Your Family Entertainment AG

Annual Business and Financial Report 2018

Key figures

(in €k)	2018	2017
Turnover	3,208	5,087
EBITDA[1]	-343	1,499
EBIT2	-3,926	1,164
Net loss (previous year's annual net profit)	-4,220	881
Balance sheet total	19,920	26,941
Film assets	18,000	21,487
Shareholders' equity	10,374	14,609

[1] EBITDA = Annual net profit + Taxes on income and earnings + Interest and similar expenses ./. Other interest and similar income + Depreciation & amortisation ./. Write-ups

[2] EBIT = EBITDA + write-ups ./. Depreciation & amortisation

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1. Opening comments of the Board of Management

Dear Shareholders,

I am pleased to provide you with this report concerning the interesting and varied past business year of Your Family Entertainment AG.

In January, a new convertible bond (2018/2020) was successfully placed on the capital market, with high demand leading to an over-subscription. The existing convertible bond (2014/2018) was repaid in February 2018.

Only a few days later, our premium PayTV channel „Fix&Foxi" started on the "1&1" TV offering. We feel certain that we are on the right, sustainable path, focusing on educational, safe but above all entertaining and exciting content.

In March, we were able to extend our library of children's programmes by many hours through a mutual cooperation with YoBoHo, a global media company from India. Our company was once again able to consolidate its reputation as one of the leading distributors of programmes for children and families.

Another milestone was the expansion of „Fix&Foxi" TV in the US and Latin America. Our partner Olympusat is a large, independent media company specialising in the distribution, production and technical services of Spanish and English-speaking networks. Since March, „Fix&Foxi" TV can be received on the OTT TV solution Vemox in both English and Spanish versions. Olympusat offers its subscribers in the United States live TV channels and more than a thousand hours of video-on-demand content.

Just in time for MIPTV at the beginning of April, i-Cable Hong Kong added the children's and family channel „Fix&Foxi" TV to its channel selection, with which Your Family Entertainment AG is operating a station in China for the first time. The growing Asian market is still the focus of our expansion with „Fix&Foxi".

At the end of April, „Fix&Foxi" TV was added to the program by waipu.tv, where our channel "RiC" TV is already represented. By working together with waipu.tv in the future, we will reach our quality-conscious audience together in an even better way.

At the end of September, we were pleased to celebrate the five-year anniversary of our cooperation with the SOS Children's Villages worldwide. For World Children's Day on 20 September, the programme on "RiC" TV, which started at 1 p.m., was all about the everyday life of children, their school schedule, personal hobbies and traditions typical of the country. It also showed the untiring care of the loving SOS mothers, who support children in their everyday challenges with their love and patience.

Both „Fix&Foxi" TV and "RiC" TV were added to the streaming offer by simpliTV, a subsidiary of the ORS Group in Austria. Thus, the broadcasters are now represented on an even broader basis in both classic television and mobile television.

In December, we were able to announce that the Dresden-based live TV company Couchfunk has expanded its mobile TV service to Austria under the brand name "TV.de" and had already included

"RiC" TV in the programme for the launch. "TV.de" offers a personal TV experience with live TV and the current TV programme at a glance, with hints and tips on the best films, series and quiz shows.

Starting in January 2019, "RiC" will be broadcasting a cult film by the prominent media company LISA Film every Saturday afternoon at 16:00. With the slogan "Passionate Entertainment", LISA Film recorded numerous film episodes such as "A Castle on Lake Wörthersee" or "The Dream Hotel". Also part of LISA Film are box office hits like "Die Supernasen" with Thomas Gottschalk and Mike Krüger. LISA Film has produced many classics with greats such as Maximilian Schell, Peter Weck or Roy Black.

In addition to these highlights, further expansion activities took place within the company, including the internationalisation of our FreeTV channel "RiC" TV. The start-up costs incurred here, as well as the long-lasting, but ultimately unsuccessful negotiations with a large toy manufacturer for setting up an international station group, have consumed a lot of time, energy and ultimately costs.

As you, our shareholders, are aware, write-ups and write-downs can have a significant impact on the income of the company, although no conclusion can be drawn here regarding the business operations of the company.

The focus of the business operations continues to be on the development of the station portfolio, setting up new partnerships and the development of our core assets.

Finally, I would like to sincerely thank both you, dear shareholders, for your trust in our company as well as the members of the Supervisory Board for the ongoing and always energetic support.

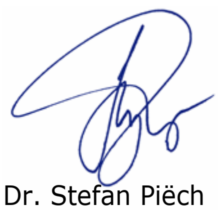
However, my special thanks also go to my team, which, as in recent years, has contributed to the ongoing development through its extraordinary dedication and has enabled the further development and expansion of the company.

