yourfamilyentertainment

Annual Business and Financial Report 2011

Key data		2011	2010
Sales	K €	3,146	2,325
EBITDA	K €	522	506
EBIT	K €	769	726
Net Income	K €	690	665
Total balance sheet amount	K €	16,997	15,827
Value of film assets	K €	15,762	15,022
Shareholders’ equity	K €	12,137	12,977
Interest-bearing liabilities	K €	3,126	1,350

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Dear Shareholders,

Again this year, we are happy to give you a positive report on the progress of our company. The 2011 financial year was a good one for Your Family Entertainment AG.

Since the beginning of the financial year, our pay-TV channel “yourfamily” has been broadcast via the new Vodafone TV platform and can be received directly on TV via DSL line.

The pay-TV channel “yourfamily”, which lanched in late 2007, was able to continue the growth of the previous years. The cooperation between Your Family Entertainment AG (YFE) and Hutchison 3G was further expanded in 2011. In addition to the existing channels such as “yourfamily”and “Fairly Odd Parents”, which established themselves on the Austrian market as high-frequency mobile channels, the channels “RoboRoach” and “Tales from the Cryptkeeper”, a spine-chiller channel for children aged 10 and older, went on air. Furthermore it was agreed to start 13 additional channels over the course of 2012.

After five positive financial years, Your Family Entertainment AG paid a tax-free special dividend amounting to € 0.15 per share in addition to a regular tax-free dividend amounting to € 0.04 with very high consent of the free float of our last year’s shareholders’ meeting.

In late June, Your Family Entertainment AG entered into a partnership with Auryn Inc., a digital publisher focusing on interactive stories for children in order to bring jointly selected programs of the award-winning YFE library as games app to the iPad and other tablets computers.

Early in July, Your Family Entertainment AG (YFE) extended its stock of programs by another highlight in the library. After seven animated series of Berlin Animation Film (BAF) had been purchased already in 2009, now also the successful animated movie “Happily N’ever After” (2006) finds a new home at YFE and will be marketed across the world, with exception of North America, through all media such as TV and video, book and music. The successful film, which is based on fairy tales of the Brothers Grimm and Hans Christian Andersen, tells a thrilling story about the turbulent road to the obligatory happy end in Fairy Tale Land.

In August 2011, we concluded an exclusive agreement with Ruta Ett DVD AB, producer of “Heroes of The City”, on the worldwide distribution of the 3D animated TV series “Heroes of The City”. The first season with 26 episodes is about rescue vehicles in a small city where everyone can be a hero. “Heroes of The City” creates an atmosphere of warmth, friendship and fun. It is perfect for pre-schoolers and conveys the message that co-operation gives everyone the opportunity to successfully deal with the most difficult situations.

A cooperation contract on the worldwide distribution of different TV programs was signed also with the Italian production company Tila-pia SAS, supplier of high-quality series for children and teenagers, among others their current project “Little Edo”.

A co-production contract on an animation movie “DAS MOORHUHN” [Crazy Chicken] starring the most successful German computer game character of all times was concluded with the international film production Nova Entertainment. Emba Media Management International Ltd. (EMMI) located on Cyprus commissioned Your Family Entertainment AG with the distribution of the previous “BKN library”, one of the largest independent animation catalogues for 24 countries in Europe.

In October of the past financial year, our pay-TV channel “yourfamily” started also on Entertain, the TV offering of Deutsche Telekom. After the successful cooperation in the field of video on demand on the portal “videoload”, it is now also possible to receive the channel “yourfamily” via Entertain in digital quality.

The channel “yourfamily” started the competition

for the HOT BIRDTM TV Award 2011 in Venice as titleholder, being one of the three best channels for children of Eastern and Western Europe, Africa and the Middle East. The increased range of the children and family channel “yourfamily” achieved new dimensions in November. For the first time, a localized version of our channel can be seen in Bulgaria via IPTV and DTH. In addition, the channel is distributed by a large Bulgarian mobile communications provider via its mobile platform “Vodafone Live”.

Also in Austria the coverage was expanded and since December 2011 “yourfamily” can be received by A1 TV customers, the new brand of Telekom Austria.

We are happy that we received comprehensively positive feedback regarding our company and the values for which we stand. WGZ Bank drew the attention of the capital market to YFE AG with an independent research. In cooperation with Conmit Wertpapierhandelsbank AG, we were invited to present the company. In order to finance the further expansion of the channel activities and the investment in new programs, renowned new

investors were won for the company. Early in 2012, our share capital was increased by 9.89% and more than EUR 1 million fresh capital was collected.

The primary 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 for you, our shareholders.

At this time, we would like to take the opportunity to thank you, our shareholders, for your trust in our company.

I would also like to thank the members of the Supervisory Board, who have supported and continue to support the company Your Family Entertainment AG in both word and deed.

I would also like to express my sincerest thanks to all of our employees. It is only thanks to their performance and dedication that all of the aforementioned achievements were made possible and I know that such performance requires a lot of personal commitment. Thus, I am overjoyed to work in a team that, with great imagination and personal commitment, day by day accepts challenges and masters them successfully.

Munich, April 2012

Dr. Stefan Piëch
CEO

2. About us

The listed company Your Family Entertainment AG, Munich, boasts a more than 30 year history in the business of license sales and the production of quality programming for children, teens and the whole family. Its portfolio of around 3,500 half-hour shows counts among Europe's largest aimed at the child, youth and family market.

The company's children and family channel, "yourfamily", on air since 2007 and a 2010 HOT BIRD™ TV Award winner, broadcasts shows with educational value for pre-schoolers, high-quality animation series for children and engaging programs for the whole family.

winner
HOT BIRD™ TV AWARDS 2010

Excerpt from the product catalogue of Your Family Entertainment AG:

Happily N' Ever After

All's well that ends well? Not if Cinderella's evil stepmother reigns over Fairy Tale Land: Frieda wants to disturb the balance of Good and Evil, but Ella and Rick want to save the happy end with joint forces. Adventures across the fairy tale world: from Rumpelstiltskin to the Seven Dwarfs and the Sleeping Beauty: the fairy tale superstars in one of the most expensive animation movies of European cinema!

Heroes of the City

Experience the fantastic and exciting adventures together with the friends from "Heroes of the City". Meet Pauline, the police car, and Fiona, the fire engine, who help the city to catch thieves, extinguish fires and unveil many secrets.
"Heroes of The City" creates an atmosphere of warmth, friendship and fun. The series conveys the positive message that everybody is needed and that everything can be achieved and that the most difficult problems can be solved by working together and helping each other.

Robo Roach

RoboRoach is the satirical story of a cockroach named Rube, who is saved from the laboratory by his older brother Reg shortly before his transformation into a mini-computer slave. Yet, as a result of the escape and the associated short circuit, a combination of computer chips and electrical outlets remain in one of the brothers and give him bizarre robot transformation powers. From now on, Rube is: ROBOROACH.


yourfamilyentertainment
the magical TOOTHFAIRIES
yourfamilyentertainment
the little edo
yourfamilyentertainment
ALTAIR IN STARLAND
From the Producer of SHREK and SHREK 2
Sarah Michelle GELLAR
Freddie PRINZE JR.
Andy DICK
Wallace SHAWN
Patrick WARBURTON
George CARLIN
Sigourney WEAVER
Happily N'Ever After
Fairytale endings aren't what they used to be.

3. Report of the Supervisory Board

Dear Shareholders,

The Supervisory Board regularly monitored, controlled and advised on the work of the Board of Management during the 2011 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 the meetings. Telephone conferences and e-mail correspondence took place. Thus, the Supervisory Board was informed at all times of the intended business policy, the company's planning, including financial, investment and human resources, as well as the development of the business and the company's current situation.

A total of four meetings of the Supervisory Board were held in the financial year 2011. All members were in attendance for each meeting. All members of the Supervisory Board therefore participated in at least half of its meetings during their period of office in the 2011 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. In addition, the Supervisory Board also held discussions by means of telephone conferences. Also during the 2011 financial year, the Supervisory Board repeatedly made use of its right to inspect the books and records as well as the company's assets. 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 the previous years, the Supervisory Board's deliberations and control activities in the 2011 financial year again were dominated by the sales development in the company's core business on the one hand and, on the other hand, the monitoring of the development and the extension of the business segments by the company. In addition, there were several capital market measures which were presented to the Supervisory Board by the Board of Management and which were discussed and decided by the Supervisory Board.

The sales development achieved in the 2011 financial year, in particular the increase of the sales achieved in Germany, is considered as being pleasant by the Supervisory Board.

The significant incidents in the financial year included the payment of a dividend amounting to € 0.19/share, thereof € 0.15/share as special dividend. The Supervisory Board exchanged its views on the question as to whether such special dividend should be paid and to what amount with the Board of Management intensively and deliberated this question repeatedly.

Furthermore, the Supervisory Board dealt with the increase in the capital in kind and its conditions in detail.

As in previous years, the ongoing monitoring of the company's liquidity situation remained a main focus of the Supervisory Board. The Board of Management reported regularly on the subject. It was possible to successfully complete the process of restructuring the debt financing initiated in the previous year.

Human Resources

In a resolution passed on December 13th, 2011, the Supervisory Board appointed Dr. Stefan Piëch as CEO of the company for an additional year, namely until December 31st, 2012.

Committees of the Supervisory Board

The Supervisory Board has not established any committees.

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 GmbH, auditors in Stuttgart, audited the company's accounting system and its financial statements and management report for the 2011 financial year. The auditor issued an unqualified audit in each case based on the audit. The company's annual financial statements and management report, as well as the audit reports of the auditor, were submitted to the Supervisory Board and examined by it. The Supervisory Board discussed these documents in detail at its balance sheet meeting held on March 28th, 2012 in the presence of the auditor who reported on the principle findings of the audit.

All questions of the Supervisory Board were answered in detail. The Supervisory Board took note of and approved the findings 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 2011 financial year. In its meeting of March 28th, 2012, the Supervisory Board approved Your Family Entertainment AG's financial statements submitted by the Board of Management. Accordingly, the financial statements of Your Family Entertainment AG 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 audit report on this subject, to the Supervisory Board. The auditor issued the following unqualified opinion:

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

1. the factual details contained in the report are correct,
2. the consideration of the company in the course of the transactions listed in the report was not unreasonably high,
3. with regard to the measure stated in the report, no circumstances support an assessment substantially different from that of the Board of Management."

The auditor took part in the Supervisory Board's deliberations on the report dealing with relations with affiliated companies and reported on the principle findings of the 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 findings of the audit of the auditor. The Supervisory Board, having examined the matter, raised no objections 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 para. 4 HGB [German Commercial Code] and concluded that the Board of Management had installed a monitoring system, that the legal requirements for the early recognition of risks threatening the existence of the company are fulfilled, and that the Board of Management has taken appropriate measures to recognize developments at an early stage to counter risks.

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

Corporate Governance and the declaration of conformity

The subject of Corporate Governance has a high priority for the Supervisory Board. The Supervisory Board dealt with the refinement of the Corporate Government principles in the company. The declaration given by the Board of Management and the Supervisory Board pursuant to § 161 AktG [German Companies Act] is reproduced in the chapter Corporate Governance of the Annual Business and Financial Report 2011 and additionally available on the company's website (www.yf-e.com) under Investor Relations.

The Supervisory Board thanks the Board of Management and all employees for their commitment during the 2011 financial year.

Munich, March 2012

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

4. The share

4.1 Overview

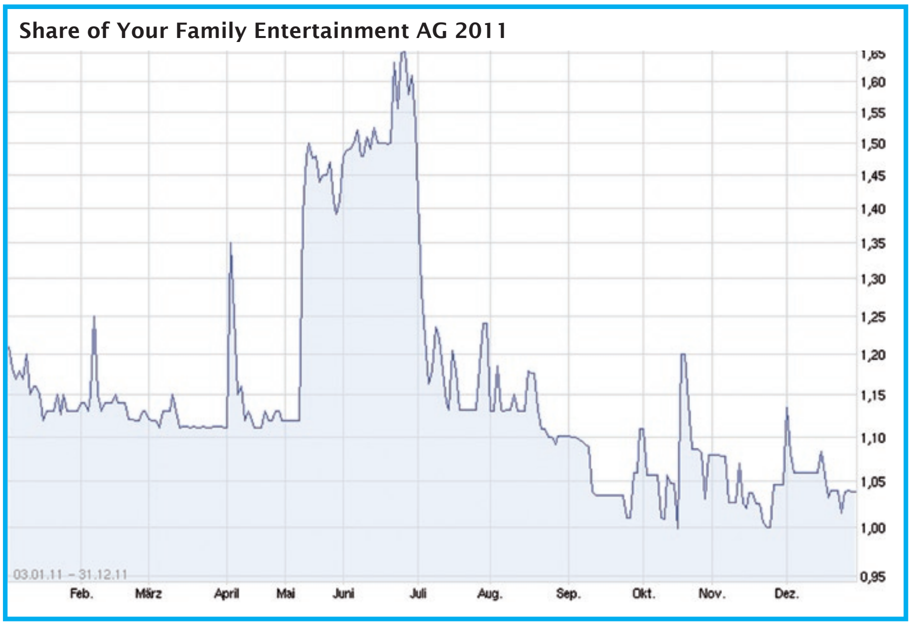
Your Family Entertainment AG is quoted under the security identification number WKN 540891/ ISIN: DE0005408918 and the ticker symbol “RTV” on the regulated market of the Frankfurt Stock Exchange (General Standard).

