as market and competitive influences on the demand for products and consequently on sales prices.

2. External risks / market risk

Competition-related risks
Even though the first signs of an increase in demand are discernable, the film and television market in which YFE operates is still characterised by a process of consolidation and concentration, among both producers and customers. These developments can have implications on the demand for productions. TV stations and groups of stations in particular look far more thoroughly at the profit contributions of the programmes they broadcast than they did in the past. This, together with the increasing number of repeats of individual programmes in the industry, leads to a more efficient use of companies' own programme resources and accordingly to reduced investment in new projects. This process is particularly marked in the field of children's programmes. Moreover, external factors such as current consumer and leisure behaviour and basic shifts in the advertising market influence the stations' purchasing policy.

3. Business performance risks / litigation risk

a) Risks in the production of programmes
The production of programmes – produced both by the Company itself and coproductions – involves a range of operational risks. The production of programmes and television broadcasts is generally highly cost-intensive and entails a correspondingly high financial risk. Should, for example, in spite of a careful selection of coproduction partners and service-providers, delays in completion occur then this may give rise to postponements of the sales and profit planned by the Company to a later accounting period. The risk can also not be excluded that YFE will not have sufficient financial resources available for the development of programmes and their production, something which is a basic condition for the Company's ability to act commercially.

Coproduction
YFE ensures the completion of its coproductions by the careful selection of established and reliable coproduction partners and service-providers as well as by means of insurance policies or completion bonds. YFE also carries out regular checks on both finances and content during the production. Nevertheless, completion time slippages can occur on individual projects which can lead to the postponement of sales and profit from one accounting period to the next.

Production-to-order
As the producer of a made-to-order production, the Company is responsible for carrying out the production according to contract and generally receives a fixed price from the client in return. The producer therefore carries the risk of possible budget overruns should he have wrongly estimated the costs of the production or should unplanned costs arise. In the case of a licence production, the producer carries the full financing risk right through to the delivery of the complete product. The costs of production and, where applicable, profit are covered by the licence fee if the production is delivered according to contract. Should, however, the budget not be covered or not fully covered by licence sales, then the producer carries the risk of the resulting loss.

b) Risks in the purchasing and marketing of programmes
YFE tries to recognise trends in the programme area and in TV stations' requirements as early as possible and to design its own product range accordingly. In doing this, the Company has to take account of TV stations' currently restrictive purchasing policy and its own limitations as regards investment possibilities and the provision of security for its productions. The Company has concluded a variety of contracts with licensors for the licensing of programmes. The Company carries, in the first instance, the general contractual risk, such as the risk of (non)-fulfilment. Moreover, a variety of copyrights and ancillary copyrights have to be transferred to the relevant customers as part of the contract. The Company must therefore ensure, in its contracts with those involved in the production of the particular programme, that in order to avoid infringements of industrial property rights (e.g. rights of copyright, licence and personality), the necessary copyrights and ancillary copyrights are transferred to it. Even though the Company uses internal and external legal advice, the possibility can never be excluded that third-parties will assert claims relating to the above-mentioned rights, something which could have extremely negative implications for the Company's asset, financial and profit situation.

The depreciation of film assets (that is the rights of use and exploitation referred to above) and the other rights are governed by the use made of the film rights. Depreciation is calculated in accordance with the sales realised in the financial year in proportion to total planned future sales from the use of the film rights including the sales in the current financial year. Moreover, a test of the lowest cost or market value (impairment test) is carried out on every balance sheet cut-off date. It is impossible to completely exclude the risk that impairment tests carried out in the future will considerably reduce the value of the film library. Two-thirds of the Company's catalogue of film rights, which currently consists of approximately 170 titles, derives from licences from third parties, whilst only a third of the titles were produced by the Company itself or coproduced. The licences from third parties in YFE's possession have not been granted indefinitely but generally for a limited time period. YFE may no longer use these licences should it not be possible to renew a large part of them on expiry. An essential part of the library and thereby the basis of the Company would then cease to exist. This can have negative implications for the Company's asset, financial and earnings situation.

c) Risks arising from current litigation proceedings

On 26th August 2009, the Cours Supérieur in Quebec found largely in favour of Mr Claude Robinson and Les Productions Nilem Inc. in the first instance in an action brought by the plaintiffs with the aim of securing a judgement and compensation against Ravensburger Film + TV GmbH/ RTV Family Entertainment AG and additional defendants. The plaintiffs had successfully sought damages on account of an infringement of copyright and copyrighted personality rights in the series "Robinson Sucroe".

