Your Family Entertainment AG

Annual Business and Financial Report 2015

yourfamily entertainment

Key Data (in € k)	2015	2014
Turnover	2,534	2,858
EBITDA	-1,637	-1,396
EBIT	644	936
Net income	381	731
Total balance sheet amount	26,447	25,012
Value of film assets	25,139	22,481
Shareholders' equity	15,708	15,231

Disclaimer: This English language version of the Annual Business and Financial Report 2015 is provided for the convenience of readers only. In case of discrepancies the German language version of this report shall prevail in all cases.

Table of contents

1. CEO's opening comments

Dear Shareholders,

Many new, exciting challenges and changes characterised 2015.

I thus would like to begin by thanking the team at Your Family Entertainment (YFE), which worked tirelessly on implementing all the large and small projects with a great deal of commitment and persistence.

Now, if I may, I will look at the most important events of the year in detail:

At the beginning of the year, Your Family Entertainment, in cooperation with the JOJ Group, a media firm based in Bratislava which operates four channels, launched RiK, the first Slovak-language channel aimed at children and families. The sister channel of the only independent German children's channel in Europe, RiC, reached its target group of children and families with a technical reach of 40% while generating a great deal of interest in the media, the social media community and the advertising industry.

Also in January, television viewers in the USA and South America were introduced to the famous comic duo Fix&Foxi, already very well-known among European fans, in collaboration with Alterna TV, based in Miami. Since early 2015, Alterna TV has been offering the new 24-hour Fix&Foxi entertainment programme for children with animations and live action entertainment to its broadcasting partners in around 25 countries from Chile to Canada as a linear TV channel. The programme can be received via the Alterna TV satellite platform in English and Spanish.

RiC also had great new developments for all advertising exhibitors and visitors in time for the start of Spielwarenmesse International Toy Fair Nürnberg at the end of January: All the participants in a competition were able to win media volumes for TV advertising totalling €17,500 on RiC, the popular free-to-air Astra and cable channel.

In mid-February, the free-TV family channel RiC further expanded its reach in Germany and can now also be received via Unitymedia and Kabel BW on channel 251 and on mobile devices via the Horizon Go service. With this feed-in, around 6 million more households are reached, making a total of over 30 million households in German-speaking Europe.

On 23 March 2015, the Board of Management and Supervisory Board at YFE decided to propose to the company's ordinary Shareholder's meeting that the bearer shares be converted into registered shares, which was adopted on 24 June 2015. Since 24 August 2015, the shares of YFE have thus been quoted on the regulated market of the Frankfurt Stock Exchange (General Standard) as no-par value registered shares of Your Family Entertainment AG.

Since May 2015, the children's and family channel RiC has also been available to receive in the live TV offerings of the "TV Spielfilm" app, making RiC available to 16 million users of the "TV Spielfilm" digital platform.

What's more, at the beginning of June, the children's and family channel "yourfamily" was renamed "Fix&Foxi" in Africa and the Middle East and the Nigerian direct-to-home provider CONSAT added Fix&Foxi to its catalogue. This marked the next step in the internationalisation of the pay-tv channel, which is already represented in Germany, Austria and Switzerland, in Latin America and the United States. The channel was broadcast straight away in Africa and the Middle East in English and Arabic, the French version followed soon after.

At the end of June, the channels Fix&Foxi and RiC supported Unitymedia with the social project "The Big Ride for Africa" with a donation to the "Lessons for Life" foundation.

Based on the results of a survey, YFE catered to the needs of the market with regard to the increased use of mobile devices in mid-June and will broadcast the free-to-air channel RiC without the curtain in order to enable a larger image format.

Since the middle of July, it has also been possible to receive the children's and family channel RiC for free via the media library of MEDIA BROADCAST, Germany's leading full-service provider in the radio and media industry. RiC is thus now also to DVB-T households and achieved a technical reach of a total of around 34 million households.

At the same time, Fix&Foxi's channel song was the sole finalist from Europe to be nominated for the New York Television Prize "Cynopsis Kids !magination Awards" in the category "Song for a TV Series/Special/Movie".

Fix&Foxi then had a turbulent launch in September with its new website and the long-awaited exhibition "Zwei Füchse starten durch" at the Bank Austria Kunstforum in Vienna. After the opening celebration on 1 September, which was also the premiere of the Fix&Foxi children's musical by Salzburg music producer Ray Watts, the exhibition about the legendary foxes could be visited at Kunstforum Wien from 2 September to 4 October 2015.

The successful charity performance of the Vienna Children's Theatre in mid-September with the auction of Fix&Foxi art prints, which were created as part of the exhibition and provided by YFE, helped the organisation.

In September, the international children's and family channel Fix&Foxi was once again nominated for the fifth time for the shortlist of the Eutelsat TV Awards 2015 in the "Children" category and was also among the top 5 in the first Content Innovation Awards in the category of "Best new channel launch" in Cannes.

Universal Children's Day on 20 September was all about children on RiC. In short reports, which were realised thanks to the three-year cooperation with SOS Children's Villages International, children from around the world provided insights into their lives, talked about their wishes and took viewers with them when performing customs typical of their country. A whole broadcasting day thus became a round-the-world trip of the most exciting children's stories.

Vienna Comic Con saw the world premiere of the Fix&Foxi 3D animation in front of an expert audience. Fix&Foxi conquered Vienna Comic Con on 21 and 22 November - live and for the first time anywhere in the world. On the Panel Stage, a discussion was held on the topic of "The fascination of classic brands and their transformation in the 21st century - using the example of Fix&Foxi", in which Fix&Foxi fans were able to get involved and the outfoxed Fix&Foxi sing-along music show by Ray Watts could also be admired.

Also in November, the family channel Fix&Foxi inserted brand new CGI idents for Fix&Foxi and other main characters from Rolf Kauka into all channel areas.

At the start of December, the Fix&Foxi chocolate, a limited edition for fans and collectors, which arose from a cooperation between YFE and the Zotter chocolate factory in Austria, won the hearts of Fix&Foxi fans.

In mid-December, a further step towards internationalisation - Fix&Foxi is exclusively broadcast on Etisalat's eLIFE TV, the leading telecommunications company in the United Arab Emirates and the number 1 pay-TV provider in this region.

On 22 December, the daily schedule window of eoTV during the period 8.15pm - 1am launched on RiC. The prime time schedule exclusively shows European originals, series and movies, classics and free-TV premieres. The independent TV offer is distributed in Germany, Austria and Switzerland via various RiC broadcasting routes, i.e. via Astra, Unitymedia and a total of over 130 cable networks, DVB-T over IP, Zattoo, Magine and streamed live on the dedicated eoTV website, which also went online at the start of the schedule window.

In time for the Christmas holidays, the Fix&Foxi channel finalised its personalised blocks, hosted by Fix&Foxi and other main characters from Rolf Kauka.

Finally, I would like to assure you that we as a company are continuing to work on continuous economic growth and attempting to expand all relevant business areas and, where possible, open up new ones, in order to create sustainable, profitable values for you, our shareholders.

We would like to take this opportunity to thank you kindly, dear Shareholders, for your unwavering trust in our company, and we would also very much like to thank the members of the Supervisory Board for their continued active support.

As already mentioned in the introduction, I naturally also offer my very special thanks to my team, which enabled and implemented many projects that were especially great challenges thanks to its outstanding commitment, as also demonstrated in previous years.

I look forward to continuing to work with such a motivated and committed team in the future and also achieving mutual successes in the coming years.

Munich, April 2016

Dr. Stefan Piëch

CEO

2. About us

The name Your Family Entertainment AG (YFE) symbolises innovation and tradition in one. For more than 35 years, we have been licensing and producing high-quality and educational TV series for children, young adults and families.

Your Family Entertainment AG is backed by a young and dynamic team of highly motivated employees who jointly strive for one objective: we wish to pass on our excitement and our passion for high-quality children's TV programmes – to children, families and customers all over the world.

We have the largest European independent library of entertainment for children and families in the international screen rights licensing trade. We have a programme inventory of about 3,500 half-hour programmes at our disposal. This number includes many series, all of which were created with great enthusiasm and dedication. This enables us to offer such a strong and varied schedule.

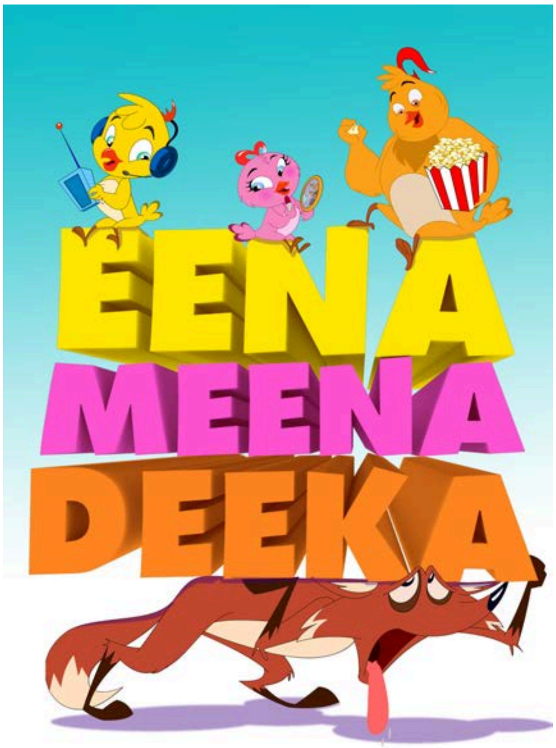
The library is continuously being maintained and new programmes are constantly being added. Recent years have also seen further long-term improvements in our excellent film stock. We have owned all the rights to Rolf Kauka's "Fix&Foxi" since May 2014. We have also had full rights to the series "Albert fragt" and "Albert sagt" since July 2014. In 2015, three new world-class series were added to the distribution in the form of "Toot the Tiny Tugboat", "Eena Meena Deeka" and "Badanamu".

We have been successfully operating the award-winning pay TV channel "yourfamily" since 2007 which has been given the renowned HOT BIRD TV Award in 2010. In 2011, 2013, 2014 and 2015, it was again nominated for the final of the top three children's channels worldwide. In December 2014, the pay TV channel "yourfamily" acquired two new presenter characters and has since been called "Fix&Foxi". As a result of the integration of the Fix&Foxi brand into pay TV, which has built a large fanbase over the past 60 years in Germany and beyond, the popularity of the two foxes has been combined with high quality television programming for families. Our beloved foxes present a 24 hour 16:9 aspect ratio programme with an optimal mix of challenging entertainment and educational content as well as monthly highlights. With this broadened concept, the channel has adopted a clear, distinct position in the German language kids' pay TV market, even via the AmazonFire TV app "Fix&Foxi TV" since as early as 2015. Thanks to this successful concept, the channel is now represented in many countries.