Share of Your Family Entertainment AG

Number of shares:	8,793,000 units
Subscribed capital:	€ 8,793,000
Initial notice:	June 8th, 1999
Industry:	Media & Entertainment

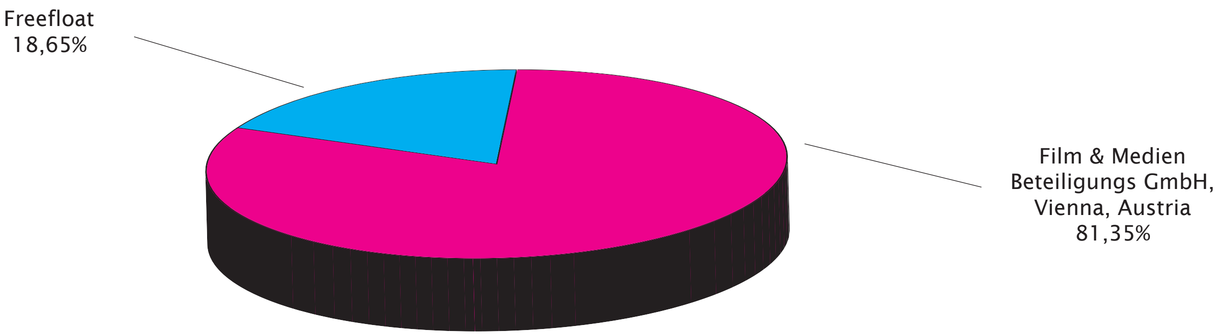
4.2 Development of the price of the share in 2011

During the period from January to December 2011, the price of the share of Your Family Entertainment AG on the Frankfurt Stock Exchange developed as follows:



Source: www.ariva.de

4. 3 Shareholding structure (as of December 31st, 2011)



5. Corporate Governance Report

Your Family Entertainment AG continued to develop further its Corporate Governance also in 2011 and mainly follows the recommendations and suggestions of the German Corporate Governance Code in the version of May 26th, 2010.

The Supervisory Board of Your Family Entertainment AG does not form committees as it consists of only three members, but has at its disposal an independent financial expert who meets the required criteria. This financial expert is independent and was no member of the Management (suggestions in section 5.3.2). In its current composition, the Supervisory Board of Your Family Entertainment AG has a very broad expert knowledge which also accommodates the international orientation of the company (section 5.4.1). YFE will go by this target also when making suggestions for new elections in the Supervisory Board. If Your Family Entertainment AG makes use of the exception regulations in section 5.4.4 of the Code when a member of the Board of Management becomes a Supervisory Board member, it will explain this in the shareholders' meeting.

The remuneration for Board of Management and Supervisory Board is shown in the notes to the annual financial report 2011. In 2011, conflicts of interest did neither occur in the Board of Management nor in 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 for adoption of a resolution and that an appropriate approval was given.

It is still the case that the members of the Board of Management do 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 previous declaration of conformity with the Corporate Governance Code, which was actually implemented in the 2011 financial year, did not reveal any discrepancies. Your Family Entertainment AG to a large extent complies with the recommendations of the government commission German 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 also the financial parameters of a medium-sized company.

The rules of business procedure under which the Board of Management and the Supervisory Board operate remained unchanged in 2011. Approximately 30 shareholders and guests, representing 83.56% of the voting share capital, took part in the 2011 shareholders' meeting. All items proposed for resolution were accepted.

Munich, April 2012

Dr. Hans-Sebastian Graf von Wallwitz

(Chairman of the Supervisory Board)

Dr. Stefan Piëch (CEO)

Declaration of conformity of the Board of Management and Supervisory Board of Your Family Entertainment AG regarding the German Corporate Governance Code pursuant to § 161 AktG [German Companies Act]

§ 161 AktG [German Companies Act] requires that 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, stating the reasons.

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

1. Your Family Entertainment AG will comply with the recommendations of the German Corporate Governance Code in the version of May 26th, 2010, with the following exceptions:

Supporting shareholders in voting by absentee ballot (section 2.3.3 sentence 2)

Your Family Entertainment AG intends to renounce the possibility of voting by absentee ballot for the time being. The company already offers its shareholders the possibility to instruct a proxy appointed by the company to exercise their voting rights. Thus, the shareholders have the opportunity already now to cast their vote also prior to the shareholders' meeting. Exercising the shareholders' rights would not be made significantly easier by the additional possibility of voting by absentee ballot.

D&O insurance for the Supervisory Board (section 3.8, para. 3)

For the members of the Supervisory Board, there is a D&O insurance which does not provide for an excess. The company does not consider the agreement of an excess to be suitable for improving the work ethic and sense of responsibility with which Supervisory Board members carry out the tasks and functions assigned to them. The legal requirements are met for the Board of Management.

Composition of the Management Board (section 4.2.1 sentence 1)

Owing to the scope of business operations and the size of the company, the Board of Management currently only consists of one individual.

Remuneration report (section 4.2.5)

Because of the size of Your Family Entertainment AG, disclosure of management remuneration will not be presented in the remuneration report, which, along with more general information on the remuneration system, forms part of the Corporate Governance Report. For the same reason, there will be no disclosure of ancillary services provided by the company in a remuneration report. The remuneration and its structure will be discussed in the management report of the annual financial report.

Diversity in the Board of Management (section 5.1.2 para 1 sentence 2)

As the company has but one sole director, the Supervisory Board cannot be mindful of diversity within the Board of Management. Furthermore, as the Board of Management comprises but one member, which is currently deemed adequate for the company and whose position is filled for the foreseeable future, it appears also to be impossible to follow Code recommendations to consider women for the position.

Formation of committees (sections 5.3.1, 5.3.2, 5.3.3.)

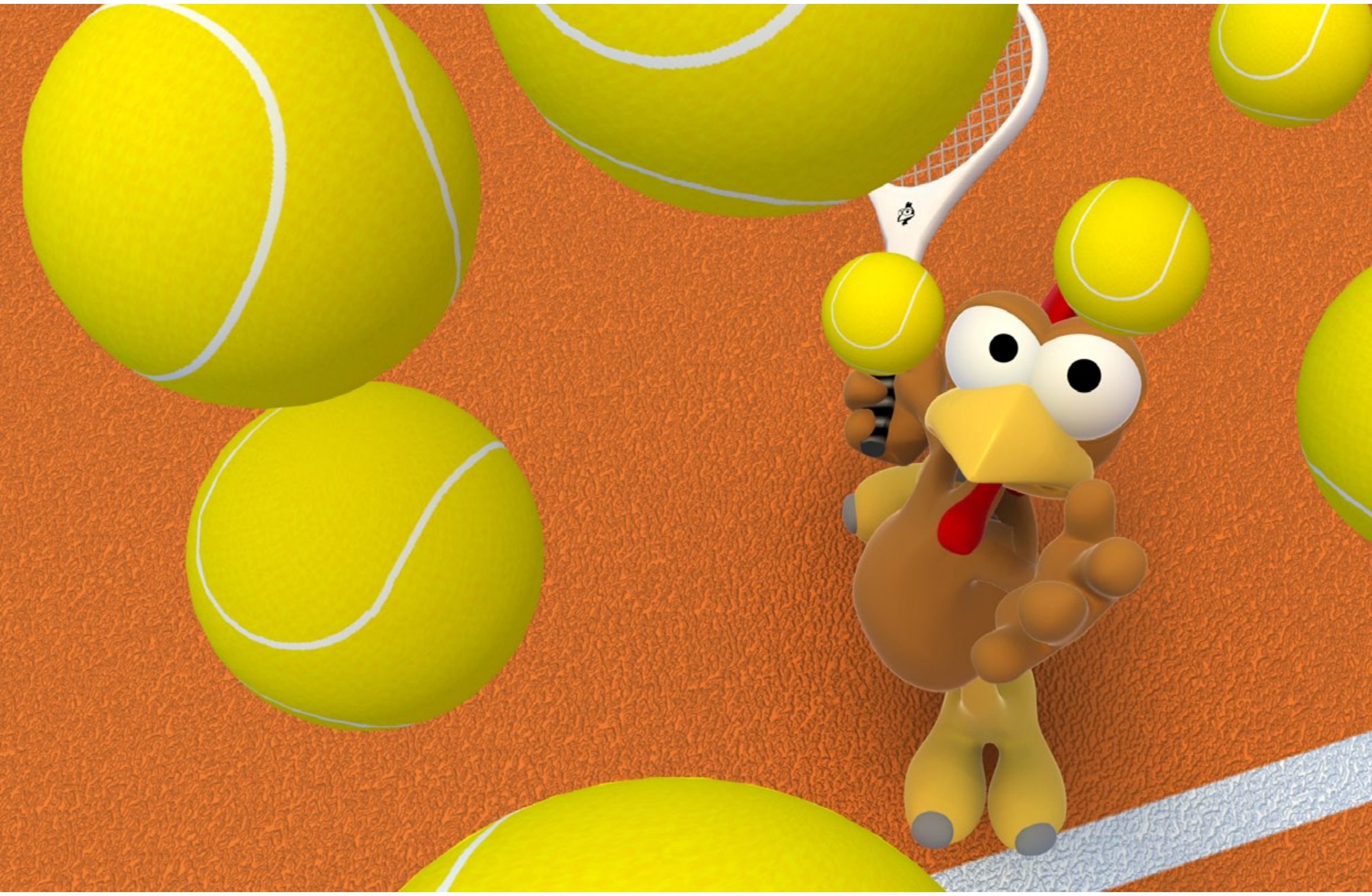
Due to the limited size of the Supervisory Board (three members), the formation of committees is not deemed necessary.

Establishment of specific goals for the composition of the Supervisory Board (section 5.4.1 para. 2 and para. 3)

The Supervisory Board of Your Family Entertainment AG does not state any specific goals for its composition. In its proposal of exclusively suitable Supervisory Board election candidates, the Supervisory Board has always aimed to put together a Supervisory Board made up of members who possess the proper qualifications - the knowledge, abilities and industry experience to work effectively. In the opinion of the Supervisory Board, this approach has proven itself. Therefore, no necessity is seen to change this practice. Consequently, the recommendations based on that pursuant to section 5.4.1 para. 3 cannot be followed.

Success-oriented remuneration of Supervisory-Board members (section 5.4.6 para. 2)

At present, there is no success-oriented remuneration for Supervisory Board members. The



company considers a reasonable fixed remuneration for Supervisory Board members to be more suitable for meeting the control function of the Supervisory Board which is to be carried out regardless of the company success. However, the introduction of a success-oriented remuneration for Supervisory Board members will be examined in future.

Date of financial reporting (section 7.1.2 sentence 4)

The annual financial statements will not be made publicly available within 90 days after the end of the financial year; interim reports will not be made publicly available within 45 days after the end of the reporting period. The associated workload for a timely release of said information would involve unjustifiably high costs. In the opinion of the Board of Management and the Supervisory Board, the legal requirements for promptly providing information to shareholders and the capital market are sufficient.

2. Since the last declaration of conformity of December 2010, Your Family Entertainment AG basically complied with the recommendations of the German Corporate Governance Code in the version of May 26th, 2010. The recommendations from sections 2.3.3 sentence 2, 3.8 para. 3, 4.2.1 sentence 1, 4.2.5, 5.1.2 para. 1 sentence 2, 5.3.1, 5.3.2, 5.3.3, 5.4.1 para. 2 and para. 3, 5.4.6 para. 2, 7.1.2 sentence 4 were not applied. For the reasons of deviating from the above-mentioned sections, see explanations under no. 1.