The series Robinson Sucroe was made by Cinar Inc/ Corporation Cinar and France Animation S.A.

The defendants, Les Films Cinar Inc., Corporation Cinar, Ronald Weinberg, France Animation S.A., Christian Davin, Christophe Izard, Ravensburger Film + TV GmbH/RTV Family Entertainment AG and Micheline Charest, were ordered to pay 3,234,283.00 Canadian Dollars plus interest to the plaintiff as joint and several debtors and to terminate the distribution of the series "Robinson Sucroe".

As the legal successor of Ravensburger Film + TV GmbH/RTV Family Entertainment AG, YFE has lodged an appeal within the required deadline against the judgement in the first instance.

A judgement on the appeal is not anticipated before the end of 2010.

The coproduction contract between France Animation S.A. and Ravensburger Film und TV GmbH, as well as succeeding declarations in which France Animation has assumed liability, provide for extensive liability exemptions by France Animation in favour of Ravensburger Film & TV GmbH and assurances on the part of France Animation S.A. For this reason, YFE does not currently anticipate any major financial liabilities.

4. Financial risks

a) Access to external financing

In compliance with a loan contract with Commerzbank AG, YFE has transferred title to rights and claims under film licence contracts to the bank as collateral.

YFE's chances of acquiring additional loans could be made considerably more difficult should valuable securities not be released. Should the Company be unable to acquire additional loans when these are required, this could have considerable implications for the Company's asset, financial and earnings situation.

b) Exchange rate fluctuations Exchange rate transactions

The Company's current and future activities outside the area of the European currency union are partly transacted in currencies other than the Euro, either by YFE itself or by its sales distribution partners. The exchange rates in this area are subject to fluctuations which are entirely unpredictable and which may possibly prevent the Company from generating a stable income. The basic risk of losses from such exchange rate fluctuations does exist.

Unfavourable exchange rate fluctuations or costs incurred in the future for exchange rate transactions could therefore negatively impinge upon the development of sales and thereby the Company's asset, financial and earnings situation.

5. Risk management

In accordance with the requirements of German Law on Control and Transparency Within Companies (abbreviated in German to KonTraG), all general and business risks are regularly listed and evaluated and measures established in order to minimise risks.

We understand risk management as a core responsibility of the Board of Management, the management team and all employees.

Your Family Entertainment AG's risk management is divided into the following four steps:

1. Risk identification
2. Risk assessment
3. Risk management
4. Risk monitoring

We have developed suitable strategies, adapted to the size of the Company, for each of these steps.

A principal strategy of Your Family Entertainment AG's risk management is regular discussions between the Board of Management and the management team. These discussions serve to recognise and assess risks and, if necessary, to take counter-measures in time as well as to monitor the measures taken. The management team also informs the Board of Management of risks as they occur outside these meetings.

We use three strategies for liquidity management, sales controlling and balance sheet controlling for the purposes of permanent risk management. By ensuring regular and systematic control of these areas, all major operational and structural risks affecting YFE's business activity are monitored. The overall responsibility for monitoring these risks lies however with the Company's Board of Management.

The aim of liquidity management is the continuous examination and assurance of the Company's ability to meet its obligations. Liquidity management is based on three reports, namely the annual liquidity plan as part of preparation of the budget, the rolling liquidity forecast and the daily liquidity status.

The aim of controls in the area of distribution is to recognise, to quantify and to tap the Company's sales potential though the planning and the co-ordination of sales activities. This ensures that realisable medium-term sales potential is recognised, that in the medium-term expenses and investments are covered by realisable income and that a realistic cash flow plan can be prepared. In addition, the Company's sales activities are planned on the basis of the sales budget. Parallel to this, these figures are checked for their plausibility against the Company's rights.