Since 2012, YFE has been represented on free TV by the children's channel "RiC". Our children's channel is aimed at children aged between 3 and 13 and the responsible adults in the household. Using our comprehensive knowhow and a carefully chosen range of high-value content, RiC is able to position itself as the third private channel aimed at children and families in the German-speaking region. Both the presentation of the channel, which is suitable for children, and the slowed-down content make RiC an opposite pole in the market which is largely dominated by an American or Asian style of line-up. RiC is broadcasted via satellite (Astra), some cable networks and as a live-stream on the internet in German-speaking countries as well as on the mobile platforms iOS and Android.

Since November 2014, RiC has been available via M-net in the Munich area as well as in parts of Augsburg, Nuremberg, Erlangen and Würzburg. Since February 2015, the trademark raven has been doing the rounds in Baden-Württemberg, Hessen and North Rhine-Westphalia via Unitymedia and Kabel BW. To date, RiC has increased its reach to around 34 million households in the German-speaking region. The range on cable networks is continuously being expanded.

Your Family Entertainment AG was able to introduce yet another innovation at the end of 2014 in conjunction with RiC. At the beginning of 2015, the first Slovak-language channel aimed at children and families, “RiK”, was launched by a partner of Your Family Entertainment AG in Slovakia.



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 2015 financial year. The Board of Management kept the Supervisory Board comprehensively and punctually informed by means of both verbal and written reports. The Supervisory Board and the Board of Management were also in constant contact between meetings. Telephone conferences and email 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 with the Supervisory Board were held in the financial year 2015. All members of the Supervisory Board participated in at least half of its meetings during their period of office in the 2015 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 making reference to 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 2015 financial year, the Supervisory Board exercised 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

The focus of consultations and the control activities of the Supervisory Board in the 2015 fiscal year lay on the ongoing monitoring of the liquidity situation of the company based on the still unsatisfactory turnover from the field of License Sales and the relationship between the turnover and the running costs. The convertible bonds already issued by the company in 2014 resulted in a certain cash inflow, but this was counterbalanced with increased operational costs which have not yet been reflected in turnover increases.

The Board of Management, supported by the Supervisory Board, thus decided on measures to reduce costs in the 2015 fiscal year, which are expected to display their effect over the course of 2016.

The decision of the Board of Management to bring the brand "Fix&Foxi" even further to the fore and thus increase the prominence of the company is expressly welcomed by the Supervisory Board. This strategy was underpinned by a variety of individual measures over recent years. In particular, international distribution has been driven forward, such as the launch and feed-in of "Fix&Foxi"

channels in the USA, Latin America and also in Africa.

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, the Munich audit company, audited the company's accounting system and its financial statements and management report for the 2015 financial year. The auditor issued an unqualified audit opinion based on the audit. The company's annual financial statements, management report and the audit reports of the auditor were submitted to the Supervisory Board for their perusal. The Supervisory Board discussed these documents in detail at its balance sheet meeting held on 19 April 2016 in the presence of the auditor who reported on the principle findings of the audit. All the Supervisory Board's questions 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 2015 financial year. Accordingly, the financial statements of Your Family Entertainment AG have been 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,

1. that the factual details contained in the report are correct and that the
2. company did not undertake any transactions or measures with associated companies subject to mandatory reporting requirements for the financial year 2015.

The auditor reported on relations with affiliated companies and on the principal 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 auditor's report.

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 recognise developments at an early stage to counter risks.

The auditor submitted the declaration of independence 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 is of high priority for the Supervisory Board. The Supervisory Board dealt with the refinement of the Corporate Governance 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 Corporate Governance section of the Annual Business and Financial Report and is additionally available on the company's website (www.yfe.tv) under Investor Relations.

For more information on the subject of Corporate Governance, see pages 13 - 15 of the Annual Report (Corporate Governance report).

The Supervisory Board would like to thank the Board of Management and all employees for their commitment during the 2015 financial year.

Munich, April 2016

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

4. Shares

4.1 Overview

Your Family Entertainment AG is quoted using the security identification number WKN A161N1/ISIN: DE000A161N14 and the ticker symbol “RTV” on the regulated market of the Frankfurt Stock Exchange (General Standard).

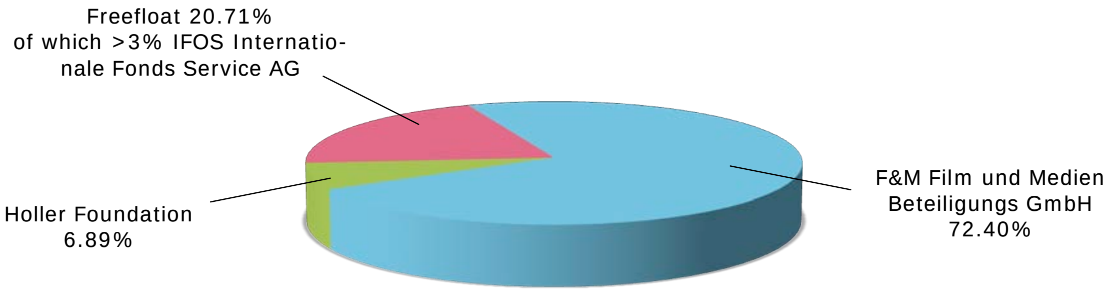
• Number of shares:	9,662,999 units
• Subscribed capital:	€9,662,999
• Initial listing:	8 June, 1999
• Business sectors:	Movies+Entertainment

4.2 Development of the share price in 2015

During the period from January to December 2015, the share price of Your Family Entertainment AG on the Frankfurt Stock Exchange evolved as follows:

Source: www.ariva.de

4.3 Shareholding structure (as of 31 December 2015)



5. Corporate Governance Report

Your Family Entertainment AG continued to develop further its Corporate Governance also in 2015 and mainly follows the recommendations and suggestions of the German Corporate Governance Code in the version of 5 May 5, 2015.

The Supervisory Board of Your Family Entertainment AG does not form committees due to its size 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 not a member of the Management of the company (recommendations 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 also follow these objectives 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 of the Board of Management and Supervisory Board is shown in the notes to the annual financial report for 2015. Remuneration was not assessed as contracts are ongoing. There was therefore no internal vertical comparison (Section 4.2.2 / 4.2.3). In 2015, no conflicts of interest arose either in the Board of Management or 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 an appropriate approval was given.

The incremental position held by the Board of Management in 2015 was the Supervisory Board role at SOS Children's Villages International and one at Seat, S.A. The Supervisory Board monitors the efficiency of its own activities annually. 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 2015 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 adequacy of purpose 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 2015. Approximately 26 shareholders and guests, representing 84.67% of the voting share capital, took part in the 2015 shareholders' meeting. All items proposed for resolution were accepted.

Munich, April 2016

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 the Board of Management and Supervisory Board of a listed company declare annually that the recommendations made by the "Government Commission on the German Corporate Governance Code", published by the Federal Ministry of Justice in the official part of the 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 5 May 2015, with the following exceptions:

Directors and Officers Insurance for the Supervisory Board (Section 3.8, paragraph 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. It thus also has no chair or spokesperson.

Management remuneration (Section 4.2.2 para. 2 sentence 3, 4.2.3 para. 2 sentence 6)

Insofar as the Code in section 4.2.2 para. 2 sentence 3 recommends taking into account the relationship to the provision of the upper management circle and the workforce overall and its development over time with regard to the management remuneration, we must declare non-compliance. In its vertical comparison, the Supervisory Board did not distinguish between the comparison groups as recommended in the Code, nor did it obtain data on the changes over time in wages and salaries. However, when concluding the current management contract, the Supervisory Board has, in agreement with the requirements of the German Companies Act (AktG), ensured that the total remuneration is proportionate to the tasks and services of the Board of Management and does not exceed the usual payment. The Supervisory Board nevertheless intends to include a vertical comparison of management remuneration in future versions of management contracts on the basis of the content and timescale criteria in the required Code recommendations.

The recommendation in section 4.2.3 para. 2 sentence 6 of the Code for an upper limit both to total remuneration for directors and to the variable bonus element is not obeyed. The current director contract, which was concluded before the aforementioned recommendation came into effect, does not set upper limits either for total remuneration or for the variable elements. However, variable remuneration is exclusively performance-related and the Supervisory Board believes that this ensures the reasonable and appropriate nature of the remuneration.

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

As the company has one sole director, the Supervisory Board cannot be mindful of diversity within the Board of Management. Furthermore, as the Board of Management comprises one member only, 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 the governmental commission's recommendations to strive for diversity in the composition of the Board of Management.

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 suitable Supervisory Board election candidates, the Supervisory Board has always aimed to put together a Supervisory Board exclusively 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. It is therefore considered unnecessary to change this practice. Consequently, the recommendations based on that pursuant to section 5.4.1 para. 3 cannot be followed.