Munich, December 2011

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

Dr. Stefan Piëch
(CEO)

6. Annual Financial Statements and Management Report December 31st, 2011

6.1 Balance sheet as of December 31st, 2011

6.1.1 ASSETS

	Dec. 31st, 2011 €			Dec. 31st, 2010 €
A. Fixed assets				
I. Intangible Assets				
1. Franchises and similar rights acquired for a consideration	1,167.65			0.00
2. IT software	991.00			1,691.00
3. Film assets and other rights	15,762,465.22			15,021,734.50
		15,764,623.87		15,023,425.50
II. Tangible Assets				
Other equipment, Operational and office equipment		48,608.00		50,078.00
			15,813,231.87	15,073,503.50
B. Current assets				
I. Inventories				
Finished goods		3,978.38		30,269.55
II. Accounts receivable and other assets				
1. Accounts receivable trade	1,015,702.31			493,309.74
2. Other assets	36,721.40			42,232.83
		1,052,423.71		535,542.57
III. Cash on hand and balances with banks		117,994.18		180,511.89
			1,174,396.27	716,054.46
C. Deferred charges and prepaid expenses			9,061.89	6,954.36
			16,996,690.03	**15,826,781.87**

6.1 Balance sheet as of December 31st, 2011

6.1.2 LIABILITIES

		Dec. 31st, 2011 €		Dec. 31st, 2010 €
A. Shareholders' equity				
I. Capital subscribed	8,793,000.00			8,700,000.00
Conditional capital € 48,267.00 (previous year € K48) **minus nominal amount own shares**	-16,000.00			0.00
Issued capital		8,777,000.00		8,700,000.00
II. Capital reserve		2,332,638.01		2,287,456.00
III. Accumulated earnings		1,027,381.79		1,989,888.89
			12,137,019.80	12,977,344.89
B. Provisions & Accrued Liabilities				
1. Pension provision		295,442.00		297,155.00
2. Other provisions and accrued liabilities		354,627.21		213,358.14
			650,069.21	510,513.14
C. Liabilities				
1. Loans		3,125,799.48		1,350,395.51
2. Advance payments received on account of orders		486,366.57		502,892.94
3. Accounts payable, trade		555,404.37		464,800.40
4. Accounts due to other group companies		2,139.21		0.00
5. Other liabilities		39,891.39		16,847.28
			4,209,601.02	2,334,936.13
D. Accruals and deferrals			0.00	3,987.71
			16,996,690.03	**15,826,781.87**

6.2 Income Statement for 2011

	2011 €			2010 €
1. Sales		3,146,073.29		2,324,775.09
2. Other operating income		1,357,243.00		1,572,092.74
			4,503,316.29	3,896,867.83
3. Cost of materials				
a) Cost of licenses, commissions and materials		216,724.95		78,569.11
b) Cost of purchased services		269,689.11		359,557.16
			486,414.06	438,126.27
			4,016,902.23	3,458,741.56
4. Personnel expenses				
a) Salaries	820,742.04			708,867.37
b) Social security expenses	112,880.58			90,535.19
c) Expenses of pension schemes	3,070.41			5,006.16
		936,693.03		
5. Depreciation on intangible assets and property, plant and equipment		957,889.57		1,099,913.18
6. Other operating expenses		1,352,640.73		828,087.87
			3,247,223.33	
			769,678.90	726,331.79
7. Other interest and similar income		2,697.58		935.78
8. Interest and similar expenses		67,821.40		49,551.34
			-65,123.82	-48,615.56
9. Result from ordinary operations			704,555.08	677,716.23
10. Extraordinary income = extraordinary result			0.00	8,321.52
11. Taxes on income		13,244.25		3,261.37
12. Other taxes		828.00		616.00
			14,072.25	3,877.37
13. Net income			690,482.83	665,517.34
14. Profit brought forward from previous year			336,898.96	1,324,371.55
15. Accumulated earnings			**1,027,381.79**	**1,989,888.89**

6.3 Cash Flow Statement for 2011

	2011 K€	2010 K€
1. Cash flow from continuing operations		
Net income	690	665
Extraordinary items	0	8
Annual result before extraordinary items	690	673
Depreciation of film assets and other rights	932	1,066
Depreciation of other fixed assets	26	35
Write-ups of film assets and other rights	-1,204	-1,320
Change in long-term provisions and accrued liabilities	-16	-18
Other non-cash expenses (previous year income)	107	-139
Interest income	-3	-1
Interest payable	68	50
Tax expenses	13	4
Decrease in inventories	0	6
Increase in trade receivables	-519	-72
Decrease in other assets	3	0
Increase (previous year decrease) in trade payables	135	-773
Increase in other liabilities	158	131
Cash from ongoing business activities before interest and taxes	390	-358
Proceeds from interest	0	1
Interest payments	-53	-19
Tax payments	-13	-4
Cash flow from continuing operations	324	-380
2. Cash flow from investment activities		
Payments for investments in property, plant and equipment	-24	-17
Payments for investments in other intangible assets	-1	-2
Payments for investments in the film assets and the other rights (including advance payments)	-468	-322
Cash flow from investment activities	-493	-341
3. Cash flow from financing activities		
Dividends paid to shareholders	-1,653	-174
Payments for the purchase of own shares	-17	0
Proceeds from issuing bonds/loans	3,126	0
Payments for the repayments of bonds/loans	-1,350	0
Cash flow from financing activities	106	-174
4. Cash funds at the end of the period		
Change in cash funds from cash-relevant transactions	-63	-895
Cash funds at the beginning of the period	181	1,076
Cash funds at the end of the period	118	181
5. Composition of cash funds		
Liquid funds	118	181

6.4 Statement of Shareholders' Equity 2011

	Subscribed capital €	Minus nominal amount of own shares €	Issued capital €	Capital reserve €	Accumulated earnings €	**Shareholders' equity €**
Jan. 1st, 2010	8,700,000.00	0.00	8,700,000.00	2,287,456.00	1,498,371.55	12,485,827.55
Dividend	0.00	0.00	0.00	0.00	-174,000.00	-174,000.00
Net income	0,00	0,00	0,00	0,00	665,517.34	665,517.34
Dec. 31st, 2010	8,700,000.00	0.00	8,700,000.00	2,287,456.00	1,989,888.89	12,977,344.89
Jan. 1st, 2011	8,700,000.00	0.00	8,700,000.00	2,287,456.00	1,989,888.89	12,977,344.89
Acquisition of own shares	0.00	-16,000.00	-16,000.00	-1,317.99	0.00	-17,317.99
Dividend	0.00	0.00	0.00	0.00	-1,652,989.93	-1,652,989.93
Increase in capital in kind	93,000.00	0.00	93,000.00	46,500.00	0.00	139,500.00
Net income	0.00	0.00	0.00	0.00	690,482.83	690,482.83
Dec. 31st, 2011	8,793,000.00	-16,000.00	8,777,000.00	2,332,638.01	1,027,381.79	12,137,019.80

6.5 Notes for 2011

I. General Information

The annual financial statements of Your Family Entertainment AG (YFE), Munich, for the 2011 financial year were prepared in accordance with § 242 et seqq., § 264 et seqq. German Commercial Code (HGB) as well as the relevant provisions of the German Companies Act (AktG). The rules for large companies limited by shares apply.

Your Family Entertainment AG has its offices in Munich, Nordendstraße 64, Germany.

Object of the company:

The creation, editing and production of films, video and sound carriers and merchandising products, the purchase and sale of rights, investment in broadcasting companies, trade with films, image/sound carriers, merchandising products and national and international rights as well as event marketing. The company is also a full-service provider in the sense of an agency for the marketing of its own and third-party 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 segments "Production" and "License Sales".

II. Accounting and valuation methods

The accounting and valuation takes place pursuant to the following principles:

Balance sheet

Film assets and other rights are shown at their amortized costs. Scheduled amortization takes place depending on the exploitation of the film rights. Corresponding to the proportionate sales recognized in the financial year in relation to the overall exploitation of the film rights planned, including the sales realized in the financial year, the periodic proportionate amortization resulting from the exploitation takes place.

The approach chosen is based on the industry-specific US standard FASB ASC 926 (Entertainment - Films).

In addition, an impairment test is carried out at each balance sheet cut-off date.

A write-up is made when an impairment no longer exists or has been reduced. The write-up is recorded as income in the income statement. However, the increase in value and/or the reduction of the impairment of an asset only is recorded to the extent in which it does not exceed the book value which might have resulted taking into account the depreciation and amortization effects if no impairment had been recorded in the previous years.

The IT software acquired for a consideration as well as the property, plant and equipment are valued at costs of acquisition minus scheduled depreciation. The amortization of IT software takes place pursuant to the straight-line method pro rata temporis. The movable assets are depreciated using the straight-line method pro rata temporis. The period of amortization and depreciation corresponds to the useful lives of the assets customary in the industry. For IT software, it amounts to three years and for the other operational and office equipment, it amounts to two to ten years.

The inventories are valued at the average costs of acquisition. Recognizable inventory asset risks that result from above-average warehouse storage time, reduced usability and lower replacement costs are taken into account in the form of appropriate devaluations.

Receivables and other assets are shown at their nominal value. All items fraught with risks are accounted for by forming reasonable specific provisions. In addition, a general provision amounting to 1% exists for the general credit risk.

Receivables in foreign currency are valued using the average spot exchange rate at the balance sheet cut-off date. In the case of a residual maturity of more than one year, the realization and historical cost principle is observed.

The pension provisions are calculated in accordance with the Project Unit Credit Method, using Dr. Klaus Heubeck's "2005 G Tables". For discounting, a fixed rate, based on the average market interest rate and 15 years remaining to maturity, of 5.14% was used, in accordance with the German Regulation on the Discounting of Provisions of November 18th, 2009. Expected salary and pension increases were not to be taken into account.

The other provisions cover all recognizable risks and contingent liabilities. They are valued amounting to the settlement value (i.e. future cost and price increases). Other provisions with a remaining time to maturity of more than one year have been discounted with an adequate interest rate for the remaining time to maturity pursuant to the German Regulation on the Discounting of Provisions.

The liabilities are valued at the settlement value.

Amounts in foreign currency are valued at the spot exchange rate at the balance sheet cut-off date. In the case of a duration of more than one year, the realization and historical cost principle is observed.

Economic hedging relationships are reflected in the balance sheet by recognizing hedging relationships. Balancing value changes from the risk hedged are not included in the balance sheet, applying the "net hedge presentation method". The balancing positive and negative value changes both of the underlying transaction as well as the hedging instrument are recorded without affecting the income statement.

For the determination of deferred tax due to temporary or quasi-permanent differences between the valuation of assets under the commercial code, debts and accruals and deferrals and the fiscal valuations or due to fiscal losses brought forward, the amounts of the resulting tax burden and relief will be valued at the company-specific tax rates (32.98%) at the time of reducing the differences and not discounted.

Deferred tax differences on the assets side as of the balance sheet cut-off date mainly result from for pension provisions, other provisions and foreign currency gains.

The option for capitalization of deferred taxes is not exercised.

Income Statement

The Income Statement is structured pursuant to the total expenditure format.

The recognition of sales takes place depending on the respective license agreement, in particular pursuant to the following:

- a license contract signed by both parties is available;
- the contractual obligations regarding the delivery/supply of the material have been met;
- the licensing period has begun;
- the contractual fee can be determined, e.g. also by means of periodic reports of the Video-on-demand (VoD) platforms.

Whether the licensee uses the rights only at a later point in time is not relevant for the time of recognition of the sale.

As regards merchandising sales (business segment „License Sales"), the guaranteed income is shown at the time of conclusion of the contract and/or at the start of the respective license period. In the case of income that is solely dependent on sales, the recognition of the income takes place when the sales are given for the licensee.

Sales in the business segment "Production" are recognized after completion of the film/the series and in the case of contract productions after completion and acceptance of the individual episodes.

III. Explanations of the balance sheet

Fixed assets

The development of the individual items of the fixed assets is illustrated in the separate summary of fixed assets, stating the depreciation and amortization of the financial year.

Accounts receivable and other assets

Items with a remaining time to maturity of more than one year exist in the receivables from trading amounting to K€ 35 (previous year K€ 75) and in the other assets amounting to K€ 11 (previous year K€ 11).

Shareholders' equity

Share capital

The share capital of Your Family Entertainment AG as of the balance sheet cut-off date is divided into 8,793,000 no-par shares, each with a pro-rata amount in the share capital of € 1.00. As of December 31st, 2011, the share capital thus amounts to € 8,793,000.00. 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 two announcements in the stock exchange newspaper (Börsenzeitung) in accordance with § 25 para. 1 WpHG [German Securities Trading Act]:

"Dr. Stefan Piëch (Vienna, Austria) has informed us, in accordance with § 21 para. 1, § 22 para.1 sentence 1 no. 1 WpHG [German Securities Trading Act] that the share of voting rights held by F&M Film und Medien Beteiligungs GmbH (Vienna, Austria) in RTV Family Entertainment AG (WKN 540891, WKN 540893) attributed to him in accordance with § 22 para. 1 sentence 1 no. 1 German Securities Trading Act 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 (Vienna, Austria) has informed us, in accordance with § 21 para. 1 German Securities Trading Act that its share of the voting rights in RTV Family Entertainment AG (WKN 540891, WKN 540893) on October 26th, 2005, exceeded the thresholds of 5%, 10%, 25%, 50% and 75% of the voting rights and now amounts to 89.27%."

As of December 31st, 2011, F&M Film und Medien Beteiligungs GmbH, Vienna, Austria, is in possession of 81.35% of the share capital.

Capital reserve

For settling the purchase price above the nominal amount for own shares, € 1,317.99 were taken from the discretionary capital reserve in 2011.

Within the framework of the increase of capital in kind, a premium amounting to € 46,500.00 was collected and allocated to the capital reserve.

Authorized capital 2010

The shareholders' meeting of July 13th, 2010 approved new authorized capital (authorized capital 2010).

In this respect, the following resolution was adopted:

a) The authorization for the Board of Management to increase the company's share capital by July 8th, 2013, on one or more occasions, by up to a total of € 4,350,000.00, through the issue of up to 4,350,000 new no-par bearer share certificates in return for cash and/or contributions in kind, also approved by the Supervisory Board, is herewith nullified, effective at the time when the new authorized capital, in accordance with subsequent paragraphs b) and c), is entered in the commercial register.

b) With the approval of the Supervisory Board, the Board of Management is authorized to increase the company's share capital by July 12th, 2015, on one or more occasions, by up to a total of € 4,350,000.00, through the issue of up to 4,350,000 new zero-par bearer share certificates in return for cash and/or contributions in kind (authorized capital 2010). As a matter of principle, shareholders will be thereby granted a subscription right. The legal subscription right can also be granted in such a way that the new shares can be underwritten by a bank or consortium of banks with the obligation to offer these to shareholders of Your Family Entertainment AG for subscription. With the approval of the Supervisory Board, the Board of Management is authorized to exclude the legal subscription right:

- to the extent that it is necessary for offset ting fractional amounts;
- if the shares are issued against a contribution in kind made for the purpose of purchasing companies or interests in companies or parts of companies or for the purpose of purchasing receivables from the company;
- if a capital increase against cash contribution does not exceed 10 % of the capital stock and the issue price of the new shares does not vastly fall below the stock market price (§ 186 para. 3 sentence 4 German Companies Act); when making use of this authorization to exclude the subscription right under § 186 para. 3 sentence 4 German Companies Act, the exclusion of the subscription right due to other authorizations listed under § 186 para. 3 sentence 4 German Companies Act is to be taken into account.