I look forward to successfully leading Your Family Entertainment AG with motivated and ambitious employees in the future, to expand the company and to work on the development of the large existing potential of the company.

Munich, March 2019

Your Family Entertainment AG

Board of Management



Dr. Stefan Piëch

2. About us

The name Your Family Entertainment AG (YFE) stands for innovation and tradition. For over 35 years, we have been producing and licensing high quality, educational television series for children, adolescents and families.

Behind Your Family Entertainment AG is a dynamic team of highly motivated employees who share a common goal: to pass on our enthusiasm and passion for responsible and 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 can draw on a program stock of around 3,500 half-hour programs. 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 maintained and supplemented by other programs. Recent years have also seen further long-term improvements in our excellent film stock. Since May 2014, we own all rights to Rolf Kaukas „Fix&Foxi‟. Since July 2014, we have also acquired all rights to the series "Albert asks" and "Albert says". In 2015, world-class series "Toot the Tiny Tugboat" and "Eena Meena Deeka" were added to the sales offering. In 2017, the offering was expanded by "Lola on Board", "Wondergrove Kids" and in 2018 with "Secrets of Gravity", "Kaluoha Hina" and "Life of Trees". In addition, the films "Camp Cool Kids" and "Marshall the Miracle Dog" complete the film library.

Since 2007, we have successfully operated the award-winning pay-TV channel "yourfamily", which won the prestigious HOT BIRD TV Award in 2010 and was nominated again in 2011, 2013, 2014 and 2015 for the final of the top three children's channels worldwide. The pay-TV channel "yourfamily" received two new channel characters in December 2014 and has since called itself „Fix&Foxi‟. In 2016, „Fix&Foxi‟ won the Eutelsat TV Award in the category "children's channel". Due to the integration of the „Fix&Foxi‟ brand on pay-TV, which has had a large fan base both inside and outside Germany, for more than 60 years, the popularity of the two foxes is combined with the quality of high-quality television content for families. With their 24-hour, 16:9 programme, our popular foxes present an optimal mix of high-quality entertainment and educational content as well as monthly highlights. Through its extended concept, the station occupies an independent and clear position in the German-speaking kids pay TV market; and this has been the case since 2015, also via the AmazonFire TV app "Fix & Foxi TV". Furthermore, since 2017, our bookable channel at Amazon Prime Video is also on offer in the children’s entertainment section under the name “Fix&Foxi”. Thanks to its successful concept, the station is already represented in many countries worldwide.

Since 2012, YFE has also been represented on free TV with the children's channel "RiC" and celebrated its fifth birthday in September 2017. We are very pleased that "RiC" has established itself very well as a private children's and family channel in the German-speaking countries through its high-quality and popular European programs. Our family channel is aimed at children from 3-13 years and homemakers. Through its extensive know-how and careful selection of high-quality content, "RiC" positions itself as the third private children's and family programme in German-speaking countries. Both the child-friendly station presentation and the decelerated content make "RiC" the antithesis to the predominantly American and Asian-influenced offer. "RiC" is broadcast via satellite (Astra), many cable networks and as a live stream in the Internet of the German-speaking countries as well as on the mobile platforms iOS and Android.

Since November 2014, "RiC" can be received by M-net in the Munich area as well as in parts of Augsburg, Nuremberg, Erlangen and Würzburg. Since February 2015, the RiC raven has also been travelling around the areas of Baden-Württemberg, Hessen and North Rhine-Westphalia via Unitymedia and Kabel BW. Currently, "RiC" has expanded its reach to over 34 million households in German-speaking countries. The range in the cable network is still being continuously expanded.

Your Family Entertainment AG was able to initiate another innovation at the end of 2014 with "RiC". The world's first Slovak-language children's and family channel "RiK" was launched at the beginning of 2015 by a partner of Your Family Entertainment AG in Slovakia.

3. Report of the Supervisory Board

Dear Shareholders,

In the 2018 financial year, the Supervisory Board regularly monitored, controlled and advised on the work of the Board of Management. The Board of Management provided the Supervisory Board with extensive and prompt information in oral 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 always informed about the intended business policy, corporate planning including financial, investment and personnel planning as well as the course of business and the situation of the company.

In the 2018 financial year, a total of four meetings of the Supervisory Board took place. All members of the Supervisory Board attended at least half of the meetings of the Supervisory Board during their term of office in the 2018 financial year: on the occasion of these meetings, all important business policy issues, in particular the company's economic and financial development, strategy and planning, important business events, legal developments and transactions requiring approval, were analytically and empirically examined and discussed with the Board in detail based on very comprehensive reports by the Board of Management. In addition, the Supervisory Board has voted during telephone conferences. During the 2018 financial year, the Supervisory Board again exercised its right to inspect the books and documents as well as the assets of the company. The Board of Management was always available for queries and explanations.