Date of financial reporting (section 7.1.2 sentence 4)

The annual financial statements will not be made publicly available within 90 days of the end of the financial year; interim reports will not be made publicly available within 45 days of 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 2014, Your Family Entertainment AG basically complied with the recommendations of the German Corporate Governance Code in the version of 5 May 2015. The recommendations from sections 3.8 para. 3, 4.2.1 sentence 1, 4.2.2 para. 2 sentence 3, 4.2.3 para. 2 sentence 6, 5.1.2 para. 1 sentence 2, 5.3.1, 5.3.2, 5.3.3, 5.4.1 para. 2 and para. 3 and 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 2015

Dr. Hans-Sebastian Graf von Wallwitz

(Chairman of the Supervisory Board)

Dr. Stefan Piëch
(CEO)

6. Annual Financial Statements and Management Report

6.1 Balance sheet as at 31 December 2015

ASSETS		31.12.2015		31.12.2014
	€	€	€	€
A. Fixed assets				
I. Intangible assets				
1. Franchises and similar rights acquired for a consideration	118,375.21			79,835.73
2. IT software acquired for a consideration	0.00			233.00
3. Film assets and other rights acquired for a consideration	25,139,044.59			22,481,050.72
4. Deposits paid	12,006.13			0.00
		25,269,425.93		22,561,119.45
II. Tangible Assets				
Other equipment, operational and office equipment		111,230.00		85,333.00
			25,380,655.93	22,646,452.45
B. Current assets				
I. Accounts receivable and other assets				
1. Accounts receivable, trade	631,933.54			681,771.37
2. Other assets	71,517.94			92,518.48
		703,451.48		774,289.85
II. Cash on hand and balances with banks		242,526.65		1,273,983.38
			945,978.13	2,048,273.23
C. Accruals and deferrals			120,109.67	317,316.07
Total assets			**26,446,743.73**	**25,012,041.75**

LIABILITIES				
		31.12.2015		31.12.2014
	€	€	€	€
A. Shareholders' equity				
I. Subscribed capital	9,662,999.00			9,662,999.00
Nominal value of treasury shares	-3,834.00			-82,000.00
Issued capital		9,659,165.00		9,580,999.00
II. Capital reserve		2,537,003.73		2,518,740.42
III. Accumulated profit		3,512,221.53		3,131,364.64
			15,708,390.26	15,231,104.06
B. Provisions & accrued liabilities				
1. Pension provisions		320,890.00		305,726.00
2. Other provisions and accrued liabilities		920,101.00		907,128.36
			1,240,991.00	1,212,854.36
C. Liabilities				
1. Convertible Bonds		3,494,760.00		3,494,760.00
2. Loans from credit institutions		3,012,892.83		2,124,079.05
3. Advance payments received on account of orders		1,846,979.27		1,855,709.67
4. Accounts payable, trade		974,736.22		1,001,237.84
5. Other liabilities		51,311.16		43,936.86
			9,380,679.48	8,519,723.42
D. Accruals and deferrals			116,682.99	48,359.91
Total liabilities			**26,446,743.73**	**25,012,041.75**

6.2 Profit and Loss Statement for 2015

	2015		2014
	€	€	€
1. Sales revenue	2,534,334.95		2,858,110.32
2. Other operating income	3,206,623.53		2,835,645.54
		5,740,958.48	5,693,755,86
3. Cost of materials			
a) Cost of licences, commissions and materials	164,060.63		315,124.14
b) Cost of purchased services	942,784.11		568,515.02
		1,106,844.74	883,639.16
		4,634,113.74	4,810,116.70
4. Personnel expenses			
a) Salaries	1,408,479.13		1,169,390.59
b) Social security expenses and expenses for pension schemes and for support of which for pension schemes €22,223.76 (previous year €13,218.47)	238,711.57		186,102.75
	1,647,190.70		
5. Depreciation on intangible assets and property, plant and equipment	719,427.89		418,363.19
6. Other operating expenses	1,620,932.29		2,100,326.40
		3,987,550.88	
		646,562.86	935,933.77
7. Other interest and similar income	3.04		253.57
8. Interest and similar expenses	259,784.72		196,580.07
		-259,781.68	-196,326.50
9. Income from ordinary operations		386,781.18	739,607.27
10. Taxes on income and earnings	3,444.69		8,758.03
11. Other taxes	2,479.60		262.00
		5,924.29	9,020.03
12. Annual net profit		380,856.89	730,587.24
13. Profit brought forward from previous year		3,131,364.64	2,400,777.40
14. Balance sheet profit		3,512,221.53	3,131,364.64

6.3 Cash flow statement for 2015

	2015 €k	2014 €k
1. Cash flow from operating activities		
Annual result	381	731
Depreciation of value of film assets and other rights	628	361
Depreciation on remaining items of fixed assets	91	57
Write-ups for value of film assets and other rights	-2,997	-2,750
Change in long-term provisions and accrued liabilities	15	8
Other non-cash income (previous year expenses)	-207	254
Interest payable	260	197
Tax expenses	3	9
Decrease (previous year increase) in trade receivables	61	-259
Decrease (previous year increase) in other assets	219	-15
Decrease in trade payables	-26	-714
Increase in other liabilities	127	240
Cash from ongoing business activities before interest and taxes	**-1,445**	**-1,881**
Interest payments	-107	-99
Tax expenses	-3	-9
Cash flow from operating activities	**-1,555**	**-1,989**
2. Cash flow from investment activities		
Payments for investments in property, plant and equipment	-81	-80
Payments for other investments in other intangible assets (inclusive of advance payments)	-79	-74
Payments for investments in film assets and in other rights	-302	-190
Cash flow from investment activities	-462	-344
3. Cash flow from financing activities		
Payments for the purchase of treasury shares	-41	-257
Proceeds from the sale of treasury shares	138	179
Proceeds from the issue of bonds	0	3,495
Proceeds from borrowing via financial loans	1,322	644
Repayments of financial loans	-433	-683
Cash flow from financing activities	986	3,378
4. Cash funds at the end of the period		
Net change in cash and cash equivalents	-1,031	1,045
Cash and cash equivalents at beginning of the period	1,274	229
Cash and cash equivalents at end of the period	243	1,274
5. Composition of cash and cash equivalents		
Liquid funds	243	1,274

6.4 Equity analysis 2015

	Subscribed capital €	less nominal value of treasury shares €	Issued capital €	Capital reserve €	Accumulated profit €	**Equity** €
1.1.2014	9,662,999.00	-13,000.00	9,649,999.00	2,527,457.81	2,400,777.40	14,578,234.21
Acquisition of treasury shares	0.00	-209,000.00	-209,000.00	-47,757.39	0.00	-256,757.39
Sale of treasury shares	0.00	140,000.00	140,000.00	39,040.00	0.00	179,040.00
Annual net profit	0.00	0.00	0.00	0.00	730,587.24	730,587.24
31.12.2014	9,662,999.00	-82,000.00	9,580,999.00	2,518,740.42	3,131,364.64	15,231,104.06
1.1.2015	9,662,999.00	-82,000.00	9,580,999.00	2,518,740.42	3,131,364.64	15,231,104.06
Acquisition of treasury shares	0.00	-31,834.00	-31,834.00	-9,236.69	0.00	-41,070.69
Sale of treasury shares	0.00	110,000.00	110,000.00	27,500.00	0.00	137,500.00
Annual net profit	0.00	0.00	0.00	0.00	380,856.89	380,856.89
31.12.2015	9,662,999.00	-3,834.00	9,659,165.00	2,537,003.73	3,512,221.53	15,708,390.26

6.5 Notes to the financial statements for 2015

I. General Information

The annual financial statements of Your Family Entertainment AG (YFE), Munich, for the 2015 financial year were prepared in accordance with § 242 et seqq., § 264 et seqq. of the German Commercial Code (HGB) as well as the relevant provisions of the German Companies Act (AktG). The rules for large limited companies apply as it is a publicly-quoted company oriented towards the capital market within the definition of § 264d German Commercial Code.

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 radio and television broadcasting companies, trade of 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 that it acts as 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 business 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 "Licence Sales".

II. Accounting and valuation methods

Accounting and valuation have been carried out pursuant to the following principles:

Balance sheet

Film assets and other rights are shown at their amortised costs. Scheduled amortisation takes place depending on the exploitation of the film rights. The periodic proportionate amortisation resulting from distribution has been implemented accordingly with the proportionate sales attributed to the financial year in relation to the overall planned distribution of the individual film rights, including the turnover achieved in the financial year.

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 under the position "other operating income" in the profit and loss statement. However, the increase in value and/or the reduction of the impairment of an asset is only recorded to the extent in which it does not exceed the book value which might have resulted taking into account the effect of depreciation and amortisation if no impairment had been recorded in 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 amortisation of IT software takes place pursuant to the straight-line method pro rata temporis. The movable assets are also depreciated using the straight-line method pro rata temporis. The period of amortisation and depreciation corresponds to the useful lives of the assets customary in the industry. For IT software, it is three years and for the other operational and office equipment, it is two to ten years.

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

The pension provisions are calculated in accordance with the Project Unit Credit Method, using Dr. Klaus Heubeck's "2005 G Reference Tables". For discounting, a fixed rate of 3.89% (previous year 4.53%) was used, based on the average market interest rate and 15 years remaining to maturity, in accordance with the German Regulation on the Discounting of Provisions of 18 November 2009. Expected salary and pension increases were not to be taken into account.

The other provisions cover all recognisable risks and contingent liabilities. They are valued according 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 realisation and historical cost principle is observed.

Economic hedging relationships are accounted for by the creation of valuation units. Balancing value changes from the hedged risk are not accounted for on 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 profit and loss 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 pension provisions, other provisions and foreign currency profits.

The option for capitalisation of deferred taxes has not been exercised.

Profit and Loss Statement

The Profit and Loss Statement is structured accordingly with the total cost method.

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

- a licence 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 from 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 "Licence 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 to the licensee.

Sales in the business segment "Production" are recognised after completion and acceptance of the individual episodes.

III. Explanatory notes to 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 amortisation for 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 €21k (previous year €0k) and in the other assets amounting to €7k (previous year €7k).

Shareholders' equity

Share capital

The share capital of Your Family Entertainment AG as of the balance sheet cut-off date is divided into 9,662,999 no-par value shares, each with a pro-rata amount in the share capital of €1.00. As of 31 December 2015, the share capital thus amounted to €9,662,999.00. The shares are registered by name. They are fully paid up.

As of 31 December 2015, F&M Film und Medien Beteiligungs GmbH, Vienna, Austria, is in possession of 72.40% of the share capital.

Capital reserve

To offset the purchase price for 31,834 treasury shares above the nominal value, €9,236.69 was obtained from the freely available capital reserve in 2015.

The share premium of €27,500.00, which was achieved through the sale of 110,000 treasury shares to an investor, was transferred to the capital reserve.

Authorised capital 2012

The shareholders' meeting of 27 June 2012 decided to reverse the authorised capital 2010 and approved simultaneously a new authorised capital (authorised capital 2012).

In this respect, the following resolution was adopted:

a) The authorisation for the Board of Management to increase the company's share capital by 8 June 2015 with the agreement of the Supervisory Board, on one or more occasions, by up to a total of €3,387,001.00 (authorised capital 2010), is herewith nullified, provided it has not yet been used, effective from the time when the new authorised capital, in accordance with subsequent paragraphs b) to d), is entered in the commercial register.

b) With the approval of the Supervisory Board, the Board of Management is authorised to increase the company's share capital by 26 June 2017, on one or more occasions, by up to a total of €4,831,499.00, through the issue of up to 4,831,499 new no-par-value bearer share certificates with dividend entitlement in return for cash and/or assets in kind (authorised capital 2012), from the beginning of the financial year in which the shares are issued. 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 an equivalent institution under § 186 para. 5 sentence 1 German Companies Act with the obligation to offer these to shareholders of Your Family Entertainment AG for subscription. However, the Board of Management shall be authorised, with the approval of the Supervisory Board, to exclude the shareholders' statutory rights,

- 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 authorisation to exclude the subscription right under § 186 para. 3 sentence 4 German Companies Act, the exclusion of the subscription right due to other authorisations listed under § 186 para. 3 sentence 4 German Companies Act is to be taken into account;
- 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;
- to the extent that it is necessary for the purpose of offsetting fractional amounts.