With the approval of the Supervisory Board, the Board of Management is authorized to determine further details of the capital increase and its implementation. The Supervisory Board is authorized to update the wording of the articles of association in accordance with the utilization of the authorized capital.

c) § 4 para. 3 of the articles of association will be rewritten in accordance with the aforementioned resolutions, as follows:

"(3) With the approval of the Supervisory Board, the Board of Management is authorized to increase the company's share capital by June 8th, 2015, on one or more occasions, by up to a total of € 4,350,000.00, through the issue of up to 4,350,000 new zero-par bearer share certificates in return for cash and/or contributions in kind (authorized capital 2010). As a matter of principle, shareholders will be thereby granted a subscription right. The legal subscription right can also be granted in such a way that the new shares can be underwritten by a bank or consortium of banks with the obligation to offer these to shareholders of Your Family Entertainment AG for subscription. With the approval of the Supervisory Board, the Board of Management is authorized to exclude the legal subscription right:

- to the extent that it is necessary for offsetting fractional amounts;
- if the shares are issued against a contribution in kind made for the purpose of purchasing companies or interests in companies or parts of companies or for the purpose of purchasing receivables from the company;
- if a capital increase against cash contribution does not exceed 10 % of the capital stock and the issue price of the new shares does not vastly fall below the stock market price (§ 186 para. 3 sentence 4 German Companies Act); when making use of this authorization to exclude the subscription right under § 186 para. 3 sentence 4 German Companies Act, the exclusion of the subscription right due to other authorizations listed under § 186 para. 3 sentence 4 German Companies Act is to be taken into account. With the approval of the Supervisory Board, the Board of Management is authorized to determine further details of the capital increase and its implementation. The Supervisory Board is authorized to update the wording of the articles of association in accordance with the utilization of the authorized capital."

On November 23rd/24th, 2011, the Board of Management and the Supervisory Board decided to increase the company's share capital amounting to € 8,700,000.00 by € 93,000 to € 8,793,000.00 by issuing 93,000 new bearer share certificates with an arithmetical amount of € 1.00 per share of the share capital at an issue price of € 1.50 per share against contribution in kind.

The increase of the capital in kind was registered in the commercial register on December 13th, 2011.

Based on the authorization granted by § 4 para. 3 sentence 5 and § 15 of the articles of association of the company, the Supervisory Board rewrites the wording of § 4 para. 3 sentence 1 of the articles of association with the resolution of November 24th, 2011, effective upon the registration in the commercial register for carrying out the capital increase as follows:

"With the approval of the Supervisory Board, the-Board of Management is authorized to increase the company's share capital by June 8th, 2015, on one or more occasions, by up to a total of € 4,257,000 through the issue of up to 4,257,000 new zero-par bearer share certificates in return for cash and/or contributions in kind (authorized capital 2010).

Conditional capital II

The May 4th, 2000 meeting of the shareholders authorized 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 Board of Management (a maximum of 25% of the option rights) and the 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 the option rights should take place in annual tranches over a period of three years:

- first tranche:
  400,000 option rights from July 1st to November 15th, 2000
- second tranche:
  200,000 option rights from July 1st to November 15th, 2001
- third tranche:
  200,000 option rights from July 1st to November 15th, 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 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 November 15th, 2002, those under the second tranche not before November 15th, 2003 and those under the third tranche not before November 15th, 2004.

The dates November 15th, 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 exercising of this choice; if members of the Board of Management are personally involved, the Supervisory Board shall decide.

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

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

The May 23rd, 2001 shareholders' meeting 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 came into existence 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 November 15th, 2010, for the option rights under the second tranche to November 15th, 2011, and for the option rights under the third tranche to November 15th, 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.

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

The extraordinary August 12th, 2002 shareholders' meeting 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 the option rights make use of their option right issued under a share option plan in accordance with the resolutions passed by the extraordinary May 4th, 2000 shareholders' meeting, amended and extended by resolutions passed by the May 23rd, 2001 regular shareholders' meeting and the extraordinary August 12th, 2002 shareholders' meeting.

The new shares participate in profits from the beginning of the financial year in which they came into existence as a result of the exercise of share options.

Following the simplified capital reduction (registered on October 9th, 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.

As already in 2010, no share option rights were granted in 2011.

Share repurchase

In 2011, the authorization to purchase own shares, which was passed at the July 13th, 2010 shareholders' meeting, was made use of and a total of 16,000 own shares with an arithmetical portion of the share capital of a total of K€ 16 at an overall price of K€ 17.3 were purchased on the stock exchange. Thus, the own shares as of the balance sheet cut-off date amount to 0.18% of the share capital.

Provisions & Accrued Liabilities

The other provisions mainly relate to human resources costs, provisions for outstanding invoices as well as the provisions for the annual financial statements and the audit.

Furthermore, a provision for contingent loss from derivative financial instruments amounting to K€ 76 (previous year K€ 0) was formed.

Liabilities

Liabilities as of Dec. 31st, 2011 in K€	Up to 1 year	2-5 years	> 5 years	Total
Liabilities to credit institutes	1,826	1,300	0	3,126
Received payments for orders	487	0	0	487
Liabilities from deliveries and services	554	1	0	555
Accounts due to other group companies	2	0	0	2
Other liabilities	40	0	0	40
- thereof for taxes	(17)	(0)	(0)	(17)
- thereof for social security	(4)	(0)	(0)	(4)
Total liabilities	2,909	1,301	0	4,210

Liabilities as of Dec. 31st, 2010 in K€	Up to 1 year	2-5 years	> 5 years	Total
Loans	1,350	0	0	1,350
Advance payments received on account of orders	503	0	0	503
Accounts payable, trade	464	1	0	465
Accounts due to other group companies	0	0	0	0
Other liabilities	17	0	0	17
- thereof for taxes	(15)	(0)	(0)	(15)
- thereof for social security	(0)	(0)	(0)	(0)
Total liabilities	2,334	1	0	2,335

In order to secure loans, collaterals in the form of rights and claims under film license contracts have been granted. In addition, loans are supported by bill designations and blank bills.

Other financial commitments

Other financial commitments due within one year amount to K€ 339 and are primarily divided into rental (K€ 74), lease (K€ 19), consultancy and service commitments (K€ 246).

Within a period of 2 to 5 years, a total of K€ 296 will become due, primarily for service commitments.

Derivative financial instruments

For hedging interest risks, the company concluded interest rate hedging instruments. These financial instruments are effective as of June 1st, 2012.

Type / category	Nominal amount (K€)	Fair value (K€)	Book value (K€)
Interest swap	500	-59	n/a
Interest swap	300	-35	n/a
Cap	700	-44	-44
Cap	500	-32	-32
Total	**2,000**	**-170**	**-76**

To the extent that the underlying transactions are closed items, no need for provisions resulted.

For the caps, other provisions amounting to K€ 76 were formed.

The following valuation methods were applied:

The values stated are cash values (present value). Possible past cash flows (e.g. interest or premium payments) are not taken into account. Future cash flows from variable payments as well as discount rates are determined based on generally accepted actuarial models. For the valuation, average interbank rates are used.

Hedging relationships

The following hedging relationships were recognized:

Underlying transaction/ hedging instrument	Risk/type of hedging relationship	Amount involved	Amount of the risk hedged
Floating interest rate loan payables / interest swap	Interest rate risk/ microhedge	K€ 800	K€ 800

The underlying transaction is a floating interest credit line which will be drawn on with high probability during the hedging period (June 1st, 2012 to June 3rd, 2019) permanently at least amounting to the hedging volume. The opposed cash flows of underlying and hedging transactions presumably will be balanced in the hedging period nearly to the full extent because the payments from interest swaps are opposed by an underlying transaction to the same amount. The effectiveness of the hedging relations is determined based on the “hypothetic derivative method”. As of the accounting date, no need for provisions resulted from this.

IV. Explanations of the income statement

Sales

Sales of K€ 1,165 (previous year K€ 369) were achieved in Germany and K€ 1,981 (previous year K€ 1,956) abroad.

The sales of K€ 3,146 were achieved completely in the „License Sales“ segment (previous year K€ 2,325).

Other operating income

This item primarily includes income from write-ups to intangible assets amounting to K€ 1,204 (previous year K€ 1,320).

Furthermore, income from currency conversion amounting to K€ 28 (previous year K€ 31) was shown.

Cost of materials

This position relates to sales-related costs for licenses, commission, materials and purchased services. Above all, these are the expenses for purchased services amounting to K€ 270 (previous year K€ 360), for licenses (authors' shares) with K€ 143 (previous year K€ 52) and commissions K€ 73 (previous year K€ 27).

Personnel expenses

On average throughout the year, 16 employees were employed, including apprentices and interns but excluding the Board of Management.

Depreciation

Unscheduled depreciation of film assets amounting to K€ 476 (previous year K€ 678) was to be made as a result of the so-called impairment test. In addition, write-offs of K€ 456 (previous year K€ 388) were made on film assets as a result of the use made of the assets.

Other operating expenses

This collective item mainly 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 trade show costs.

Furthermore, currency conversion accounted for K€ 18 (previous year K€ 9) in expenses.

Other interest and similar income

The income from the addition of accrued interest amounts to K€ 3 (previous year K€ 0).

Interest and similar expenses

Interest expenses from provisions and accrued liabilities was K€ 15 (previous year K€ 18).

Extraordinary expenses

The application of art. 66 and art. 67 para. 1 to 5 EGHGB [Introductory Code to the German Civil Code] (transitional regulations for the Germany Accounting Law Modernization Act) in the previous year resulted in extraordinary expenses of K€ 8.

Taxes on income

This item amounting to K€ 13 exclusively relate to foreign withholding tax.

Significant transactions with affiliated persons and/or companies

Within the framework of a credit agreement with UniCredit Bank Austria AG, Vienna, a letter of guarantee for € 1.3 million plus interest and ancillary costs was issued by F&M Film und Medien Beteiligungs GmbH, Vienna, for Your Family Entertainment AG. Further transactions not made at arms-length conditions were not given.

V. Information on the company's statutory bodies

Supervisory Board

The members of the Supervisory Board during the 2011 financial year were:

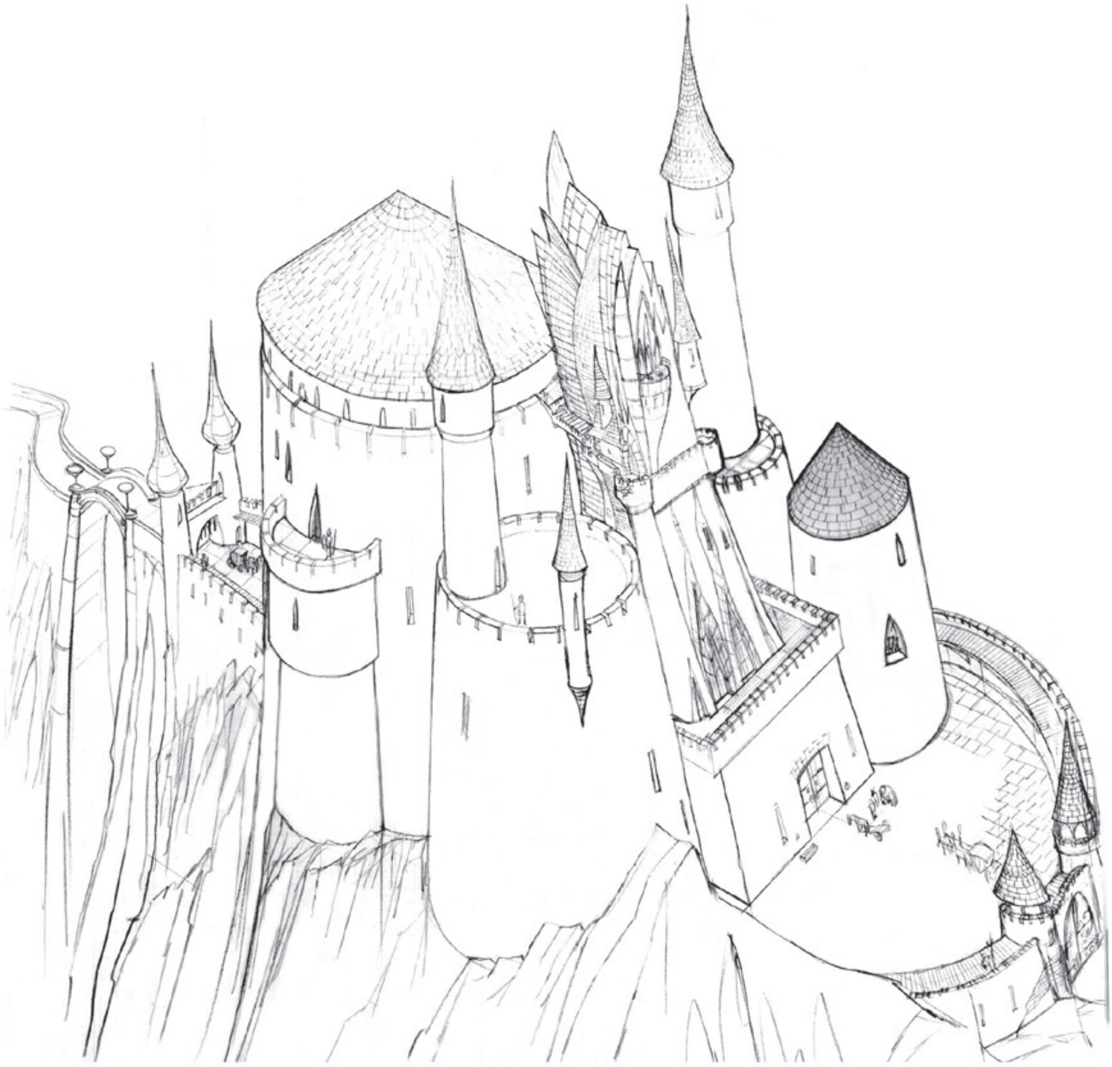
- Dr. Hans-Sebastian Graf von Wallwitz
  Munich, Germany
  Lawyer
  (Chairman)
- Mag. Johannes Thun-Hohenstein,
  Vienna, Austria
  Media consultant
  (Deputy Chairman)
- Dr. Andreas Aufschnaiter,
  Munich, Germany
  Business consultant,
  Executive Board GCI Industrie AG

The total remuneration (without expenses) of the Supervisory Board in the 2011 financial year amounted to K€ 27. Pursuant to § 16 of the company's articles of association, K€ 12 of this amount are 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, 2011.