Focus of deliberations in the Supervisory Board

In the 2018 financial year, the deliberations and monitoring activities of the Supervisory Board focused in particular on the key corporate figures, namely sales and cost trends and the effects of the accounting method on the film assets. In addition, the focus was on liquidity and ensuring the long-term financing of the company.

Unfortunately, despite the numerous measures that the company has taken, the above indicators have not evolved as desired. The sales expectations have not been met, nor have the cost reductions which have been initiated already made a significant impact on earnings. With a turnover of € 3,208k, the company failed to reach the target set for 2018 and remained well below the revenues of the 2017 financial year (€ 5,087k) and slightly behind the revenues of the 2016 financial year (€ 3,700k). Several projects which the company had been relying on successfully implementing could not be realised in the results. A licensee was lost, involving a significant license amount. In addition, personnel restructuring of the sales department took place, and the licensing business was generally difficult. The market is currently dominated by demand for new products. Notwithstanding these circumstances, the sales result is also disappointing for the Supervisory Board.

The 2018 financial year's result was also negatively affected by unscheduled devaluations on film assets totalling approx. € 2,400k for the following productions:

- Twist in the Tale
- Tales of the South Seas
- Legend of William Tell
- Adventures of Swiss Family Robinson

These securities were previously valued at a cut-off value that was significantly higher than the license value, which was why a write-down on the license value was required. Overall, write-downs (scheduled and unscheduled) on film assets of approx. € 4,500k and write-ups of approx. € 900k took place.

This combination of weaker sales, only slightly lower costs and the above-mentioned write-downs on film assets led to total negative earnings before interest and taxes of €3,926k and a net loss of €4,220k.

As the aforementioned securities essentially relate to on-balance-sheet transactions and the company has a sufficient financing basis due to the convertible bond issued in the previous year, the financing of the company is further secured. Nevertheless, the measures taken by the company in this area will continue to be closely followed by the Supervisory Board.

Because nothing has changed in the challenges that society faces. One highlight is the previously mentioned demand for new productions. Add to this the growing shift away from traditional television to the Netflix, Amazon Prime and other digital platforms. On the other hand, these new distribution channels also offer distribution options that are not available on analogue television.

Committees of the Supervisory Board

The Supervisory Board did not form any committees in the year under review.

Report on the results of the audit of the financial statements

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

On behalf of the Supervisory Board, Baker Tilly GmbH & Co. KG Wirtschaftsprüfungsgesellschaft, Düsseldorf, audited the accounting, the annual financial statements and the management report for the 2018 financial year. On the basis of the audit, the auditor issued an unqualified audit opinion. The annual financial statements and the management report for the company and the auditors' reports were submitted to the Supervisory Board and audited by the Supervisory Board. The aforementioned documents were comprehensively discussed by the Supervisory Board at its meeting on April 29, 2019, in the presence of the auditors. All questions of the Supervisory Board were answered comprehensively. The Supervisory Board approved the results of the audit. Even after the final result of the Supervisory Board's own review, no objections are to be raised against the annual financial statements and the Management Report of the Company for the 2018 financial year. The Supervisory Board approved the annual financial statements of Your Family Entertainment AG submitted by the Board of Management. The annual financial statements of Your Family Entertainment AG are thus established. The Management Board prepared its report on the Company's relationships with affiliated companies and submitted it to the Supervisory Board together with the audit report submitted by the auditors. The auditor issued an unqualified audit opinion.

The auditor reported on relationships with affiliated companies and the key findings of their 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 to the Supervisory Board the declaration of independence required by the German Corporate Governance Code and disclosed the auditing and consulting fees incurred in the respective financial year to the Supervisory Board.

Corporate Governance and the declaration of conformity

The topic of corporate governance has a high priority for the Supervisory Board. The Supervisory Board dealt with the further development of corporate governance principles in the company. The declaration made by the Board of Management and the Supervisory Board in accordance with § 161 AktG is reproduced in the Corporate Governance section of the Annual Report and can also be downloaded from the Company's homepage (www.yfe.tv) under Investor Relations.

Further information on corporate governance can be found in the Annual Report on pages 12-15 (Corporate Governance Report).

The Supervisory Board would like to thank the Board of Management and all employees for their dedicated performance in the 2018 financial year.

Munich, April 2019

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

4. Shares

4.1 Overview

The Your Family Entertainment AG is listed with WKN A161N1/ISIN: DE000A161N14 under the symbol "RTV" on the Regulated Market of the Frankfurt Stock Exchange (General Standard).