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

d) § 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 authorised to increase the company’s share capital by 26 June 2017, on one or more occasions, by up to a total of €4,831,499.00, through the issue of up to 4,831,499 new no-par-value bearer share certificates in return for cash and/or contributions in kind (authorised capital 2012). 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 an equivalent institution under § 186 para. 5 sentence 1 German Companies Act 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 authorised to exclude the legal subscription right: 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 authorisation to exclude the subscription right under § 186 para. 3 sentence 4 German Companies Act, the exclusion of the subscription right due to other authorisations listed under § 186 para. 3 sentence 4 German Companies Act is to be taken into account; in the case of capital increases in exchange for non-cash contributions that are implemented in order to grant shares for the acquisition of companies, parts of companies or equity interests in companies; if this is necessary to compensate for fractional amounts.

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

2013 conditional capital

The extraordinary general meeting on 7 November 2013 approved conditional capital (2013 Conditional Capital).

In this respect, the following resolution was adopted:

a) The Board of Management shall be authorised, subject to the approval of the Supervisory Board and between now and 6 November 2018, to issue, in one or in multiple issues, bearer convertible bonds with a total nominal value of up to €10,000,000.00 and a term of no longer than 20 years and to grant the bearers of said convertible bonds conversion rights to new shares in the company up to a total equivalent value of €2,300,000.00 of the share capital in accordance with the detailed terms of the convertible bonds. The convertible bonds may be issued in one or in multiple issues, in whole or in partial bonds, and in separate tranches.

The shareholders have a fundamental subscription right for the convertible bonds. The statutory subscription right may also be granted by one or more credit institutions purchasing the convertible bonds with an obligation to offer the bond to shareholders for acquisition. The Board of Management shall nevertheless be entitled, subject to the agreement of the Supervisory Board, to limit or exclude the subscription right of shareholders in the company for convertible bonds with conversion rights to shares in the company, in order to exclude shareholder subscription rights to fractional amounts arising as a result of the subscription process.

The holders of any convertible bonds which may be issued shall have the right, in accordance with the detailed terms of the convertible bond, to trade in their convertible bonds for shares in Your Family Entertainment Aktiengesellschaft. The amount of share capital represented by the shares to be issued upon conversion must not exceed the nominal value of the convertible bonds. The conversion ratio shall be equal to the nominal value of a convertible bond divided by the nominal value of a share in Your Family Entertainment Aktiengesellschaft. The bond terms may allow for a variable conversion ratio and for the conversion price to be set depending on the movement of the share price during the term or over a set period within the term. The conversion ratio may be rounded up or down to a whole number; a part payment in cash may also be specified. The terms may also allow for fractional amounts to be combined and/or settled in cash.

The terms of the convertible bond may also entitle the company to pay the equivalent value in cash instead of granting shares in the company to those exercising their conversion option. The terms of the convertible bond may also allow the company to issue its treasury shares to bondholders exercising their conversion option.

The conversion price to be set for a share must be at least 80 % of the average closing price of the company shares in floor trading on the Frankfurt Stock Exchange or, if the shares are traded on the XETRA, in XETRA trading or in an equivalent, subsequent system, for the last ten trading days before the day of the Board of Management's decision to issue convertible bonds. This does not affect section 9 para. 1 or section 199 para. 2 AktG (German Stock Corporation Act).

The Board of Management shall be authorised to define, with the agreement of the Supervisory Board, further details of the issue and terms of the convertible bonds, in particular the interest rate, issue price, term and denomination, and the conversion price and conversion period.

b) There shall be a conditional increase in share capital by up to €2,300,000.00 with the issue of up to 2,300,000 new no-par-value bearer share certificates (2013 Conditional Capital). The conditional capital increase shall be used to grant shares to the holders of convertible bonds that are issued in accordance with the above authorisation. The conditional capital increase will only be carried out to the extent that the holders of convertible bonds issued by the company by 6 November 2018 as authorised by the extraordinary general meeting of 7 November 2013 exercise their conversion right and to the extent that other forms of settlement are not employed. The new shares shall entitle the shareholder to participate in profits from the beginning of the financial year in which they are acquired by exercise of conversion rights. The Board of Management shall be authorised to specify, subject to the approval of the Supervisory Board, further details on the implementation of the conditional increase in capital. The Supervisory Board shall be authorised to amend the wording of the articles of association in accordance with the use of the conditional capital." Section 4 of the articles of association has been amended accordingly.

Decision on the conversion of bearer shares to registered shares and the associated amendments to the articles of association and adaptation of authorisations

The extraordinary shareholders' meeting held on 24 June 2015 decided the following:

a) The no-par-value bearer share certificates issued when the articles of association amendment decided under b) comes into effect are converted into registered shares.

b) The articles of association of the company have been amended in § 5 section (1) and (2) and rewritten as follows:

"(1) All shares are registered by name (registered shares).

(2) If, in the event of a capital increase, the resolution to implement the capital increase makes no provision as to whether the new shares are bearer shares or registered shares, then such new shares shall also be bearer shares."

c) The articles of association of the company have been amended in § 4 section (3) sentence 1 and rewritten as follows:

"With the approval of the Supervisory Board, the Board of Management is authorised to increase the company's share capital by 26 June 2017, on one or more occasions, by up to a total of €4,831,499, through the issue of up to 4,831,499 new no-par-value named share certificates in return for cash and/or contributions in kind (authorised capital 2012)."

d) aa) The authorisation to issue no-par bearer shares decided at the extraordinary Shareholder's meeting of 7 November 2013 on agenda point 1 is amended in that the authorisation permits the granting of convertible bonds for no-par-value named share certificates instead of the granting of convertible bonds for no-par value bearer share certificates.

bb) The conditional capital increase for the service of convertible bonds decided at the extraordinary Shareholder's meeting of 7 November 2013 on agenda point 1 is amended in that the conditional capital increase takes place with the issuance of no-par-value named share certificates instead of with the issuance of no-par-value bearer share certificates.

cc) With regard to convertible bonds already issued, the bearers of conversion rights now have subscription rights for no-par-value named share certificates instead of subscription rights for no-par value bearer share certificates. The conditions of the convertible bonds otherwise remain unaffected.

dd) The articles of association of the company have been amended in § 4 section (4) sentence 1 and rewritten as follows:

"The share capital is being conditionally increased by up to €2,300,000.00 with the issue of up to 2,300,000 new no-par value named share certificates (2013 Conditional Capital)."

Share repurchase

In 2015, the authorisation to purchase treasury shares, which was passed at the 27 June 2012 shareholders' meeting, was exercised and a total of 31,834 treasury shares with a nominal value of a total of €31,834k (0.33% of the share capital) at an overall price of €41k were purchased on the stock exchange.

Thus, the treasury shares as of the balance sheet cut-off date amount to 3,834 shares. This corresponds to 0.04% of the share capital.

Provisions & accrued liabilities

The other provisions & accrued liabilities mainly relate to human resources costs, provisions & accrued liabilities 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 €59k (previous year €74k) was formed.

Convertible bonds

In 2014, convertible bonds with a total nominal value of €3,494,760.00 were issued. The owners of the convertible bonds were accorded conversion privileges for new shares in the company with a pro-rata amount of the share capital of €1,456,150.

Liabilities

Liabilities as of 31.12.2015 in € k	Up to 1 year	2 – 5 years	> 5 years	Total
Convertible bonds	0	3,495	0	3,495
Loans from credit institutions	3,013	0	0	3,013
Advance payments received on account of orders	1,847	0	0	1,847
Accounts payable, trade	681	235	59	975
Other liabilities - of which are taxes - of which are for social security	51 (27) (0)	0 (0) (0)	0 (0) (0)	51 (27) (0)
Total liabilities	**5,592**	**3,730**	**59**	**9,381**

Liabilities as of 31.12.2014 in € k	Up to 1 year	2 – 5 years	> 5 years	Total
Convertible bonds	0	3,495	0	3,495
Loans from credit institutions	2,016	108	0	2,124
Advance payments received on account of orders	1,856	0	0	1,856
Accounts payable, trade	649	235	117	1,001
Other liabilities - of which are taxes - of which are for social security	44 (24) (4)	0 (0) (0)	0 (0) (0)	44 (24) (4)
Total liabilities	**4,565**	**3,838**	**117**	**8,520**

In order to secure loans, collaterals in the form of rights and claims under film licence 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 €804k and are primarily divided into rental (€82k), lease (€13k), consultancy and service commitments (€709k).

Within a period of 2 to 5 years, a total of €102k will become due, primarily for rental and service expenses.

Derivative financial instruments

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

Type / category in € k	Nominal amount	Fair value Current market value	Book value
Interest swap	500	-67	n/a
Interest swap	300	-40	n/a
Cap	700	-35	-35
Cap	500	-24	-24
Total	**2,000**	**-166**	**-59**

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

For the caps, other provisions & accrued liabilities amounting to €59k (previous year €74k) 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 inter-bank rates are used.

Valuation units

The following valuation units were formed:

Hedged item/ hedging tool	Risk/ type of hedging relationship Valuation unit	Amount involved (€ k)	Hedged risk (€ k)
Loan payables/ interest swap	Interest rate risk/ microhedge	800	-107

The underlying transaction is a floating interest credit line, which will very likely be utilised during the hedging period (1 June 2012 to 3 June 2019) at least to the amount of the hedging volume. The opposed cash flows of underlying and hedging transactions presumably will be almost completely balanced in the hedging period 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 "hypothetical derivative method". As of the accounting date, no need for provisions resulted from this.

IV. Explanatory notes to the Profit and Loss Statement

Sales revenue

Sales revenue of €866k (previous year €1,234k) were achieved in Germany and €1,668k (previous year €1,624k) abroad.

In 2015, the sales revenue of €2,534k was achieved entirely in the "Licence Sales" segment (previous year €2,858k).

Other operating income

This item primarily includes income from the write-ups to value of film assets amounting to €2,997k (previous year €2,750k).