The members of the Supervisory Board hold the following positions on other supervisory boards and control bodies within the definition of § 125 para. 1 sentence 5 German Companies Act:

- Mag. Johannes Thun-Hohenstein:
  Member of the Supervisory Board of Ronald McDonald Kinderhilfe Austria
- Dr. Andreas Aufschnaiter:
  Full member of the Supervisory Board of
  - MEA AG, Aichach
  - STEMAS AG, Munich
  - ACB Vorsorge KGaA, Eggenfelden

  Chairman of
  - Vantargis AG, Munich (until March 31st, 2011)



Board of Management

The sole Management Board member of Your Family Entertainment AG is:

Dr. Stefan Piëch
Vienna, Austria
Film Distributor

The Board of Management's total remuneration during the 2011 financial year amounted to K€ 202 and includes fixed remuneration, payments in kind (car) and insurance contributions.

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

The total remuneration for former members of the Board of Management amounted to K€ 18. The pension provisions for former members of the Board of Management and their surviving dependants are fully formed and as of December 31st, 2011 amount to K€ 272.

VI. Audit and consultancy fees

The auditors' total fee invoiced for the audit of the financial statements for the year ending December 31st, 2011 (annual financial statements in accordance with the German Commercial Code and the audit of the Dependency Report) amounts to a total of K€ 36.

VII. Declaration in accordance with § 161 AktG [German Companies Act] relating to the Corporate Governance Code

Your Family Entertainment AG, Munich, has submitted the declaration for 2011 required under § 161 AktG [German Companies Act] and made it available to the shareholders in December 2011 on the website of the company (www.yf-e.com) under the heading „Investor Relations".

Munich, March 26th 2012

The Board of Management

VIII. Development of the fixed assets 2011

	Acquisition costs								
	Jan 1st, 2011 €	Acquisitions €	Transfers €	Disposals €	Dec. 31st, 2011 €	Write-ups 2011 €	Accumulated depreciation €	Book value Dec. 31st, 2011 €	Depreciation for the year €
I. Intangible assets									
1. Franchises and rights acquired for a consideration	0.00	1,167.65	0.00	0.00	1,167.65	0.00	0.00	1,167.65	0.00
2. IT software acquired for a consideration	55,818.90	0.00	0.00	0.00	55,818.90	0.00	54,827.90	991.00	700.00
3. Film assets and other rights acquired for a consideration	126,461,627.59	468,265.81	0.00	617,130.59	126,312,762.81	1,204,332.50	111,754,630.09	15,762,465.22	931,867.69 [1]
	126,517,446.49	469,433.46	0.00	617,130.59	126,369,749.36	1,204,332.50	111,809,457.99	15,764,623.87	932,567.69
II. Tangible assets									
Other equipment, operational and office equipment	243,700.87	23,851.88	0.00	16,036.27	251,516.48	0.00	202,908.48	48,608.00	25,321.88
	126,761,147.36	493,285.34	0.00	633,166.86	126,621,265.84	1,204,332.50	112,012,366.47	15,813,231.87	957,889.57

[1] Thereof unscheduled depreciation amounting to € 475,692.22

6.6 Management report for 2011

A. General

Your Family Entertainment AG (YFE), Munich, is one of Germany's longest-established companies engaged in the production of entertainment programs for children, teens and the whole family and trade in licenses regarding 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 programs for the whole family.

The company's high-quality library of programs currently comprises about 3,500 half-hour programs and is therefore one of the largest of its kind in Europe. This library of rights is marketed by YFE in free-TV, pay-TV, via DVD, Video-on-Demand (VoD) and in merchandising. The library had been built by Ravensburger Group over a period of almost 30 years and is being continued by YFE with the same traditional values.

At present, the company's business segments are divided into "License Sales" and "Productions".

The License Sale business division includes the trade in licenses for free-TV, pay-TV, home entertainment as well as Video-on-Demand (VoD) as well as the entire value creation chain of ancillary rights marketing.

This division also is responsible for the coproduction of individual film titles.

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

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 programs 24 hours a day via satellite, cable and DSL (IPTV). In 2010, "yourfamily" won a Hot Bird™ TV Award in the category "Children's".

The segment "Productions" is divided into the two sub-divisions productions-to-order and the so-called repertoire productions. Its range extends from the pure development of programs through to full-service productions. This spectrum includes both animation and live-action programs on the one hand and game and quiz shows as well as infotainment on the other hand. As a co-producer, this company division also develops and creates TV series in cooperation with international partners.

B. Annual Financial Statements

1. The overall economic situation

1.1 World economic climate

"After two years with exceptional growth rates of approximately three percent each, the situation of the German economy is pleasantly robust. Admittedly, the dynamics are decreasing given the increased risks in the European and international environment but the citizens continue to benefit from the growth strategy of German companies. Never before since the foundation of the Federal Republic have so many people been employed. Wages and purchasing power are increasing noticeably."

(Source: Federal Ministry of Economics and Technology, Berlin)

"In the first quarter of 2012, the indicator for the ifo global economic climate which is surveyed by the ifo Institute and the International Chamber of Commerce (ICC) shows a slight upwards tendency after reclining twice.

However, it is still significantly lower than its long-term average. The improvement is exclusively due to the somewhat less pessimistic expectations for the next six months. In contrast, the present situation was assessed to be somewhat worse than in the survey of the previous quarter. The results prove the situation of the global economy, which continues to be difficult. The economic climate in Western Europe hardly changed. While the current economic situation continued to deteriorate compared to the last quarter of 2011, the expectations for the coming six months admittedly improved slightly but still signaled skepticism. The economic climate in Asia indicates an economic slowdown. Due to significantly worse assessments regarding the current situation, the climate indicator fell below its long-term average slightly more. In contrast, positive signs come from North America, in particular the USA, where a significant improvement of the current economic situation has been confirmed. Also the economic outlook for the next six months is noticeably more positive than three months ago.

The expectations for the inflation for 2012 decreased significantly and fell to 3.5% on global average, after 4.0% were reported for the past year. The WES experts expect unchanged and/or slightly decreasing short-term interest over the course of the next six months.

In the opinion of the WES experts, above all the yen is overrated. They expect a slightly increasing dollar price over the next six months on global average.

(Source: International Chamber of Commerce Germany, Berlin)

1.2 Entertainment and media industry

"After the crisis year 2009, the media and entertainment industry is back on track for growth: In 2010, the worldwide income amounted to 1.42 trillion US dollars, a growth of 4.6 percent compared to the previous year. In the next years, the income will increase particularly quickly in digital media. The growth is additionally promoted by a downright media boom in emerging nations such as Brazil and China. These are the results of PwC's "Global Entertainment and Media Outlook 2011 - 2015". The study, which is published annually, examines the trends for 13 segments of the entertainment and media industry and derives sales forecasts for the coming five years. The Global Entertainment and Media Outlook forecasts that the global sales in the entertainment and media industry will increase in the next five years by an average of 5.7 percent per year. In 2015, the overall volume of the industry will be just under 1.9 trillion US dollars.

The online media have a great part in the positive growth outlook. The shift to the digital channels continued consistently in 2010: 25.9 percent of the overall volume of the industry were attributable to digital income. In 2015, it will be already 33.9 percent. In particular the extension of the broadband internet connection in the emerging nations and the triumph of smart phones and tablet computers are responsible for the rapid growth of the digital media.

Also the advertising - the segment which is most dependent on the economic situation - was back in 2010 with a sales increase by 5.8 percent after the slump by 11 percent in 2009.

In total, the advertising income will increase by 2015 by an average 5.5 percent. TV will remain the most important advertising media also in the next five years and grow by 6.5 percent per year on average. However, the segment of online advertising grows significantly stronger with 13 percent. In 2012, the Internet will get ahead of the newspaper market and establish itself as second-largest advertising segment.

But also the newspapers benefit from the advertising income in their online presences. Traditional media develop digital distribution channels and increasingly focus on the complementary products in digital media. Thus, the media convergence finally becomes reality.

The video games segment is the growth leader in consumer spending, followed by TV fees and films. In contrast, the PwC experts forecast only very cautions growth rates for the traditional print media, such as newspapers and journals, and the music market - this applies both to advertising expenses in these segments as well as the end consumer spending."

(Source: http://www.pwc.de/de/technologie-medien-und-telekommunikation/global-outlook-2011.jhtml)

<u>2. Key events during the 2011 financial year</u>

Dividend payment

With the resolution of the 2011 shareholders' meeting, a tax-free dividend amounting to € 0.19 (thereof € 0.15 as special dividend) per share was distributed to the shareholders of Your Family Entertainment AG for the 2010 financial year.

Capital increase against contribution in kind

The share capital of the company amounting to € 8,700,000.00 was increased by € 93,000.00 to € 8,793,000.00 by issuing 93,000 new bearer shares with an arithmetical amount of € 1.00 per share in the share capital at an issue price of € 1.50 per share against contribution in kind.

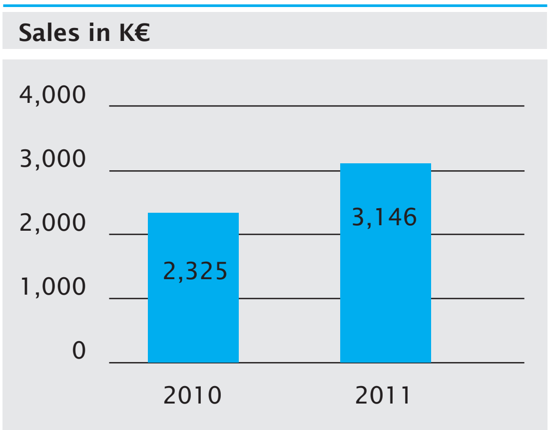
The capital increase was registered in the commercial register on December 13th, 2011.

<u>3. Business performance</u>

The Board of Management manages the YFE, among other means, based on monthly reporting. Key figures used in the management of the business relate particularly to the sales, EBITDA and liquidity status.

3.1 Development of the business

It was possible to achieve an increase in sales by K€ 821 from K€ 2,325 to K€ 3,146. This corresponds to a sales increase of more than 35%.



The sales of K€ 3,146 were achieved completely in the „License Sales“ segment (previous year K€ 2,325). On principle, fluctuations of the sales development may be caused by project transactions and/or so-called “package” deals.

3.2 Sales by region

YFE’s sales by region during the reporting period were:

Region	2011		2010	
	in K€	in %	in K€	in %
Domestic	1,165	37	369	16
Foreign	1,981	63	1,956	84
Total	**3,146**	**100**	**2,325**	**100**

4. Earnings situation

The result before depreciation and amortization, write-ups, interest, taxes and extraordinary result (EBITDA) amounts to K€ 522 (previous year K€ 506).

The result of ordinary operations amounts to K€ 705 compared to K€ 677 in the previous year.

The annual surplus 2011 amounts to K€ 690 compared to K€ 665 in the previous year.

The other operating income in the reporting year amounts to a total of K€ 1,357 (previous year K€ 1,572). They mainly include the write-ups to film assets amounting to K€ 1,204 (previous year K€ 1,320).

These write-ups to film assets are the result of, among other factors, licenses that have become available once more and updated sales expectations.

Compared with the previous year, the depreciation dropped by K€ 142 from K€ 1,100 to K€ 958. In addition to scheduled depreciation, this item includes unscheduled amortization of film rights to an amount of K€ 476 (previous year K€ 678), largely owing to the impairment tests carried out on the balance sheet cut-off date.

5. Asset and financial situation

The balance sheet total increased by K€ 1,170 to K€ 16,997 (previous year K€ 15,827).

The film assets rose significantly by K€ 740. This increase mainly results from investments in and write-ups to the film assets. The receivables and other assets increased from K€ 536 to K€ 1,052. The increase of receivables by K€ 522 is attributable to the sales, which increased compared to the previous year, and longer payment periods in case of individual projects.