The aim of balance sheet controlling is the monitoring of balance sheet items in order to recognise necessary corrective measures in time, especially an under-recovery of equity. Balance sheet controlling is supported by three pillars – the audited financial statements, the semi-annual financial report and continuous checks on the balance sheet.

In addition, a monthly report is prepared showing a calculation of profit contributions. The development of the particular market and Company is also updated in an internal rolling forecast. Short-term budgeting is therefore used both as an important early-warning system and as the basis for variance analyses and budget control.

Since part of the risks lies outside the Board of Management's sphere of influence, even a functioning risk management is unable to guarantee that all risks are eliminated. Situations can therefore develop that deviate from the Board's planning.

6. Opportunities

In addition to its high-quality and extensive library of approximately 3,500 half-hour programmes, Your Family Entertainment AG's advantages must be considered as it not only has many years of experience in the production of television programmes, but also an extensive network of co-operation with broadcasters who are prepared to purchase.

The Company's opportunities lie in an even better exploitation of its stock of rights through new distribution channels supported by the development of exploitation and production concepts.

The approach pursued by the Company based on values distinguishes it markedly from the competition.

D. Internal control and risk management system with respect to the accounting system

As a publicly-quoted company, within the definition of § 264d of the German Commercial Code, oriented towards the capital market, and in accordance with § 289 section 5 of this Code, a description of the main features of the internal control and risk management system with respect to the accounting system is required.

The law does not define the required internal control and management system based on the accounting system.

We understand the term internal control system to mean the basic principles, procedures and measures introduced into the Company by the Board and management team aimed at the implementation (in organisational terms) of decisions made by management.

- in order to ensure the validity and profitability of the Company's business activities (this includes the protection of its assets and the prevention and disclosure of damage to assets),
- the proper maintenance and reliability of internal and external accounting as well as
- compliance with the legal requirements applicable to the Company.

The risk management system encompasses the totality of all organisational rules and measures for the purposes of identifying risk and in dealing with the risks of entrepreneurial activity.

Your Family Entertainment AG has implemented the following structures and processes with respect to the accounting system:

The Board bears the overall responsibility for the internal control and management system based on the accounting system. Due to the Company's size, the financial and sales managers are directly involved in the process of preparing the annual budget.

We regard such characteristics of the internal control and management system as material to the accounting process and the overall message conveyed by the annual financial statements and the management report. These are the following elements in particular:

- the identification of major areas of risk and control of relevance for the accounting system;
- continuous balance sheet controlling in order to monitor the accounting system and its results;
- preventive control measures in finance and accounting as well as in the operative company processes that generate essential information for the preparation of the annual financial statements and the management report, as well as a separation of functions and approval processes in the relevant areas;
- measures to ensure the proper IT-supported processing of accounting-related processes and data;
- measures to monitor the accounting-related internal control and risk management system.

E. Declaration of the Company's management in accordance with § 289a of the German Commercial Code

The management's declaration (§ 289a of the Commercial Code) includes the compliance declaration, information on company management practices and a description of the Board of Management and Supervisory Board's manner of working. Our goal is to describe the management of the Company in a manner that is clear and to the point.

Corporate Governance Code as issued on June 18th 2009 compliance declaration:

Joint declaration by the Board of Management and Supervisory Board of Your Family Entertainment AG concerning the recommendations of the "Government Commission on the German Corporate Governance Code" in accordance with § 161 of the Companies Act:

The Company's Board of Management and Supervisory Board welcome the German Corporate Governance Code and declare the following:

According to § 161 of the German Companies' Law, the Board of Management and Supervisory Board of a publicly-quoted company are required to declare ever year that the recommendations of the "Government Commission on the German Corporate Governance Code", published by the Federal Ministry of Justice in the official section of the Federal Gazette, have been and will be complied with or which parts have not been or will not be complied with.

With respect to the past, the following declaration refers to the Code as issued on June 6th 2008. The Company's present and future corporate governance practice refers however to the current version of the Code issued on June 18th 2009. The last annual declaration was issued in December 2008.