Furthermore, income from currency conversion amounting to €43k (previous year €16k) was shown.

The income relating to other periods is €0k (previous year €1k).

Cost of materials

This position relates to sales-related costs for licenses, commission, materials and purchased services. Above all, these are the cost of purchased services amounting to €943k (previous year €569k), for licenses (authors' shares) of €118k (previous year €219k) and commissions €41k (previous year €96k).

Personnel expenses

On average throughout the year, 28 employees were employed (previous year 21), including apprentices and interns but excluding the Board of Management; 8 of which were only employed on a marginal basis (previous year 8).

Depreciation & amortisation

As a result of the so-called impairment test for financial stability, unscheduled amortisations of the value of film assets amounting to €484k (previous year €156k) were made. In addition, amortisations of €144k (previous year €205k) were made on the value of film assets as a result of the exploitation 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 €52k (previous year €34k) in expenses.

Interest and similar expenses

Interest expenses from provisions & accrued liabilities was €13k (previous year €14k).

Taxes on income

This item amounting to €3k relates exclusively 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. As a result F&M Film und Medien Beteiligungs GmbH committed to its continued stake in the company of an unchanged amount and to ensuring that Your Family Entertainment AG is led and equipped with financial resources in such a manner that it is at all times in a position to meet its current and future liabilities towards its creditors in time as long as the credit with UniCredit Bank Austria AG (including all interests and additional costs) is not yet fully repaid in accordance with the original deadline.

Within the framework of a credit agreement for €1.1 million with UniCredit Bank Austria AG, Vienna, the scope of validity of the letter of guarantee for the credit agreement detailed above was expanded to €1.1 million by F&M Film und Medien Beteiligungs GmbH, Vienna.

No information was available on any transactions not conducted under normal business terms and conditions.

V. Information on the company's statutory bodies

Supervisory Board

The members of the Supervisory Board are:

- Dr. Hans-Sebastian Graf von Wallwitz, Munich, Germany
  Lawyer
  (Chairman)
- Dr. Andreas Aufschnaiter, Munich, Germany
  Business consultant, Executive Board of MS Industrie AG
  (Deputy Chairman)
- Johannes Thun-Hohenstein, MA, Vienna, Austria
  Media consultant, Coach and Civil Law Mediator

The total remuneration (excluding expenses) of the Supervisory Board in the 2015 financial year amounted to €45k. Pursuant to § 16 of the company's articles of association, €20k of this amount are due to the Chairman, €15k to the Deputy Chairman and €10k to the other members. The members of the Supervisory Board owned 100 shares on 31 December 2015.

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 3 German Companies Act:

- Dr. Andreas Aufschnaiter:
  Full member of the Supervisory Board of
  - MEA AG, Aichach
  - STEMAS AG, Munich
  - ACB Vorsorge KGaA, Eggenfelden
  - Beno Holding AG, Starnberg
  - Wolftank-Adisa Holding AG, Innsbruck

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 holds the following positions on other supervisory boards and control bodies within the definition of § 125 para. 1 sentence 3 German Companies Act as a full member of the Supervisory Board at

- SOS Children's Villages International, Munich
- SEAT, S.A., Martorell

The Board of Management's total remuneration during the 2015 financial year amounted to €202k and includes fixed remuneration and insurance contributions. Because of a shortfall against agreed objectives no variable remuneration was paid.

As of the balance sheet cut-off date, the Board of Management held 43,881 shares.

The total remuneration for former members of the Board of Management amounted to €17k. The pension provisions for former members of the Board of Management and their surviving dependants are fully formed and as of 31 December 2015 amount to €292k.

VI. Audit and consultancy fees

The auditor’s total fee for the auditing of the financial statements for the financial year was €38k.

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 2015 required under § 161 AktG (German Companies Act) and made it permanently available to the shareholders in December 2015 on the website of the company (www.yfe.tv) under the heading "Investor Relations".

Munich, 19 April 2016

The Board of Management

Dr. Stefan Piëch

VIII. Development of the fixed assets 2015

	Acquisition costs 1.1.2015 EUR	Acquisitions EUR	Disposals EUR	31.12.2015 EUR	Cumulative depreciation & amortisation EUR	Balance sheet value 31.12.2015 EUR	Annual depreciation EUR	Write-ups 2015 EUR	Balance sheet value 31.12.2014 EUR
I. Intangible assets									
1. Franchises and similar rights acquired for a consideration	109,377.83	78,808.39	4,038.08	184,148.14	65,772.93	118,375.21	36,230.83	0.00	79,835.73
2. IT software acquired for a consideration	57,018.90	0.00	0.00	57,018.90	57,018.90	0.00	233.00	0.00	233.00
3. Film assets and other rights acquired for a consideration	127,074,563.41	289,584.99	1,884,490.46	125,479,657.94	103,337,200.59	25,139,044.59	628,178.37 [1]	2,996,587.24	22,481,050.72
4. Deposits paid	0.00	12,006.13	0.00	12,006.13	0.00	12,006.13	0.00	0.00	0.00
	127,240,960.14	380,399.51	1,888,528.54	125,732,831.11	103,459,992.42	25,269,425.93	664,642.20	2,996,587.24	22,561,119.45
II. Tangible Assets									
Other equipment, operational and office equipment	351,491.52	81,348.69	2,861.34	429,978.87	318,748.87	111,230.00	54,785.69	0.00	85,333.00
	127,592,451.66	461,748.20	1,891,389.88	126,162,809.98	103,778,741.29	25,380,655.93	719,427.89	2,996,587.24	22,646,452.45

1) Thereof unscheduled amortisation totalling €483,966.54

6.6 Management report for 2015

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 licences 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 more than 3,500 half-hour programs and, in our own opinion, is therefore one of the largest of its kind in Europe. The construction of the library was started by Ravensburger Group over 35 years ago and is being continued by YFE with the same traditional values.

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

The company's extensive film library and content, which is subject to manifold distribution rights, is extensively commercially exploited on a regional level.

This is done by licensing of individual series or characters on free and pay TV channels, home entertainment companies, Video on Demand platforms (VoD) and suppliers in the field of "new media" such as mobile TV channels as well as the entire value creation chain of ancillary rights marketing.

The Licence Sales business division also includes the production and the distribution by the company itself or third parties of DVD and audio products for 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 channel "yourfamily", where its own series are also part of the program line-up. The channel broadcasts programs 24 hours a day via satellite, cable and DSL (IPTV). In 2010, "yourfamily" won a Hot Bird™ TV Award in the children's category. In 2011, 2013 and 2014, it was once again nominated for the final of the top three children's channels in the world. In May 2014, the pay TV station increased its reach by broadcasting and marketing the "yourfamily" channel in sub-Saharan Africa. In December 2014, "yourfamily" was replaced by the "Fix&Foxi" channel. The reach of "Fix&Foxi" has been continuously expanded ever since. "Fix&Foxi" can currently be received via eight satellites on the following four continents: South and North America, Europe and Africa.

Since 2012, the YFE also operates on free TV with the children's channel "RiC". Via satellite (Astra), some cable networks and live streaming, RiC can be received in the German-speaking region. RiC contributes commercially to the station by marketing advertising slots on the channel or by selling broadcast times.

As a co-producer, this company division also develops and produces TV series in cooperation with international partners.

B. Economic Review

1. Overall economic situation

1.1 World economic climate

"The global economy only expanded moderately over the course of 2015. This is above all traced back to weaker growth in the newly industrialised countries. The downturn in the Chinese economy, the decline in global demand for raw materials and significant problems on the supply side hamper growth for emerging economies. Brazil and Russia are even in recession. In comparison to this, the economic development in industrial countries is much more favourable. In the United States and in the United Kingdom, the economic upturn continues. What's more, the economy in the euro area has revived somewhat. This is partly because the macro-economic adaptation processes are further advanced in part of the euro area. In addition, numerous special factors have a favourable effect on the economy in the entire euro area. However, a self-sustaining boom is not in sight in the euro area.

The economic differences between the major industrial countries have enabled the orientation of monetary policy to become a central field of tension in the global economy. While monetary policy has one again been loosened and further expansive measures are not unlikely in the euro area and in Japan, the interest rate turnaround is imminent in the United Kingdom after a seven-year low-interest-rate policy. However, to date, the central banks of both countries are still hesitating and are thus increasing the existing uncertainty.

The supportive special factors in the euro area include in particular the extremely loose monetary policy of the European Central Bank. With its various measures since early 2014, a massive devaluation of the euro and an improvement in the financial conditions occurred. This may have made a major growth contribution to the increase in gross domestic product. What's more, the drastic fall in the oil price has increase the purchasing power of private households and contributed to a noticeable increase in private consumption. In addition, hardly any restrictive impulses arose from the fiscal policy this year, as most member states have discontinued their consolidation efforts. In view of these special factors and the impulses that follow from them, the current economic dynamism in the euro area is disappointing.

Overall, the German Council of Economic Experts forecasts a production increase of 2.6% each in the years 2015 and 2016 for the global economy. In the United States and the United Kingdom, despite the tightening of monetary policy to be expected, a continuation of robust growth is anticipated. In the euro area, the economic recovery may proceed further. However, it is fragile and hampered in that the effect of the supporting special factors may decrease in the coming year. Strong economic growth is also counterbalanced with the very low potential growth. In the newly industrialised countries, the decrease in growth will continue in most countries. The gradual decline in growth in China will be accompanied by dampening effects on the other newly industrialised countries due to the close economic interdependence. However, for the Chinese economy, no abrupt slump is expected.

What's more, Brazil and Russia may gradually overcome the recession."

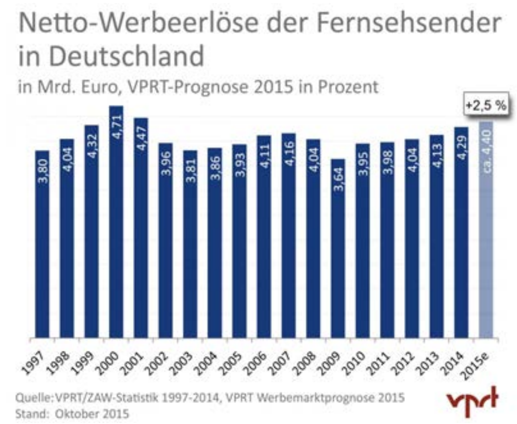
(Source: German Council of Economic Experts at the German Federal Statistical Office (Statistisches Bundesamt), Wiesbaden Annual Expert Report 2015/16 05.11.2015 p. 47)

1.2 Entertainment and media industry

The forecast for the media market by the Verband Privater Rundfunk und Telemedien e. V. (VPRT) dated 21.10.15 announced for 2015 that the turnover of audiovisual media companies in Germany will break through the €10 billion threshold for the first time, which would mean growth of 5.5% in comparison to the previous year. “The companies within audiovisual media thus impressively highlight their capability and their central role as a driver for the German and European creative industry,” says chairman of the board of management at VPRT, Dr. Tobias Schmid.