Due to dividend distributions for 2010 amounting to K€ 1,653, the equity reduced by K€ 840 to K€ 12,137 (previous year K€ 12,977). Thus, the equity ratio as of December 31st, 2011 amounts to about 71% (previous year 82%).

As of December 31st, 2011, the company thus records subscribed capital amounting to K€ 8,793, a capital reserve of K€ 2,333 and accumulated earnings amounting to K€ 1,027.

The other provisions increased to K€ 354 (previous year K€ 213). The reason for this is the initial formation of a provision for contingent loss in connection with derivative financial instruments amounting to K€ 76, the increase of the provision for outstanding supplier invoices by K€ 34, and the increase of the provisions for the Supervisory Board remuneration by K€ 12 and for auditors’ remunerations by K€ 13.

Cash and cash equivalents, consisting of balances at banks, reduced from K€ 181 in the previous year to K€ 118 as of the balance sheet cut-off date.

On January 14th, 2008, the company concluded a contract on a credit line with Commerzbank AG, Stuttgart (lender). The credit line granted by the lender amounted to € 3,500,000.00. The contract had a fixed duration until December 30th, 2010. This contract on a credit line was renewed at unchanged conditions until June 30th, 2011.

On March 10th, 2011, a new credit agreement amounting up to € 2,500,000.00 was concluded with UniCredit Bank Austria AG, Vienna, Austria. The credit line made available there may be used as revolving credit in current account and/or in form of fixed advances. The contract with Commerzbank AG, Stuttgart, was terminated after taking over of the loan by UniCredit Bank Austria AG, Vienna.

With the credit agreement of June 14th, 2011, another loan amounting to € 1,300,000.00 was granted to Your Family Entertainment AG by UniCredit Bank Austria AG, Vienna, in addition to the existing credit line amounting to € 2,500,000.00.

As of the balance sheet cut-off date, the company records loans amounting to K€ 3,126 (previous year K€ 1,350). From today‘s point of view, an extension of the debt financing is not planned in the next two years.

YFE’s liquidity requirements are monitored using rolling financial planning. The main instruments besides the global credit line are amortizable loans and short-term money investments. Further aims of the financial management include the optimization of interest payable and interest income as well as securing of the required foreign currency. The company has a USD account.
The risk of increasing loan interest is counteracted with the derivative financial instruments.

6. Investments

In the reporting period, investments amounting to K€ 493 were made (previous year K€ 341). These were largely made in film assets, among others in purchasing the animated movie “Happily N’Ever After”, seven further seasons/series as well as several language versions for existing film material.

7. Key data in K€	2011	2010
Sales	3,146	2,325
EBITDA	522	506
EBIT	769	726
Net income	690	665
Total balance sheet amount	16,997	15,827
Value of film assets	15,762	15,022
Shareholders‘ equity	12,137	12,977
Interest-bearing liabilities	3,126	1,350

8. Employees

Personnel expenses for the 2011 financial year amounting to K€ 937 were higher than the previous year’s personnel expenses amounting to K€ 804.

This increase results from the build-up of personnel capacities.

On average throughout the year, 16 employees were employed, including apprentices and interns.

As of the balance sheet cut-off date, a total of 19 persons were employed by YFE, including one member of the Board of Management, two apprentices and three part-time employees/interns.

9. Summary

The business segments of Your Family Entertainment AG were and still are project-driven business segments and thus subject to strong fluctuations. As already in the previous years, measures were taken in 2011 in order to establish an even broader basis for Your Family Entertainment AG.

As in the previous year, no sales were achieved in 2011 in the segment “Productions”.

In the segment “License Sales”, an increase in sales of ca. 35% was achieved. This increase mainly results from the new establishment and the expansion of cooperations on the European Market as well as the strengthening of the presence on the Middle East markets.

By starting the own pay-TV channel in Bulgaria, the international expansion of “yourfamily” was promoted further. It was also possible to win new partners on the German market, such as for example “Deutsche Telekom”.

By consistently enforcing independent claims under copyright with collecting societies, the resulting income was increased clearly and sustainably. All in all, the development of sales in the past 2011 financial year was satisfactory in the view of the Board of Management and the development of the results was acceptable. The increase of the cash flow from ongoing business activities was pleasant.

C. Risks and Opportunities

1. General business risk

Fluctuations of future business results

During a financial year and from year to year, fluctuations of the sales and the operating profit of YFE may occur - as generally for any company of the Film and TV production. These fluctuations have a variety of causes, such as for example the degree and timing of 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. 2. External risks / market risk

Competition-related risks

Even though the first signs of an increase in demand are discernible, the film and television market on which YFE operates is still characterized 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 programs they broadcast than they did in the past. This, together with the increasing number of repeats of individual programs in the industry, leads to a more efficient use of companies’ own program resources and accordingly to reduced investment in new projects. This process is particularly marked in the field of children’s programs. Moreover, external factors such as current consumer and leisure behavior and basic shifts in the advertising market influence the stations’ program planning and purchasing policy.

3. Business performance risks/litigation risk

a) Risks in the production of programs

The production of programs - both produced by the company itself and co-productions - involves a range of operational risks. On principle, the development and production of formats and/or TV shows usually involves high costs and accordingly entails a high financial risk. If, for example, delays in completion occur despite the careful selection of co-production partners and/or service providers, this may give rise to postponements of the sales and profit planned by the company to a later accounting period. It can also not be excluded that YFE will not have sufficient financial resources available for the development of programs and their production, which is a basic condition for the economic activity of the company.

Co-production

YFE ensures the completion of its co-productions by the careful selection of established and reliable co-production partners and service-providers as well as by means of hedging instruments, such insurance policies or completion bonds. YFE also carries out regular checks on both finances and content during the production. Nevertheless, delays in completion may occur on individual projects which may lead to the postponement of sales and profit from one accounting period to the next.

Production-to-order

If the company, being the producer of a made-to-order production, is responsible for carrying out the production according to the contract, the company usually will receive a fixed price for this from the client. 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 license production, the producer carries the full financing risk right through to the delivery of the completed product. The costs of production and, where applicable, profit are covered by the license fee if the production is delivered in accordance with the contract. Should, however, the budget not be covered or not fully covered by license sales, then the producer carries the risk of the resulting loss.

b) Risks in the purchasing and marketing of programs

YFE tries to recognize trends in the fields of programs and TV stations' requirements as early as possible and to design its own product range accordingly. In doing so, 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 programs. On the one hand, the company carries the general contractual risks, such as the risk of (non)-fulfillment. Moreover, a variety of copyrights and ancillary copyrights have to be transferred to the relevant customers as part of the contracts. The company must therefore ensure, within the framework of its contracts with those involved in the production of the particular program, that the necessary copyrights and ancillary copyrights are transferred to the company in order to avoid infringements of industrial property rights (e.g. copyrights, license rights and personal rights). Even though the company uses internal and external legal advice, the possibility cannot be ruled out that third parties will assert claims regarding the abovementioned rights, which might have significant negative implications for the company's asset, financial and earnings situation.

The amortization of film assets (that is the rights of use and exploitation referred to above) and the other rights are governed by the exploitation of the film rights. The amortization resulting from the exploitation takes place in accordance with the relation of the sales realized in the financial year to the total planned future sales from the exploitation of the film rights including the sales realized in the financial year. Moreover, a so-called impairment test is made at each balance sheet cut-off date. It cannot be completely ruled out that impairment tests carried out in the future will considerably change the value of the film library. Two thirds of the company's catalogue of film rights, which currently comprises approximately 170 titles, derive from licenses from third parties, whilst only one third of the titles were own productions or coproductions. The licenses from third parties in YFE's possession have not been granted indefinitely but generally for a limited period of time. YFE may no longer use these licenses should it not be possible to renew a large part of them on expiry. Consequently, an essential part of the library and thus the basis of the company would cease to exist. This may have negative implications for the company's asset, financial and earnings situation.

On principle, there is the risk that receivables from the exploitation of programs remain unpaid. The Board of Management assumes that the default risks are sufficiently covered all in all.

c) Risks arising from ongoing proceedings

"Robinson Sucroe"

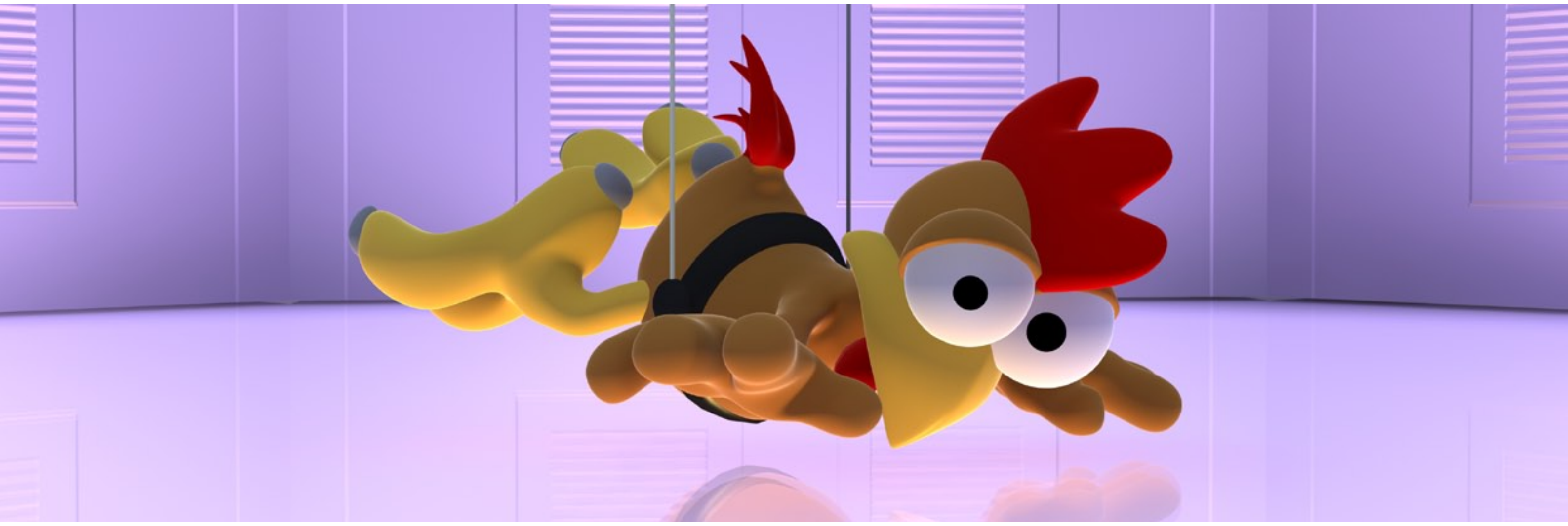
Canadian courts ordered Your Family Entertainment AG to pay damages amounting to Can$ 3.4 million as joint and several debtors as well as another payment amounting to Can$ 68,000 in the first and second instance. The possibility to file an appeal on points of law with the Supreme Court is still available. The judgment is provisionally enforceable regarding assets of the company which possibly are situated in Canada.

An enforcement in Germany only would be possible when the judgment has become res judicata.

Irrespective of the judgment of the court of appeal on points of facts and law, it is improbable that the plaintiff draws on the company from the present point of view as other joint and several debtors are resident in Canada and therefore the plaintiff would have easier access to them. It cannot be foreseen at present whether the other defendants will try to claim indemnification among joint and several debtors towards the company after a possible payment by the other defendants. Due to the existing contractual agreements, the company would have a right of recourse against France Animation/Moonscoop, Paris, France. For this reason, YFE does not anticipate any significant financial liabilities.

„Mysterious Cities of Gold"

In the course of a legal dispute regarding the exploitation of the series "Mysterious Cities of Gold", CLT-UFA S.A. early in 2012 brought an action for a negative declaratory judgment with



a value in dispute of K€ 50 against Your Family Entertainment AG.

The plaintiff, CLT-UFA S.A., applies for a declaratory judgment that Your Family Entertainment AG should no longer be entitled from December 29th, 2011 to exploit the series "Mysterious Cities of Gold".

On February 16th, 2012, Your Family Entertainment AG submitted its statement of defense applying for rejecting the claim as CLT-UFA S.A., among other things, sold and licensed all rights under the coproduction contract "Mysterious Cities of Gold" to Your Family Entertainment AG.

From today's point of view, the currently pending action does not prevent Your Family Entertainment AG from further exploiting the series "Mysterious Cities of Gold".

4. Financial risks

a) Access to external financing, interest risks, interest hedging transactions

Within the framework of a contract on a credit line with Bank Austria AG, Vienna, Austria, YFE transferred to the bank securities in form of titles and claims from film license contracts. The possibility of YFE to take up further loans might be made significantly more difficult if valuable securities are not released. If the company in case of need is unable to acquire additional loans, this could have considerable implications for the company's asset, financial and earnings situation.

There are risks from the agreement of variable interest. These risks were counteracted by conclusion of contracts on derivative financial instruments.

b) Exchange rate fluctuations, exchange hedging transactions

The company's current and future activities outside the area of the European Monetary Union are partly transacted in currencies other than the euro, either by YFE or by its distribution partners. The applicable exchange rates are subject to fluctuations which cannot be foreseen and which may possibly prevent the company from generating a stable income. On principle, there is the risk of losses from such exchange rate fluctuations. Unfavorable exchange rate fluctuations or costs incurred in the future for currency hedging could therefore have negative effects on the development of sales and thus the asset, financial and earnings situation of the company.