The Board of Management and Supervisory Board of Your Family Entertainment AG declare that the recommendations of the "Government Commission on the German Corporate Governance Code", published by the German Federal Ministry of Justice in the electronic Federal Gazette, have been complied with since the last annual declaration submitted in December 2008 and are still being complied with, subject to the following exceptions:

- Due to time constraints, it cannot be guaranteed that the published company report will be available at the time the invitation to the shareholders' meeting is issued (section 2.3.1 of the Code), it also cannot be guaranteed that the group financial statements will be made publicly available within 90 days of the end of the financial year and the half-yearly report within 45 days of the end of the reporting period (section 7.1.2 of the Code).

- The transmission of the shareholders' meeting via modern means of communication (section 2.3.4. of the Code) has not been carried out. The expense in terms of financial and human resources required for this purpose is totally disproportionate given the shareholders' structure and the Company's total volume of business

- The D&O (Directors' and Officers') insurance policy for the members of the Supervisory Board is not subject to any excess as this does not reflect general practice in the business, whereby the Company remains of the opinion that, given the responsibility and motivation of the members of the Supervisory Board, an excess is not required (section 3.8 of the Code).

- Following the conclusion of the Company's restructuring in January 2003 and due to the reduced volume of business, the Board of Management is composed of one person only (section 4.2.1. of the Code). The Supervisory Board is therefore unable to insist on diversity in the composition of the Board of Management (section 5.1.2 of the Code).

- Disclosure of the total remuneration of individual members of the Board of Management in a remuneration report forming part of the Corporate Governance Report is not accepted. The Company is therefore not in agreement with the recommendations in section 4.2.5. The Company believes that protection of the Board members' rights to privacy should be given higher priority.

- Due to the limited size of the Company and the Supervisory Board, no committees have been created (section 5.3. of the Code).

- The Supervisory Board receives a fee which is laid down in § 16 of the Company's statutes. Performance-related components have not so far been included in this remuneration (section 5.4.6. of the Code). The Company reserves the right to amend § 16 of its statutes at a future date.

- In accordance with the Regulations Governing the Regulated Market and the rules imposed by the German Securities Trading Law, a semi-annual report and interim announcements are published in addition to the annual report; for cost reasons, these are not prepared in accordance with international accounting standards (section 7.1.1 of the Code), but in accordance with the provisions of the German Commercial Code (HGB).

Munich, December 2009

Information on the Company's management practices and the Board of Management and Supervisory Board's manner of working

The structures of the Company's management and the monitoring of Your Family Entertainment AG are as follows:

Shareholders and the shareholders' meeting

Our shareholders exercise their rights in the shareholders' meeting.

The shareholders' meeting is summoned in the legally-required manner required and information on the agenda provided at least 30 days before the day on which the shareholders are required to notify their attendance.

The chairman of the Supervisory Board takes the chair at the shareholders' meeting.

The shareholders' meeting decides on all the functions allocated to it by law (including election of the members of the Supervisory Board, amendments to the articles of association, appropriation of profits, capital measures).

Supervisory Board

The main function of the Supervisory board is to advise and monitor the Board of Management.

The Supervisory Board of Your Family Entertainment AG currently consists of three full members and a substitute member.

In addition to the reimbursement of their expenses to which the value added tax due on their remuneration must be added, the members of the Supervisory Board receive a fixed fee payable at the end of the financial year amounting to Euro 6,000 for the individual member, twice that amount for the chairman and 1.5 times that amount for the deputy chairman.

Board of Management

The Board of Management – as the Company's management body – manages the Company's affairs and, in accordance with the provisions of Companies' Law, is bound by the interests and the business principles of the Company. It reports to the Supervisory Board regularly, promptly and comprehensively on all essential matters of the development of the business, the Company's strategy as well as on possible risks.

The Board of Management's remuneration is made up of a performance-related and a fixed element.

Shares held by the Board of Management and the Supervisory Board

Members of the Board own shares in Your Family Entertainment AG.

Transparency

Your Family Entertainment AG places high priority on uniform, comprehensive and prompt information, The state of the business and Your Family Entertainment AG's results are reported in the annual financial report, the interim reports and in the semi-annual report.

Information is also published by way of press releases and ad hoc announcements. All publications and information are accessible in the Internet.

Your Family Entertainment AG has installed the list of insiders required by § 15b of the German Law on Securities. The people concerned have been informed of their legal obligations and sanctions.