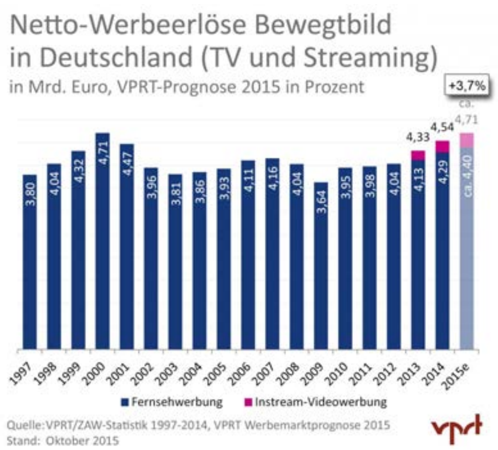
Television advertising

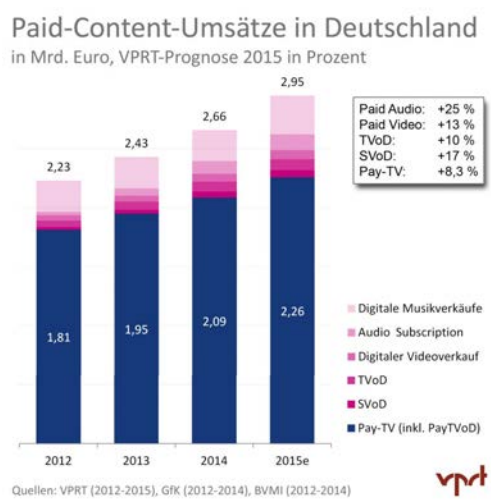
Television advertising is expected by the VPRT to experience a net growth of around 2.5% to €4.4 billion in 2015. Television thus remains the strongest performer in terms of turnover in the German advertising market by a long way. Turnover from moving image advertising (linear and non-linear) will increase by 3.7% to around €4.7 billion according to VPRT forecasts.



Pay TV and Paid Video on Demand turnover

For pay TV, VPRT forecasts growth amounting to 8.3% for 2015, while the turnover in the field of subscribed video-on-demand services (SVoD) should increase by around 17% and in the field of VoD individual requests by around 10%. Overall, this results in forecast turnover growth of 8.5% to around €2.4 billion for pay TV and paid VoD, and to around €2.5 billion including digital video sales. At the same time, growth of around 25% to around €0.5 billion is expected for paid audio, meaning that turnover with paid audiovisual content will reach around €3 billion overall.





Online and Mobile Display Advertising

Net turnover from online and mobile display advertising should grow by 2,4% to around €1.4 billion, according to the VPRT forecast for 2015.

Teleshopping turnover

Teleshopping is expected to grow by approximately 4% to €1.8 billion.

Claus Grewenig, Managing Director of the VPRT, summarises: "The current figures illustrate the high economic relevance of our industry, the positive development of which is thus also a concern for economic policy. The future ability of media companies in Germany to compete in view of the increasing international competition will above all depend on the creation of fair competitive conditions."

VPRT Trend Forecasts 2016–2021

"For the years 2016 to 2021, the experts surveyed for the VPRT forecast expect clearly increasing demand for professional radio and audio, TV and moving image content. The reach should also be shown in full in future by the introduction of convergent measurement models, so that further market share gains are expected for audiovisual media on the advertising market. A constant positive development in turnover is also expected in the segments pay TV, paid audio and video on demand as well as teleshopping. To what extent the associated value creation potential is realised in Germany depends above all on the establishment of fair competitive conditions in the view of the market participants."

(Source: VPRT Prognose zum Medienmarkt [VPRT Media Market Forecast] 2015, 21 October 2015)

2. Key events during the 2015 financial year

Switchover from bearer to registered shares

The Board of Management and Supervisory Board of Your Family Entertainment AG decided at the ordinary Supervisory Board meeting on 23 March 2015 to propose to the Shareholder's meeting on 24 June 2015 that the shares of the company be converted from bearer to registered shares as official approval is required on the basis of the tenth German Interstate Broadcasting Agreement (Rundfunkstaatsvertrag, RStV) in order to operate a television channel in Germany. By converting to registered shares, the company ensures over the long term that a basis compliant with the German Interstate Broadcasting Agreement to operate the company's channel is established. The Shareholder's meeting held on 24 June 2015 agreed to this proposal. The new identification numbers of the registered shares since 24 August 2015 are: ISIN DE000A161N14, WKN A161N1. The previous abbreviation "RTV" remains valid. The articles of association of the company have been adapted accordingly.

3. Business performance

The Board of Management manages the company using monthly reporting, among other methods. Key data used in the management of the business relates particularly to the turnover, EBITDA and liquidity status.

3.1 Sales Trend

The sales revenue in the past financial year 2015 was, with €2,534k, approx. 11% below the level of the previous year of €2,858k. The sales here were completely achieved in the field of "License Sales".

On principle, fluctuations in the sales trend may be caused by project transactions and/or so-called “package” deals. Furthermore, it is due to the rules of accounting that sales revenue is deferred, since sales are not recognised until the beginning of the license period. This effect may lead to revenue being deferred to future periods.

3.2 Sales by region

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

Region	2015		2014	
	in € k	in %	in € k	in %
Domestic	866	34	1,234	43
Overseas	1,668	66	1,624	57
Total	**2,534**	**100**	**2,858**	**100**

4. Earnings situation

Income from ordinary operations amounts to €387k compared with €740k in the previous year.

Earnings before depreciation, write-ups, interest, taxes and extraordinary items (EBITDA) amounted to €-1,637k (previous year: €-1,396k).

The annual net profit for 2015 amounts to €381k compared to €731k in the previous year.

The other operating income in the reporting year amounts to a total of €3,207k (previous year €2,836k). This mainly consists of the write-ups to the value of film assets amounting to €2,997k (previous year €2,750k). The write-ups were determined on a single security basis and are mostly due to appreciation in the film category following investment in different language versions, in the digitisation of films and in production of HD material. These write-ups to film assets are the result of, among other factors, changes to contractual film rights, licences that have become available again and updated sales expectations.

The valuation of the company’s film assets has been carried out twice a year using the same principles since the initial public offering in 1999. The basis of the valuation is acquisition costs, extraordinary depreciation and amortisation through distribution. Titles which have been fully depreciated due to the extent of their distribution are no longer taken into account in the film assets. Write-ups to the value of film assets only affects titles which had been previously depreciated in extraordinary amortisation exercises, mainly during the recapitalisation period of the company which was operating at the time as Ravensburger TV Family AG between 1999 and 2006.

Individual film titles are valued using four key influencing factors: The revenues which have historically been achieved are an indicator of the attractiveness of the material and this is reflected aside from extraordinary depreciation in the accumulated amortisation resulting from distribution. At the same time these are dependant on the time remaining on the company’s own licences to market the titles. The technical qualities of the material such as picture format, resolution and the number of available foreign-language versions has an impact on the future marketability of the film and constitute a crucial lever for the company to keep sustainably increasing the value of the film inventory by continuing to upgrade the quality, by creating new language versions and by looking for new marketing channels. The market prices of the content are determined using external sources for reference in the individual territories. Using a combination of four determining factors, a value can be attributed to the film inventory which reflects the potential revenue yield of the total portfolio.

Compared with the previous year, depreciation increased from €418k to €719k. In addition to scheduled depreciation of €235k (previous year €262k), this item includes unscheduled amortisation of film rights to an amount of €484k (previous year €156k), largely owing to the impairment tests carried out on the balance sheet cut-off date and also revised sales expectations.

Costs of material relate to licences, commissions and material. They are directly connected with realised sales revenues. These are mainly royalties depending on sales that are to be paid to the licensors of the company. The increase results from additional expenses incurred for the new channel.

5. Asset and financial situation

The total balance sheet amount increased by €1,435k to €26,447k (previous year €25,012k).

The value of film assets rose significantly by €2,658k. This increase mainly resulted from investments in the value of film assets of €290k as well as write-ups of €2,997k due to rights that have become available and the valuation based on the impairment test described above. These were offset by depreciation and amortisation of €628k.

The receivables and other assets decreased by €71k to €703k (previous year €774k).

Shareholders' equity increased by €477k from €15,231k to €15,708k. The shareholders' equity ratio as of 31 December 2015 is therefore around 59% (previous year 61%). The reduction in the shareholders' equity ratio has largely arisen due to the increase in loans from credit institutions.

As of 31 December 2015, the company records subscribed capital amounting to €9,663k, a capital reserve of €2,537k and accumulated profit amounting to €3,512k.

The other provisions & accrued liabilities increased to €920k (previous year €907k).

Cash and cash equivalents on the balance sheet date, consisting of balances at banks, came to €243k (previous year €1,274k).

A credit line of €2,500k with no fixed term and a loan of €108k at the balance sheet date were granted by UniCredit Bank Austria AG, Vienna, Austria. The loan repayments are quarterly at €108k.

To hedge interest rate risk, the company concluded interest rate hedging instruments, which secure the credit line to the amount of the expected average drawdown.

A credit line of €1,100k with a term running until 31 March 2017 was granted by Bank Austria in September 2013 to finance the purchase of a large film package. The purpose of this credit line is to hedge the transaction and to finance the payment instalments. The balance as of 31 December 2015 comes to €996k.

Due to the convertible bonds that were placed in 2014, the company accrued €3.5 million in cash in the previous year. These bonds, which are interest-bearing at 4% p.a., can be converted by the company until 9 February 2018 for one share per bond, as long as the share quotation has remained at over €2.40 per share for longer than 20 stock exchange trading days. If at the end of the term the share price is not over €2.40 per share, the nominal value is payable.

In an agreement made on 11 July 2012, UniCredit Bank Austria AG, Vienna, granted the company a separate line for sureties / guarantees up to an amount of €140k. That line will be available until further notice.

As of the balance sheet cut-off date, the company records loans from credit institutions amounting to €3,013k (previous year €2,124k) at a credit line of €695k. The company's liquidity has been sufficient at all times.