At present, the company has not concluded currency hedging transactions.

5. Risk management

At regular intervals, the general and operational risks are recorded and assessed and measures for minimizing the risks are determined.

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

The risk management of Your Family Entertainment AG 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 central instrument of the risk management of Your Family Entertainment AG are the regular discussions between the Board of Management and the second management level. These discussions serve to recognize and assess risks and, if necessary, to take counter-measures in time and to monitor the measures taken. Moreover, the second management level informs the Board of Management about risks occurring unexpectedly also outside these regular meetings.

Particular facts are discussed by the Board of Management and Supervisory Board in a timely manner.

We use three instruments for the continuous risk monitoring: liquidity management, sales controlling and balance sheet controlling. By ensuring a regular and systematic control of these areas, all major operational and structural risks of the business activity of YFE are monitored. The overall responsibility for the monitoring of these risks lies with the Board of Management of the company.

The aim of the liquidity management is the continuous monitoring and ensuring the liquidity of the company. The 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 the sales controlling is to recognize, quantify and develop the sales potential of the company by planning and coordination of the sales activities. This ensures that realizable medium-term sales potential is recognized and investments are covered by realizable income and that a realistic cash flow planning can be prepared. Furthermore, the sales activities of the company are planned based on the sales planning. In addition, these figures are checked for their plausibility using a rights-based approach.

The aim of the balance sheet controlling is the monitoring of the balance sheet items in order to recognize necessary corrective measures in time, especially an equity deficiency. The balance sheet controlling comprises three pillars: the audited financial statements, the semi-annual financial report and the continuous balance sheet controlling. In addition, a monthly report that features a contribution margin accounting is prepared. 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.

As 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. Insofar, developments may arise which differ from the planning of the Board of Management.

6. Opportunities

In addition to its high-quality and extensive library of approximately 3,500 half-hour programs, the experience of Your Family Entertainment AG of many years in the production of TV programs and the extensive network of cooperation with purchasing broadcasters are to be considered its strengths.

The company's opportunities lie in an even better exploitation of its stock of rights via new distribution channels, supported by the development of exploitation and production concepts. The value-oriented approach pursued in this respect as regards contents clearly distinguishes the company from its competitors.

The progressive digitalization and the changing possibilities and/or habits in media consumption they bring about develop into positive framework conditions.

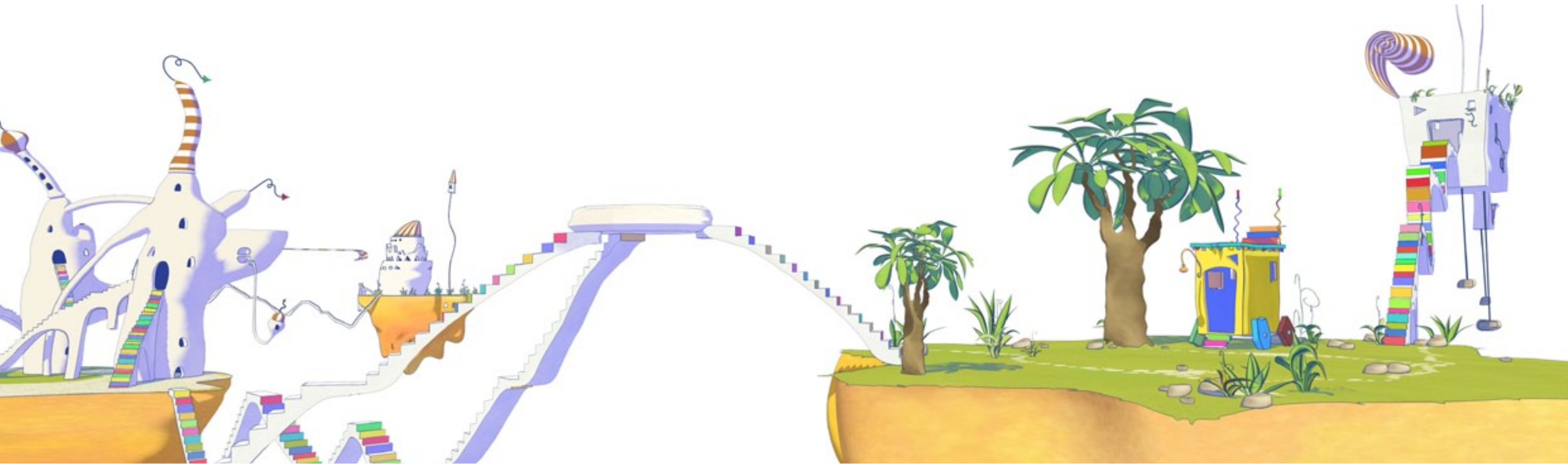
D. Internal control and risk management system with respect to the accounting system

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

The law does not define the required internal control and management system with regard to the accounting process.

We understand the term internal control system to mean the basic principles, procedure and measures introduced in the company by the Board of Management and management team aimed at the organizational implementation of decisions made by the 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),
- in order to ensure proper and reliable internal



and external accounting, as well as

- in order to ensure compliance with the legal requirements applicable to the company.

The risk management system encompasses the totality of all organizational 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 structure and processes with respect to the accounting system:

The Board of Management bears the overall responsibility for the internal control and risk management system with regard to the accounting process. Due to the company's size, the financial and sales managers are directly involved in the process of preparing the annual financial statements.

With regard to the accounting process, we consider such characteristics of the internal control and management system as material which may significantly influence 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;
- reventive 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 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 HGB [German Commercial Code]

The declaration of the company's management (§ 289a HGB [German Commercial Code]) includes the declaration of conformity, information on the company management practices, and a description of the work methods of the Board of Management and the Supervisory Board. Our goal is to describe the management of the company in a manner that is clear and to the point.

Declaration of conformity of the Board of Management and Supervisory Board of Your Family Entertainment AG regarding the German Corporate Governance Code pursuant to § 161 AktG [German Companies Act]

§ 161 AktG [German Companies Act] requires that 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, stating the reasons.

The company's Board of Management and Supervisory Board welcome the German Corporate Governance Code and declare the following: Your Family Entertainment AG will comply with the recommendations of the German Corporate Governance Code in the version of May 26th, 2010, with the following exceptions:

Supporting shareholders in voting by absentee ballot (section 2.3.3 sentence 2)

Your Family Entertainment AG intends to renounce the possibility of voting by absentee ballot for the time being. The company already offers its shareholders the possibility to instruct a proxy appointed by the company to exercise their voting rights. Thus, the shareholders have the opportunity already now to cast their vote also prior to the shareholders' meeting. Exercising the shareholders' rights would not be made significantly easier by the additional possibility of voting by absentee ballot.

D&O insurance for the Supervisory Board (section 3.8, para. 3)

For the members of the Supervisory Board, there is a D&O insurance which does not provide for an excess. The company does not consider the agreement of an excess to be suitable for improving the work ethic and sense of responsibility with which Supervisory Board members carry out the tasks and functions assigned to them. The legal requirements are met for the Board of Management.

Composition of the Management Board (section 4.2.1 sentence 1)

Owing to the scope of business operations and the size of the company, the Board of Management currently only consists of one individual.

Remuneration report (section 4.2.5)

Because of the size of Your Family Entertainment AG, disclosure of management remuneration will not be presented in the remuneration report, which, along with more general information on the remuneration system, forms part of the Corporate Governance Report. For the same reason, there will be no disclosure of ancillary services provided by the company in a remuneration report. The remuneration and its structure will be discussed in the management report of the annual financial report.

Diversity in the Board of Management (section 5.1.2 para 1 sentence 2)

As the company has but one sole director, the Supervisory Board cannot be mindful of diversity within the Board of Management. Furthermore, as the Board of Management comprises but one member, which is currently deemed adequate for the company and whose position is filled for the foreseeable future, it appears also to be impossible to follow Code recommendations to consider women for the position.

Formation of committees (sections 5.3.1, 5.3.2, 5.3.3.)

Due to the limited size of the Supervisory Board (three members), the formation of committees is not deemed necessary.

Establishment of specific goals for the composition of the Supervisory Board (section 5.4.1 para. 2 and para. 3)

The Supervisory Board of Your Family Entertainment AG does not state any specific goals for its composition. In its proposal of exclusively suitable Supervisory Board election candidates, the Supervisory Board has always aimed to put together a Supervisory Board made up of members who possess the proper qualifications - the knowledge, abilities and industry experience to work effectively. In the opinion of the Supervisory Board, this approach has proven itself. Therefore, no necessity is seen to change this practice. Consequently, the recommendations based on that pursuant to sections 5.4.1 para. 3 cannot be followed.

Success-oriented remuneration of Supervisory Board members (section 5.4.6 para. 2)

At present, there is no success-oriented remuneration for Supervisory Board members. The company considers a reasonable fixed remuneration for Supervisory Board members to be more suitable for meeting the control function of the Supervisory Board which is to be carried out regardless of the company success. However, the introduction of a success-oriented remuneration for Supervisory Board members will be examined in future.

Date of financial reporting (section 7.1.2 sentence 4)

The annual financial statements will not be made publicly available within 90 days after the end of the financial year; interim reports will not be made publicly available within 45 days after the end of the reporting period. The associated workload for a timely release of said information would involve unjustifiably high costs. In the opinion of the Board of Management and the Supervisory Board, the legal requirements for promptly providing information to shareholders and the capital market are sufficient.

Since the last declaration of conformity of December 2010, Your Family Entertainment AG basically complied with the recommendations of the German Corporate Governance Code in the version of May 26th, 2010. The recommendations from sections 2.3.3 sentence 2, 3.8 para. 3, 4.2.1 sentence 1, 4.2.5, 5.1.2 para. 1 sentence 2, 5.3.1, 5.3.2, 5.3.3, 5.4.1 para. 2 and para. 3, 5.4.6 para. 2, 7.1.2 sentence 4 were not applied. For the reasons of deviating from the above-mentioned sections, see explanations under no. 1.

Munich, December 2011

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

Dr. Stefan Piëch
(CEO)

Information on the company's management practices and the work methods of Board of Management and Supervisory Board

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

Shareholders and shareholders' meeting

Our shareholders exercise their rights in the shareholders' meeting.

The shareholders' meeting is convened in the legally required manner and at least 30 days before the day on which the shareholders are required to notify their participation in the shareholders' meeting, stating the agenda.

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 € 6,000.00 for the individual member, twice that amount for the chairman, and 1.5 times that amount for the deputy chairman.

Board of Management

As the public company's management body, the Board of Management manages the company's affairs and, in accordance with the German Companies Act, 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 remuneration of the Board of Management 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 of Management and the Supervisory Board hold shares in Your Family Entertainment AG.

Transparency

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

Information is also published by way of press releases and ad-hoc announcements. All announcements and releases are accessible on the Internet.

Your Family Entertainment AG has prepared the list of insiders required by § 15b German Securities Trading Act (WpHG). The persons concerned have been informed of their legal obligations and sanctions.

Accounting and auditing of the annual financial statements

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

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

It has been agreed with the auditor that the chairman of the Supervisory Board will be notified immediately about the reasons for exclusions or

exemptions and/or errors in the declaration of conformity revealed during the audit. The auditor immediately reports to the chairman of the Supervisory Board on all major issues and events 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 responsibility of the Board of Management, the management team and all employees. By doing so, it should be possible to detect risks earlier, to limit them and at the same time make use of entrepreneurial opportunities.

The risk management of Your Family Entertainment AG 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.

The principle instrument of the risk management of Your Family Entertainment AG are regular meetings between the Board of Management and the second management level for the purpose of promptly recognizing and assessing risks and, where appropriate, taking counter-measures and monitoring the measures taken.

Moreover, the second management level informs the Board of Management about risks occurring unexpectedly also outside these regular meetings.

Particular facts are discussed by the Board of Management and Supervisory Board in a timely manner.

The controlling and the internal control systems are a material component of a consistent and effective risk management.

As 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. Insofar, developments may arise which differ from the planning of the Board of Management.

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

Cash capital increase from authorized capital

On March 12th, 2012, the Board of Management of Your Family Entertainment AG decided with the consent of the Supervisory Board to increase the share capital of the company by up to € 869,999.00 from € 8,793,000.00 to up to € 9,662,999.00 against cash contributions, partly making use of the authorized capital 2010.

869,999 new bearer shares with a pro rata amount in the share capital of € 1.00 per share were issued. Thus, the capital increase covered about 9.89% of the share capital of the company. The issue amount of the new shares was € 1.20 per share. The legal subscription rights of the shareholders were excluded. The new shares were subscribed by WGZ BANK AG Westdeutsche Genossenschafts-Zentralbank, taken over and offered to investors for purchase within the framework of a private placement.

It was possible to place all new shares with institutional investors. Thus, the entire placement framework of 869,999 new shares was exhausted. The interest exceeded the issue volume; therefore, it was not possible to meet all subscription requests.

The execution of the capital increase was entered in the commercial register of the company on March 20th, 2012. The new shares are to be admitted to trade on the regulated market (General Standard) at the Frankfurt Stock Exchange immediately after registration of the execution of the capital increase in the commercial register of the company.

From the execution of the capital increase, the company achieved gross issue revenues amounting to about € 1.04 million. They are to be used for the further expansion of the operations.

G. Forecast

For the next two years, the Board of Management expects a continuing, successive upturn of the markets in Germany and abroad which are relevant for YFE.