Accounting and auditing of the financial statements

Since the 2006 financial year, the financial statements have been prepared solely in accordance with the provisions of the German Commercial Code. After preparation by the Board of Management, the financial statements are reviewed by the auditors and the Supervisory Board and then adopted by the Supervisory Board.

The annual financial statements are published within four months of the end of the financial year.

It has been agreed with the auditors that the chairman of the Supervisory Board and the chairman of the auditing committee will be notified immediately about the reasons for exclusions or exemptions and errors in the compliance declaration revealed during the audit. The auditor reports to the chairman of the Supervisory Board immediately on all major issues and events that are significant for the work of the Supervisory Board and that emerge during the audit.

Risk management

The business segments of Your Family Entertainment AG are subject to a large number of risks that are inseparably linked to global entrepreneurial action.

We understand risk management as a core function of the Board of Management, the members of the management team and all employees. It should succeed in recognising and identifying risks earlier whilst simultaneously using entrepreneurial opportunities.

Your Family Entertainment AG's risk management may be divided into the following steps:

1. Risk identification
2. Risk assessment
3. Risk management
4. Risk monitoring

We have developed suitable steps, adjusted to the size of the Company, for each of these steps.

The principle instrument of Your Family Entertainment AG's risk management are regular meetings between the Board of Management and the management team in order to recognise and assess risks in time and, where appropriate, to take counter-measures and to monitor the measures taken.

The management team also informs the Board of Management of anticipated risks as they occur outside these regular meetings.

The controlling function and the internal control system are essential components of a thorough and effective system of risk management.

Since part of the risks lies outside the Board of Management's sphere of influence, even a functioning system of risk management cannot ensure that all risks are eliminated. Developments may therefore emerge that deviate from the Board of Management's planning.

F. Events of particular significance occurring after the end of the financial year

Distribution Agreement between Your Family Entertainment AG and Ettamogah LMD PTY LTD

In an agreement signed on January 21st 2010, Your Family Entertainment AG took over the distribution of four series produced by Ettamogah LMD PTY LTD located in Australia.

G. Forecast

Based on the positive results of previous years, 2010 will also be characterised by the intensification of existing business sectors.

The Company will also concentrate on the continued expansion of international distribution in the field of "License Sales" as well as on the acquisition of new partners for the Company's pay-TV station "yourfamily".

Your Family Entertainment AG's business base has been, and will continue to be, continually expanded through the addition of new productions to the library, such as for example "Oscar The Ballonist", or through the distribution contract concluded with Ettamogah.

YFE's long-term goal is to recover its position as one of the strongest players in this market.

H. Principles of the Company's remuneration system in accordance with § 285 section 1.9 of the German Commercial Code

The remuneration of the members of the Board of Management complies with the legal requirements of the German Companies Law. The members of the Board of Management receive a fixed salary which also includes benefits-in-kind, such as the use of a company car. These fixed elements ensure a basic remuneration enabling the board member to exercise his office in the interests of the company as properly understood and to fulfil the obligations of a conscientious businessman without falling prey to the pursuit of purely short-term performance goals. The contracts of employment also contain a variable remuneration element, dependent upon the commercial results achieved by the Company.

I. Reporting in accordance with § 289 section 4 of the German Commercial Code

1. Composition of the subscribed capital

The Company's share capital on the balance sheet cut-off date was still composed of 8,700,000 unit shares, each with a share in capital of € 1.00. The Company's share capital was therefore unchanged on 31st December 2009 at € 8,700,000. The shares are bearer-shares. They are fully paid up.

2. Limitations concerning the voting rights and transfer of shares

35,000 shares were subject to a holding period on the balance sheet cut-off date as part of limitations on disposal. This limitation expires on December 15th 2010.

3. Direct or indirect participation in the Company's capital

F&M Film und Medien Beteiligungs GmbH in Vienna in Austria owned 78.77% of the Company's share capital on 31st December 2009.

Moreover, Dr Stefan Piëch of Vienna has a direct stake of 0.69% in the capital of Your Family Entertainment AG and an indirect stake of 78.77% through F&M Film und Medien Beteiligungs GmbH referred to above, such that in total 79.46% of the share capital is attributable directly and indirectly to Dr Piëch.