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 optimisation of interest payable and interest income as well as securing the required foreign currency. The company has a USD account.

The risk of increasing loan interest and exchange rate fluctuations on liabilities in foreign currency is counteracted using the derivative financial instruments.

6. Investments

In the reporting period, investments amounting to €462k were made (previous year €349k). €290k of these were for the value of film assets.

This was, in particular, the acquisition of rights to the series "Eena, Meena, Deeka" and "Toot the Tiny Tugboat". In 2015, investments were also made in various language versions, in digital versions of films and in the creation of HD material.

7. Key Data

Key Data in € k	2015	2014
Turnover	2,534	2,858
EBITDA	-1,637	-1,396
EBIT	644	936
Net income	381	731
Balance sheet total	26,447	25,012
Value of film assets	25,139	22,481
Shareholders' equity	15,708	15,231

8. Employees

Personnel expenses for the 2015 financial year amounting to €1,647k were higher than the previous year's personnel expenses of €1,355k.

On average throughout the year, 28 employees were employed, including apprentices and interns.

As of the balance sheet cut-off date, as in the previous year, a total of 30 people were employed by YFE, including one board member, one apprentice and eight people who were marginally employed.

9. Summary

The significant improvement in turnover and profits forecast in the previous year did not occur due to the reasons shown below.

The distribution reorganised in 2014 was expanded further, but was not able to establish itself on the market with the speed that was planned. Successes were particularly achieved in the marketing of the free-TV channel "RiC", which will stand out in the 2016 fiscal year.

On the other side, significant investments have also been made in reworking and making quality improvements to the company's very large film stock and this has therefore gone a long way to improving the future marketability of the value of film assets. In line with the valuation guidelines followed by the company, which have been verified several times, the commensurate increase in value has been attributed to the film assets as a result of the improvement in quality.

These efforts have strengthened the foundations of the company but have also taken significant amounts of work and tied up capacity. Personnel expenses, in particular, increased disproportionately in relation to the turnover development.

Countermeasures were taken against this increase beginning in the fourth quarter of 2015 and the result in 2016 should be reflected in personnel expenses clearly below the level of 2015.

C. Risk management

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

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

The risk management policy of Your Family Entertainment AG is divided into the following four steps:

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

For each of these steps, we have developed suitable strategies, adapted to the size of the company, which have time horizons of less than one year up to several years depending on the content.

Central to the risk management of Your Family Entertainment AG are the regular discussions between the Board of Management and the second management tier. These discussions serve to recognise and assess risks and, if necessary, to take counter-measures in time and to monitor the measures taken. Moreover, the second management tier informs the Board of Management about risks which may unexpectedly occur 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 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 recognise, quantify and develop the sales potential of the company by planning and coordination of the sales activities. This ensures that realisable medium-term sales potential is recognised, investments are covered by realisable 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 recognise necessary corrective measures in time, in particular an equity deficiency. The balance sheet controlling comprises three pillars: the audited financial statements, the half-yearly interim financial report and the continuous balance sheet controlling.

In addition, a monthly report that features a breakeven analysis 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 lie outside the Board of Management's sphere of influence, even a functioning risk management is unable to guarantee that all risks are eliminated. Developments may indeed take place which differ from the planning of the Board of Management.

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

As a publicly-quoted company oriented towards the capital market, within the definition of § 264d German Commercial Code, 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 organisational implementation of decisions made by management

- in order to ensure the validity and profitability of the company’s business activities (this includes the protection of its assets and the prevention and disclosure of damage to assets),

- in order to ensure proper and reliable internal and external accounting
- and compliance with the legal requirements applicable to the company.

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

Your Family Entertainment AG has implemented the following 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;
- preventive control measures in finance and accounting as well as in the operative company processes that generate essential information for the preparation of the annual financial statements and the management report, as well as a separation of functions and approval processes in relevant areas;
- Measures to ensure that the accounting processes and data required for proper accounting are supported by IT;
- Measures to monitor the accounting-related internal control and risk management system

E. Forecast, opportunity and risk report

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 is generally the case for any film and TV production company. 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. External risks / market risk

Competition-related risks

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

3. Business performance risks/litigation risk

a) Risks in the production of programmes

The production of programmes - 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 mean that sales and profit planned by the company must be postponed to a later accounting period. It can also not be excluded that YFE will not have sufficient financial resources available for the development of programmes 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 as 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 turnover 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 licence 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 licence fee if the production is delivered in accordance with the contract. Should, however, the budget not be covered or not fully covered by licence sales, then the producer carries the risk of the resulting loss.

b) Risks in the purchasing and marketing of programs

YFE tries to recognise trends in the fields of programmes and TV channels' requirements as early as possible and tailors its own product range accordingly. In so doing, the company has to take account of TV channels' current 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, licence 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 above-mentioned rights, which might have significant negative implications for the company's asset, financial and earnings situation.

The amortisation 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 amortisation resulting from the exploitation takes place in accordance with the relation between the actual sales in the financial year to the total expected revenue from the exploitation of film rights including sales in that financial year. Moreover, a so-called impairment test is carried out 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 180 titles, derives from licences from third parties, whilst only one third of the titles were in house productions or co-productions. The licences 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 licences 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.

There is an inherent risk that receivables from the exploitation of programmes 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"

In the legal action by Mr Claude Robinson and Les Productions Nilem Inc. which has been pending since 1996, an appeal judgement was issued on 9 December 2011 and the highest Canadian court, the court of final instance, issued its judgement on 23 December 2013. The court found Ravensburger Film + TV GmbH and other defendants to be jointly and severally liable for damages and other payments in the amount of CAN$2.8 million. The company's liability is limited under an agreement between the joint and several debtors to 15% of the total liability.

The plaintiff's Canadian lawyers have indicated their intention first to seek payment from another joint and several debtor registered in Canada. An existing E&O insurance policy covering claims against France Animation and the company also insures a total sum of 1.0 million Can$ plus interest and costs. From the above sum, the company is still directly liable for payment in the amount of CAN$388,000.00 plus interest for the plaintiff's loss of profit. The company has created provisions for this amount in the 2014 annual report. The parties were involved in an ongoing dialogue in order to reach an amicable final settlement on the basis of the final judgements from the Canadian court. This agreement was signed on 9 December 2015 and comes to a total sum of CAN$414,393.81 including interest, payable in four instalments. The first payment took place in December 2015, while the remaining three payments are due over the course of the fiscal year 2016. The provisions for this as of 31 December 2015 come to €204k.

4. Financial risks

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

As part of a credit line agreement with Bank Austria AG, Vienna, Austria, YFE transferred securities in form of titles and claims from film licence contracts to the bank. YFE may find it significantly more difficult to take up further loans if valuable securities are not released. If the company is unable to acquire additional loans should they be required, this could have considerable implications for the company's asset, financial and earnings situation.

Risks are also posed by variable interest agreements. These risks have been counteracted by conclusion of contracts on derivative financial instruments. In spite of an existing financial hedging relationship, no valuation unit was formed for the caps, because not all criteria are completely fulfilled. For the caps, other provisions & accrued liabilities amounting to €59k (previous year €79k) were formed. To the extent that the underlying transactions are closed items, no need for provisions resulted for the interest swap (cf. “Derivative financial instruments” in the appendix to the annual financial statement 2015).

b) Exchange rate fluctuations, exchange rate 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. There is an inherent risk of losses from such exchange rate fluctuations.

Unfavourable 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. 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.

Significant potential for the development of the company is offered by the consistent expansion of the pay-TV channel “Fix&Foxi”, by gaining further subscribers, and the free TV channel “RiC”, through the possibilities of marketing advertising time.

Furthermore, 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 digitisation and the changing possibilities and/or habits in media consumption is a positive business climate to operate in.

6. Forecast

The focus of the company will increasingly lie on the expansion of international and national channel activities. The aim is to further tap into the markets both in the free-TV area with "RiC" and in the pay-TV area with "Fix&Foxi".

In the free-TV segment, it is particularly expected that the intensification of the marketing of advertising time and the distribution of the channel concept will have a positive effect on turnover and income.

Although the development of turnover and results will continue to be subject to natural fluctuations in future as a result of dependency on projects and package deals, elements to help stabilise turnover should be established with a stronger concentration on the channel.

For the licensing segment, including the licensing of films/series, rights and characters, the Board of Management is anticipating an increase in turnover, particularly due to the qualitative improvements which have also been made to many of the series.

Overall, therefore, the Board of Management is expecting 2016 turnover and earnings to be considerably above the levels achieved in the previous year. An initial indicator of this is the income development in the first two months of the 2016 fiscal year.

The long-term objective of YFE was and remains adopting a leading role in German-speaking Europe as a programme supplier in free TV and pay TV.

F. 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 full text of the declaration is published on the company's website (www.yf-e.com) under "investor relations".

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

The company's management and the monitoring of Your Family Entertainment AG is structured 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 within the required time limit, 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.

The Supervisory Board of Your Family Entertainment Aktiengesellschaft is currently also fully manned with three members, all of whom are male. The current members of the Supervisory Board are elected until the end of the ordinary Shareholder's meeting, which decides on whether they are discharged for the 2018 fiscal year. It would thus not be possible to implement a quota of women until the aforementioned time without expanding the Supervisory Board. The Supervisory Board does not consider such an expansion to six members to be appropriate, especially taking into account the size of the company. The Supervisory Board will, however, pay particular attention to considering women for future Supervisory Board vacancies as part of its candidate nominations.

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 €10,000.00 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 partly performance-related and partly fixed.

The members of the Board of Management are appointed by the Supervisory Board.

The Board of Management of Your Family Entertainment AG currently consists of one male member. With regard to the determination of target figures for the proportion of women on the Board of Management, it should be taken into consideration in the view of the Supervisory Board that the Board of Management is sufficiently manned with one member at the current time, especially also taking into account the size of the company. With regard to the term of office of the current sole Management Board member, no personnel change is planned in the Board of Management. It would not be possible to implement a quota of women on the Board of Management at present without expanding the Board of Management.

However, with its decision of 29 September 2015, the Board of Management set down that the target figure for the proportion of women at the management level below the Board of Management should be 20%. As the proportion of women at this management level is currently greater than 20% and thus meets the target figure, it is not necessary to set deadlines for the fulfilment of the aforementioned target figure. If the proportion of women at the management level should go below 20%, the Board of Management will look at the topic again and, in particular, also set a deadline for the fulfilment of this target figure. The Board of Management will also take another look at the topic if and as soon as a further management level is established.