The development of sales and the results will continue to be subject to natural fluctuations also in future, due to the dependency on projects and/or package deals.

For 2012 and 2013, the company plans the intensification the global distribution in the segment “License Sales” as well as winning new partners for the own pay-TV channel “yourfamily”.

To sum it up, we expect a positive sales development with sufficient liquidity and stable annual results for 2012 and 2013 on that basis.
It is YFE’s long-term goal to regain the position of a strong player on this market.

H. Principles of the company’s remuneration system in accordance with § 285 sentence 1 no. 9 HGB [German Commercial Code]

The remuneration of the Board of Management complies with the legal requirements of the German Companies Act. The Board of Management receives a fixed remuneration, which also includes benefits-in-kind, in particular insurance premiums. These fixed elements ensure a basic remuneration enabling the Board of Management member to exercise his office in the well-understood interest of the company and to fulfill the obligations of a prudent businessman, without falling prey to the pursuit of purely short-term performance goals. The contract of employment also contains a variable special remuneration which depends on the commercial results achieved by the company.

I. Reporting in accordance with § 289 para. 4 HBG [German Commercial Code]

1. Composition of the capital subscribed

The share capital as of the balance sheet cut-off date is divided into 8,793,000 no-par shares, each with a pro rata amount in the share capital of € 1.00. As of December 31st, 2011, the share capital thus amounts to € 8,793,000. The shares are bearer-shares. They are fully paid up.

2. Limitations concerning the voting rights or the transfer of shares

As part of limitations on disposal, 93,000 shares are subject to a holding period until June 30th, 2013 and must be sold neither in nor out of stock exchanges. After expiry of this holding period, sales of shares from the stock of the 93,000 shares which exceed the volume of 10,000 share certificates have to be agreed with the company in advance.

3. Direct or indirect participation in the capital

As of December 31st, 2011, F&M Film und Medien Beteiligungs GmbH, Vienna, Austria, is in possession of 81.35% of the share capital.

Moreover, Dr. Stefan Piëch, Vienna, has a direct stake of 0.68% in the capital of Your Family Entertainment AG and an indirect stake of 81.35% through F&M Film und Medien Beteiligungs GmbH referred to above, such that in total 82.03% of the share capital are attributable to Dr. Piëch directly and indirectly.

4. Owners of shares with special rights

As of December 31st, 2011, no shares with special rights were given.

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

There were no such controls on voting rights as of December 31st, 2011.

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 takes place in accordance with § 84 and § 85 German Companies Act. Changes to the articles of association take place in accordance with § 133 and § 179 German Companies Act.

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

The shareholders' meeting of July 13th, 2010 approved new authorized capital (authorized capital 2010).

In this respect, the following resolution was adopted:

a) The authorization for the Board of Management to increase the company's share capital by July 8th, 2013, on one or more occasions, by up to a total of € 4,350,000.00, through the issue of up to 4,350,000 new no-par bearer share certificates in return for cash and/or contributions in kind, also approved by the Supervisory Board, is herewith nullified, effective at the time when the new authorized capital, in accordance with subsequent paragraphs b) and c), is entered in the commercial register.

b) With the approval of the Supervisory Board, the Board of Management is authorized to increase the company's share capital by July 12th, 2015, on one or more occasions, by up to a total of € 4,350,000.00, through the issue of up to 4,350,000 new zero-par bearer share certificates in return for cash and/or contributions in kind (authorized capital 2010). As a matter of principle, shareholders will be thereby granted a subscription right. The legal subscription right can also be granted in such a way that the new shares can be underwritten by a bank or consortium of banks with the obligation to offer these to shareholders of Your Family Entertainment AG for subscription. With the approval of the Supervisory Board, the Board of Management is authorized to exclude the legal subscription right:

- to the extent that it is necessary for offsetting fractional amounts;
- if the shares are issued against a contribution in kind made for the purpose of purchasing companies or interests in companies or parts of companies or for the purpose of purchasing receivables from the company;
- if a capital increase against cash contribution does not exceed 10% of the capital stock and the issue price of the new shares does not vastly fall below the stock market price (§ 186 para. 3 sentence 4 German Companies Act); when making use of this authorization to exclude the subscription right under § 186 para. 3 sentence 4 German Companies Act, the exclusion of the subscription right due to other authorizations listed under § 186 para.3 sentence 4 German Companies Act is to be taken into account.

With the approval of the Supervisory Board, the Board of Management is authorized to determine further details of the capital increase and its implementation. The Supervisory Board is authorized to update the wording of the articles of association in accordance with the utilization of the authorized capital.

c) § 4 para. 3 of the articles of association will be rewritten in accordance with the aforementioned resolutions, as follows:

"(3) With the approval of the Supervisory Board, the Board of Management is authorized to increase the company's share capital by June 8th, 2015, on one or more occasions, by up to a total of € 4,350,000.00, through the issue of up to 4,350,000 new zero-par bearer share certificates in return for cash and/or contributions in kind (authorized capital 2010). As a matter of principle, shareholders will be thereby granted a subscription right. The legal subscription right can also be granted in such a way that the new shares can be underwritten by a bank or consortium of banks with the obligation to offer these to shareholders of Your Family Entertainment AG for subscription. With the approval of the Supervisory Board, the Board of Management is authorized to exclude the legal subscription right:

- to the extent that it is necessary for offsetting fractional amounts;
- if the shares are issued against a contribution in kind made for the purpose of purchasing companies or interests in companies or parts of companies or for the purpose of purchasing receivables from the company;
- if a capital increase against cash contribution does not exceed 10% of the capital stock and the issue price of the new shares does not vastly fall below the stock market price (§ 186 para. 3 sentence 4 German Companies Act); when making use of this authorization to exclude the subscription right under § 186 para. 3 sentence 4 German Companies Act, the exclusion of the subscription right due to other authorizations listed under § 186 para. 3 sentence 4 German Companies Act is to be taken into account. With the approval of the Supervisory Board, the Board of Management is authorized to determine further details of the capital increase and its implementa tion. The Supervisory Board is authorized to update the wording of the articles of asso ciation in accordance with the utilization of the authorized capital.

The following resolution concerning the authority to acquire the company's own shares was adopted as item 6 of the shareholders' meeting of July 13th, 2010:

a)The authority granted to the company by the shareholders' meeting held on July 8th, 2009 to acquire the company's shares until January 7th, 2011, will be nullified as soon as the new authorization resolution under b) becomes valid.
b)The company is authorized to purchase its own shares. This authorization is, however, restricted to the acquisition of an arithmetic portion of up to 10% of the company's share capital. The authorization 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 authorization is valid until July 12th, 2015.

c)The acquisition will take place either via the stock exchange or by means of a public offer to buy, addressed to all shareholders of the company.

aa) 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% of 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.

bb) Should the acquisition take place by way of a public offer to buy addressed to all 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% of 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 bay may stipulate other conditions.

Acceptance must be made by quota should the offer to bay be oversubscribed. The privileged acceptance of a limited number of shares per shareholder of the company of up to 100 units of the shares offered for sale may be provided for.

The Board of Management is authorized, with the consent of the Supervisory Board, to dispose of the shares in Your Family Entertainment AG acquired on the basis of this authorization in other ways than through sale by an offer to all shareholders or sale on the stock exchange, namely:

aa) By offering shares to third parties as part of a company merger, the acquisition of companies, investments in companies or parts of companies and as payment for the acquisition of receivables due from the company;

bb) 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 authorizations in accordance with § 186 para. 3 sentence 4 German Companies Act is to be taken into account when exercising the authorization.

cc) By redemption of the shares without the redemption or its execution requiring the approval of an additional resolution by the shareholders' meeting. The redemption leads to reduction of capital. The shares may also be redeemed in a simple procedure without reducing the capital, by adjusting the arithmetical pro rata amount of the other no-par shares in the share capital. The redemption may also be limited to a part of the shares acquired. The authorization of the redemption may be exercised several times. If the

shares are redeemed using the simple procedure, the Board of Management shall be authorized to adjust the number of no-par shares in the articles of association.

The above authorizations relating to the use of the own shares acquired may be exercised once or on several occasions, completely or in parts, individually or jointly. The shareholders' subscription right regarding the own shares acquired is excluded insofar as these shares are used pursuant to the above-mentioned authorizations under aa) and bb). At the shareholders' meeting, the Board of Management will 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 to the auditors a report on the relations of Your Family Entertainment AG with affiliated companies (dependent company report) for the 2011 financial year. The Board of Management declares that the company received an appropriate consideration for each legal transaction given the circumstances that were known to it at the time the legal transactions were carried out and that it was not disadvantaged by the measures taken or refrained from.

Munich, March 26th, 2012

The Board of Management

7. Auditor's Certificate Ernst & Young GmbH

We have audited the financial statements, consisting of the balance sheet, income statement, cash flow statement, statement of shareholders' equity and the notes to these financial statements - including the accounting system and the management report of Your Family Entertainment AG, Munich, for the financial year from January 1st to December 31st, 2011. The accounting system and the preparation of the financial statements and the management report in accordance with the provisions of the 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 financial statements including the accounting and the management report.

We conducted our audit of the financial statements in accordance with § 317 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 asset, financial and earnings situation given by the company's financial statements in compliance with the 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, 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 material estimates by the legal representatives and also an evaluation of the overall presentation of the financial statements and management report. We believe that our audit provides a sound basis for our opinion.

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 legal requirements and give a true and fair picture of the company's asset, financial and earnings situation in accordance with generally accepted accounting principles. The management report is consistent with the annual financial statements, gives a true and fair picture of the company's situation, and accurately presents the opportunities and risks of future developments.

Ravensburg, March 26th, 2012

Ernst & Young GmbH
Auditors

Bürkle	Liebe
Auditor	Auditor

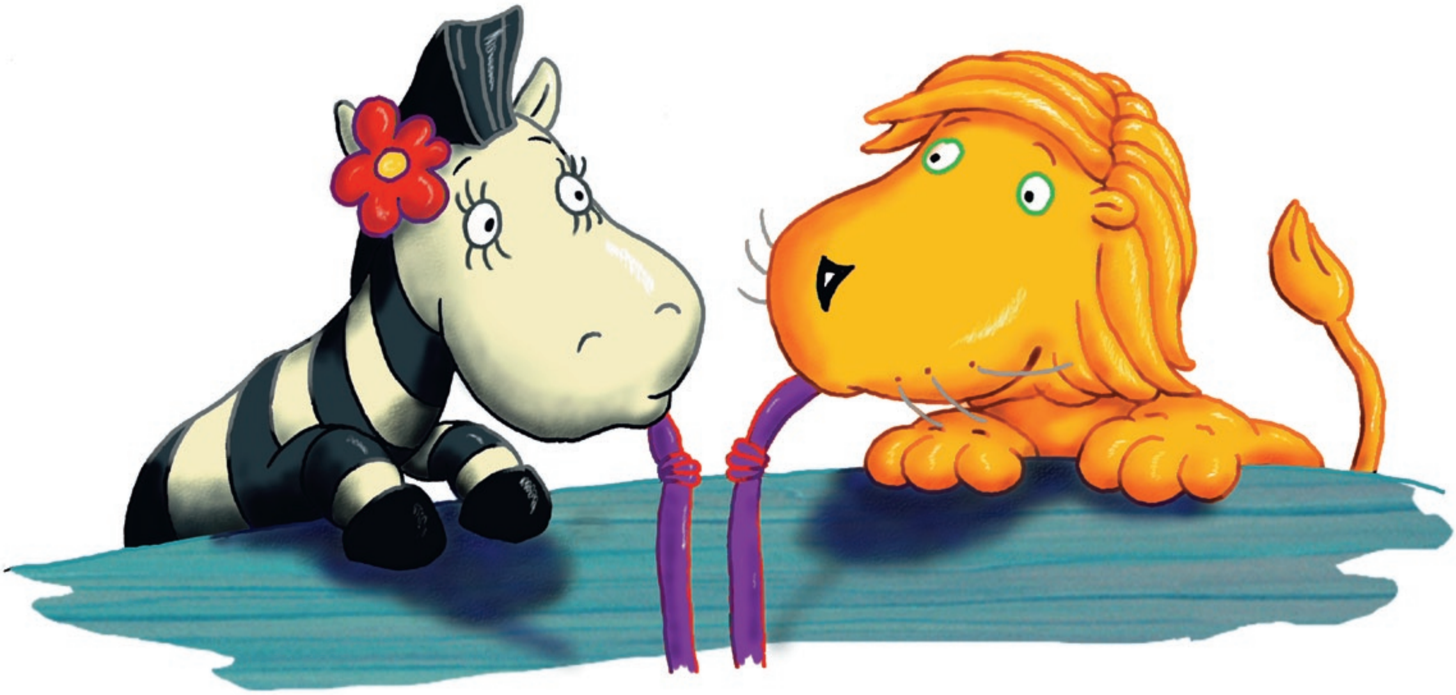
8. Assurance given by the company's legal representative

"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 expected development are described."

Munich, March 26th, 2012

Dr. Stefan Piëch
CEO

9. Financial calendar



April 26th, 2012	Release of the annual financial report 2011
May 16th, 2012	Release of the interim report for the first half of 2012
June 27th, 2012	Shareholders' meeting
August 28th, 2012	Release of the semi-annual financial report 2012
November 15th, 2012	Release of the interim report for the second half of 2012

10. Imprint / How to contact us

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