4. Owners of shares with special rights

There were no shares with special rights on 31st December 2009.

5. Nature of controls on voting rights in the event of employee shareholdings

There were no such controls on voting rights on 31st December 2009.

6. Rules established by law and in the articles of association concerning the appointment and dismissal of members of the Board of Management and changes to the articles of association

The appointment and dismissal of members of the Board of Management occurs in accordance with §§ 84 and 85 of the German Companies Law. Changes to the articles of association occur in accordance with §§ 133 and 179 of the German Companies Law.

7. Rights of the Board of Management to issue and buy back shares

The annual general shareholders' meeting, which took place on 9th July 2008, established an authorised capital (authorised capital V). The Board of Management was empowered, with the approval of the Supervisory Board, to increase the Company's share capital by up to € 4,350,000.00 by 8th July 2013 through the issue of bearer-shares in return for cash and/or payments-in-kind. Shareholders shall be granted the right to subscribe to these shares. The Board of Management may, however, with the consent of the Supervisory Board, exclude shareholders' rights to subscribe should the new shares be issued in return for payments-in-kind.

The Board of Management may also, with the Supervisory Board's approval, exclude shareholders' rights to subscribe to shares to eliminate fractional amounts in their shareholdings.

The Board of Management is also empowered, with the Supervisory Board's approval, to exclude the right of shareholders to subscribe to capital increases in return for cash when the offering price of the new shares is not markedly below the stock exchange price. This authority is however subject to the proviso that the new shares issued, excluding subscription rights in accordance with §§ 203 section 1, 186 section 3.4 of the German Companies Law, may not exceed 10% of the share capital, neither at the time that it comes into effect nor at the time it is exercised.

The following resolution concerning authority to acquire the Company's own shares was approved as item 7 on the agenda of the shareholders' meeting held on July 8th 2009:

The authority granted to the Company by the shareholders' meeting held on July 9th 2008 to acquire the Company's shares up to January 8th 2010 will be annulled as soon as the new authorisation resolution comes into force.

The Company is empowered to purchase its own shares. This authorisation is however restricted to the acquisition of an arithmetic share of up to 10% of the Company's total share capital. The authorisation may be exercised wholly or in partial amounts, once or on several occasions, by the Company itself or on its account by third parties. The authorisation is valid until January 7th 2011.

The acquisition will take place either via the stock exchange or by means of a public offer to buy, sent to all of the Company's shareholders.

Should the acquisition take place via the stock exchange, the counter-value per share paid by the Company (excluding the ancillary costs of acquiring the shares) may not be higher or lower by more than 10% than the average closing price (XETRA trading or a comparable successor system) of shares of a similar nature on the Frankfurt Stock Exchange during the last five stock exchange trading days prior to the acquisition of the shares.

Should the acquisition take place by way of a public offer to purchase addressed to all of the shareholders, the purchase price per share offered (excluding the ancillary costs of acquiring the shares) may not be higher or lower by more than 10% than the average closing price on the Frankfurt Stock Exchange during the last five stock exchange trading days prior to the date the offer was published. The offer to purchase may include other conditions. Acceptance must be made by quota should the offer to purchase be over-subscribed. The Board of Management may provide for privileged acceptance of a limited number of shares per shareholder of up to 100 units of the shares offered for sale.
The Board of Management is authorised, with the consent of the Supervisory Board, to dispose of shares in Your Family Entertainment AG acquired on the basis of this authorisation in other ways than through sale by an offer to the shareholders or sale via the stock exchange, namely:
a) By offering shares to third parties as part of a company merger, the purchase of companies, investments in companies or parts of companies and as payment for the acquisition of claims due from the Company;
b) By selling shares to third parties. The price at which the Company's shares are issued to third parties may not be materially lower than the stock exchange price of the shares at the time of the sale. The exclusion of a subscription right due to other authorisation in accordance with § 186 section 3.4 of the German Companies Act must be considered when using this authorisation;

c) By annulling the shares without the annulment or its execution requiring the approval of an additional resolution by the shareholders' meeting.
The above authorisations governing the use of the Company's own shares acquired may be exercised once or on several occasions, wholly or partially, individually or collectively. The shareholders' subscription right to the Company's own shares acquired is excluded should these shares be used in connection with the authorisations described above under a) and b) The Board of Management will, on each occasion, inform the shareholders of the reasons and the purpose of the acquisition of the Company's own shares, the number of shares acquired and the amount of share capital that they represent as well as the amount that was paid for the shares.