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 (not applicable for the fiscal year 2016) and in the half-yearly interim report.

Information is also published by means 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 § 15 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 of 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 any major issues and events that emerge during the audit which are pertinent to the role of the Supervisory Board.

Risk management

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

We see risk management as a core responsibility of the Board of Management, the management team and all employees. Through active risk management, 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 tier for the purpose of promptly recognising and assessing risks and, where appropriate, taking counter-measures and monitoring the measures taken.

Moreover, the second management tier informs the Board of Management about risks which may unexpectedly occur 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 lie outside the Board of Management's sphere of influence, even a functioning risk management is unable to guarantee that all risks are eliminated. Developments may indeed take place which differ from the planning of the Board of Management.

G. Events of particular significance occurring after the end of the financial year / Report on post-balance sheet date events

No events of particular significance occurred after the financial year had been closed.

H. Principles of the company's remuneration system in accordance with § 285 sentence 1 no. 9 HGB

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 HGB

1. Composition of the subscribed capital

The share capital as of the balance sheet cut-off date is divided into 9,662,999 no-par-value shares, each with a pro rata amount in the share capital of €1.00. As of 31 December 2015, the share capital thus amounted to €9,662,999. The shares are registered by name. 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 were subject to a holding period until June 30, 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 31 December 2015, F&M Film und Medien Beteiligungs GmbH, Vienna, Austria, is in possession of 72.40% of the share capital.

Moreover, Dr. Stefan Piëch, Vienna, has a direct stake of 0.45% in the capital of Your Family Entertainment AG and an indirect stake of 72.40% through F&M Film und Medien Beteiligungs GmbH referred to above, such that in total 72.85% of the share capital are attributable to Dr. Piëch directly and indirectly.

4. Owners of shares with special rights

As of 31 December 2015, no shares with special rights were given.

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

There were no controls on voting rights as of 31 December 2015.

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

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

Authorised capital 2012

The shareholders' meeting of 27 June 2012 decided to reverse the authorised capital 2010 and approved simultaneously a new authorised capital (authorised capital 2012).

In this respect, the following resolution was adopted:

a) The authorisation for the Board of Management to increase the company's share capital by 8 June 2015, on one or more occasions, by up to a total of €3,387,001 (authorised capital 2010), is herewith nullified, effective at the time when the new authorised 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 authorised to increase the company's share capital by 26 June 2017, on one or more occasions, by up to a total of €4,831,499.00, through the issue of up to 4,831,499 new zero-par bearer share certificates in return for cash and/or contributions in kind (authorised capital 2012). 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 an equivalent institution under § 186 para. 5 sentence 1 German Companies Act 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 authorised to exclude the legal subscription right: 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 authorisation to exclude the subscription right under § 186 para. 3 sentence 4 German Companies Act, the exclusion of the subscription right due to other authorisations listed under § 186 para. 3 sentence 4 German Companies Act is to be taken into account; in the case of capital increases in exchange for non-cash contributions that are implemented in order to grant shares for the acquisition of companies, parts of companies or equity interests in companies; if this is necessary to compensate for fractional amounts.

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

d) § 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 authorised to increase the company’s share capital by 26 June 2017, on one or more occasions, by up to a total of €4,831,499.00, through the issue of up to 4,831,499 new no-par-value bearer share certificates in return for cash and/or contributions in kind (authorised capital 2012). 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 an equivalent institution under § 186 para. 5 sentence 1 German Companies Act 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 authorised to exclude the legal subscription right: 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 authorisation to exclude the subscription right under § 186 para. 3 sentence 4 German Companies Act, the exclusion of the subscription right due to other authorisations listed under § 186 para. 3 sentence 4 German Companies Act is to be taken into account; in the case of capital increases in exchange for non-cash contributions that are implemented in order to grant shares for the acquisition of companies, parts of companies or equity interests in companies; if this is necessary to compensate for fractional amounts.

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

Acquisition of the company's treasury shares

The shareholders' meeting held on 27 June 2012 authorised the company to acquire treasury shares.

In this respect, the following resolution was adopted:

a) The authority granted to the company by the shareholders' meeting held on July 13th, 2010 to acquire treasury shares before July 12, 2015, will be nullified as soon as the new authorisation resolution under b) to d) becomes valid.

b) The company is authorised to purchase treasury shares. This authorisation is, however, restricted to the acquisition of an arithmetic portion of up to 10% of the company's share capital. The authorisation may be exercised wholly or in partial amounts, once or on several occasions, by the company itself or on its account by third parties. The authorisation is valid until 26 June, 2017.

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 value per share paid by the company (excluding the ancillary costs of acquiring the shares) may not be higher or lower by more than 20% of the average closing price of shares of a similar nature on the Frankfurt Stock Exchange during the last ten 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 20% of the average closing price on the Frankfurt Stock Exchange during the last ten stock exchange trading days prior to the date the offer was published. The offer to buy may stipulate other conditions. Acceptance must be made by quota should the offer to buy 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.

d) The Board of Management is authorised, with the consent of the Supervisory Board, to dispose of the shares in Your Family Entertainment AG acquired on the basis of this authorisation 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 authorisations in accordance with § 186 para. 3 sentence 4 German Companies Act is to be taken into account when exercising the authorisation.

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-value shares in the share capital. The redemption may also be limited to a part of the shares acquired. The authorisation of the redemption may be exercised several times. If the shares are redeemed using the simple procedure, the Board of Management shall be authorised to adjust the number of no-par-value shares in the articles of association.

The above authorisations relating to the use of the treasury 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 authorisations 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 treasury 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.

2013 conditional capital

At an extraordinary general meeting on 7 November 2013, shareholders authorised the Board of Management to issue, subject to the approval of the Supervisory Board and between that date and 6 November 2018, bearer convertible bonds in one or in multiple issues with a total nominal value of up to €10,000,000.00 and a term of no longer than 20 years, and to grant the bearers of said convertible bonds conversion rights to new shares in the company up to a total equivalent value of €2,300,000.00 of the share capital in accordance with the detailed terms of the convertible bonds.

The share capital is being conditionally increased by up to €2,300,000.00 with the issue of up to 2,300,000 new no-par value bearer share certificates (2013 Conditional Capital). The purpose of the conditional capital increase is to grant shares to the holders of convertible bonds.

On the basis of the above authorisation and with the approval of the Supervisory Board, the Board of Management decided on 14 January 2014 to issue a convertible bond with a total nominal value of up to €4,999,200.00, divided into 2,083,000 equal partial bearer bonds with a nominal value of €2.40 EUR each. The issue price per partial bond is equal to 100% of the nominal value i.e. €2.40. The partial bonds are interest-bearing at a rate of 4% p.a. The term of the convertible bond is four years. This commences on 10 February 2014 and ends at close of business on 9 February 2018.

Decision on the conversion of bearer shares to registered shares and the associated amendments to the articles of association and adaptation of authorisations

The general meeting held on 24 June 2015 decided the following:

a) The no-par value bearer share certificates issued when the articles of association amendment decided under b) comes into effect are converted into registered shares.

b) The articles of association of the company have been amended in § 5 section (1) and (2) and rewritten as follows:

"(1) All shares are registered by name (registered shares).

(2) If, in the event of a capital increase, the resolution to implement the capital increase makes no provision as to whether the new shares are bearer shares or registered shares, then such new shares shall also be bearer shares."

c) The articles of association of the company have been amended in § 4 section (3) sentence 1 and rewritten as follows:

“With the approval of the Supervisory Board, the Board of Management is authorised to increase the company’s share capital by 26 June 2017, on one or more occasions, by up to a total of €4,831,499, through the issue of up to 4,831,499 new no-par-value named share certificates in return for cash and/or contributions in kind (authorised capital 2012).”

d) aa) The authorisation to issue no-par bearer shares decided at the extraordinary Shareholder’s meeting of 7 November 2013 on agenda point 1 is amended in that the authorisation permits the granting of convertible bonds for no-par-value named share certificates instead of the granting of convertible bonds for no-par value bearer share certificates.

bb) The conditional capital increase for the service of convertible bonds decided at the extraordinary Shareholder’s meeting of 7 November 2013 on agenda point 1 is amended in that the conditional capital increase takes place with the issuance of no-par-value named share certificates instead of with the issuance of no-par-value bearer share certificates.

cc) With regard to convertible bonds already issued, the bearers of conversion rights now have subscription rights for no-par-value named share certificates instead of subscription rights for no-par value bearer share certificates. The conditions of the convertible bonds otherwise remain unaffected.

dd) The articles of association of the company have been amended in § 4 section (4) sentence 1 and rewritten as follows:

“The share capital is being conditionally increased by up to €2,300,000.00 with the issue of up to 2,300,000 new no-par value named share certificates (2013 Conditional Capital).”

8. Material agreements of the Company that take effect in the event of a change of control following a takeover bid

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 bid.

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 2015 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 measure taken or refrained from.

K. Report on post-balance sheet date events

No events of particular significance occurred for the asset, financial and earnings situation after the financial year had been closed.

Munich, 19 April 2016

The Board of Management

Dr. Stefan Piëch

7. Auditor's Certificate Ernst & Young GmbH

We have issued the following certification for the annual accounts and management reports:

"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 1 January 2015 to 31 December 2015. 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 of the German Commercial Code and in conformity with the generally accepted auditing standards laid down by the German Institute of Auditors (IDW). These standards require that the audit be planned and carried out in such a way so as to identify, with reasonable certainty, inaccuracies and infringements that significantly impact on the presentation of the 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."

Munich, 19 April 2016

Ernst & Young GmbH
Audit firm

Christ Auditors	Arnold Auditors

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, April 2016

Dr. Stefan Piëch
Board of Management

9. Financial Calendar

• 28.04.2016	Release of the annual financial report 2015
• 22.06.2016	Shareholders' meeting
• 26.08.2016	Release of the half-yearly interim financial report 2016

10. Copyright page/ How to contact us

Your Family Entertainment AG
Nordendstraße 64
80801 Munich
Germany

Telephone: +49 89 997271-0
Fax: +49 89 997271-91
E-mail: info@yfe.tv
Internet: www.yfe.tv
www.rictv.de
www.fixundfoxi.tv
www.facebook.com/fixundfoxitv
www.facebook.com/RiCtvde

Who to contact:

Investor Relations
Michael Huber
E-mail: michael.huber@yfe.tv


Rolf Kauka's
Lupo
KKRRRR
LUPO
Fix & Foxi

yfe yourfamily entertainment