8. Important agreements conditional on a change in control as a consequence of a take-over offer

There were no such agreements on the balance sheet cut-off date.

9. Compensation agreements

On the balance sheet cut-off date there were no compensation agreements with the members of the Board of Management or employees in the event of a take-over offer.

J. Dependent company report

The Board of Management has prepared and submitted a report on the relations of Your Family Entertainment AG with subsidiary companies (dependent company report) for the 2009 financial year to the year-end auditors. The Board of Management declares that the company received an appropriate return for the legal transaction, given the circumstances that were known to it at the time the legal transaction was carried out.

Munich, 5th March 2010

The Board of Management

7. Auditors' certificate - Ernst & Young, Ravensburg

We have audited the financial statements – consisting of the balance sheet, statement of income and the notes to these financial statements – including the accounting system and the management report of Your Family Entertainment AG in Munich for the financial year from 1^{st} January to 31^{st} December 2009. The accounting system and the preparation of the financial statements and management report in accordance with the provisions of German commercial law are the responsibility of the Company's legal representatives. It is our responsibility, on the basis of our audit, to express an opinion on the group financial statements and the group management report.

We conducted our audit of the financial statements in accordance with § 317 of the German Commercial Code and in conformity with the generally accepted auditing standards laid down by the German Institute of Auditors (IDW). These standards require that the audit be planned and carried out in such a way so as to identify, with reasonable certainty, inaccuracies and infringements that significantly impact on the presentation of the assets, financial position and income given by the Company's financial statements in compliance with generally accepted accounting principles and by the management report. In determining auditing activities, account is taken of knowledge of the business activity and of the commercial and legal environment in which the Company operates as well as of the likelihood of possible errors. As part of the audit scope, the efficiency of the internal control system as well as the evidence supporting the facts contained in the accounting system, Company financial statements and the management report are evaluated largely on the basis of random tests. The audit includes an assessment of the accounting principles applied, as well as the principle judgements expressed by the legal representatives and also an evaluation of the overall presentation of the Company's financial statements and management report. We believe that our audit provides a sound basis for our judgement.

Our audit did not give rise to any objections.

In our opinion, based on the knowledge we acquired during the course of the audit, the financial statements comply with the requirements of the law and give a true and fair picture of the group's assets, financial position and income in accordance with generally-accepted accounting principles. The management report is consistent with the annual financial statements, correctly reflects the Company's current situation and accurately presents the risks present in future development.

Ravensburg, March 5^{th} 2010

Ernst & Young GmbH
Auditors and tax advisers

Dr. Oechsle	Liebe
Certified auditor	Certified auditor

8. Assurance given by the company´s legal representative

"I certify that, to the best of my knowledge and in accordance with the applicable accounting principles, the annual financial statements convey a true and fair picture of Your Family Entertainment AG's asset, financial and earnings situation and that the management report presents the development of the business and its results and the Company's current situation in such a way that a true and fair picture is conveyed and that major risks and opportunities of the Company's probable development are described."

Munich, March 5^{th} 2010

Dr. Stefan Piëch
CEO

9. Financial calendar

- Annual financial report 2009 on April 29th 2010

- Interim announcement for the first half-year of 2010 on May 18th 2010

- Annual general shareholders' meeting on July 13th 2010

- Semi-annual financial report 2010 on August 26th 2010

- Interim announcement for the second half-year of 2010 on November 18th 2010

10. Impressum / How to contact us

Your Family Entertainment AG

Nordendstraße 64
80801 Munich
Germany

Telephone:	+49(0) 89 997271-0
Telefax:	+49 (0)89 997271-91
Email:	info@yfe-ag.com
Internet:	www.yf-e.com
	www.yfe-tv.com

Who to contact:
Investor Relations
Michael Huber
Telephone: +49 (0)89 997271-0
Email: ir@yfe-ag.com

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