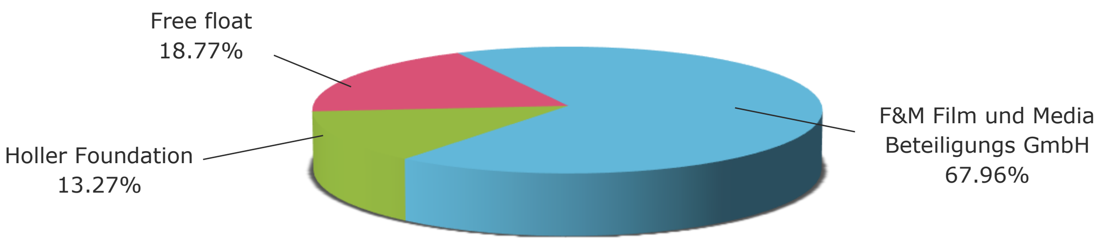
Number of shares:	10,295,459 pieces
Subscribed capital:	€ 10,295,459
Initial listing:	June 8, 1999
Indexes/lists:	CDAX, DAXsector All Media, DAXsubsector All Movies + Entertainment, General All Share, General Standard
Paying Agent:	Bankhaus Gebr. Martin AG, Kirchstraße 35, 73033 Goppingen, Germany

4.2 Development of the share price in 2018

From January to December 2018, the price per share (in €) of Your Family Entertainment AG at the Frankfurt Stock Exchange developed as follows:

Source: www.ariva.de

4.3 Shareholder structure (as at 31.12.2018)



5. Corporate Governance Report

Your Family Entertainment AG continued to develop its corporate governance in 2018 and largely follows the recommendations and suggestions of the German Corporate Governance Code as amended on 7 February 2017.

Due to its size of three members, the Supervisory Board of Your Family Entertainment AG does not form any committees, but has an independent financial expert who meets the required criteria. It is independent and was not a member of the Board of Management (suggestions in section 5.3.2). The Supervisory Board of Your Family Entertainment AG has a very broad expert knowledge in its current composition, which also takes into account the international orientation of the company (Section 5.4.1). YFE will also be guided by this objective when proposing new elections to the Supervisory Board. If Your Family Entertainment AG makes use of the exceptions in Section 5.4.4 of the Code when replacing a member of the Board of Management, they will explain this to the Annual General Meeting.

The remuneration for the Board of Management and Supervisory Board is shown in the Notes to the Annual Financial Report 2018. Since the remuneration for ongoing contracts was not reviewed, an internal vertical adequacy comparison was also not performed (Section 4.2.2 / 4.2.3). Conflicts of interest did not arise in 2018 either on the Board of Management or the Supervisory Board. Possible conflicts of interest of Supervisory Board member Dr. Sebastian Graf von Wallwitz was prevented by the fact that a cooperation with the law firm Schwarz Kelwing Wicke Westphal, in which Graf von Wallwitz is also a partner and which was desired by the company, was presented to the 2007 Annual General Meeting for approval and a corresponding approval was granted. In 2018, the Board of Management also held a seat on the supervisory boards of SOS Children's Villages worldwide, Hermann-Gmeiner-Fonds Deutschland e.V., Munich, at Seat, S.A, Martorell and at Porsche Automobil Holding SE, Stuttgart. The Supervisory Board reviews the efficiency of its activities on an annual basis. According to its own estimates, the Supervisory Board has an adequate number of independent members.

A comparison of the previous declaration of conformity with the corporate governance actually implemented in the 2018 financial year showed no deviations. Your Family Entertainment AG follows the recommendations of the Government Commission on the German Corporate Governance Code as far as possible and diverges only in those areas where this makes sense according to the size of the company, the expediency and the financial framework of a medium-sized company.

The rules of procedure for the Board of Management and the Supervisory Board remained unchanged in 2018. At the 2018 Annual General Meeting, around 27 shareholders and guests or 84.01% of the voting share capital participated. All points awaiting resolution have been accepted.

Munich, March 2019

Dr. Hans-Sebastian Graf von Wallwitz

(Chairman of the Supervisory Board)

Dr. Stefan Piëch

(Board of Manegement)

Declaration of Conformity of the Board of Management and the Supervisory Board of Your Family Entertainment AG to the German Corporate Governance Code in accordance with § 161 AktG

Pursuant to § 161 AktG, the Board of Management and the Supervisory Board of a listed stock corporation must declare annually that the recommendations of the "Government Commission German Corporate Governance Code" published by the Federal Ministry of Justice have been and will be respected or which recommendations have not or will not be applied and why not.

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

1. Your Family Entertainment AG will comply with the recommendations of the German Corporate Governance Code as amended on February 7, 2017, with the following exceptions:

D & O insurance for the Supervisory Board (Section 3.8 (3))

There is a D & O insurance policy for the members of the Supervisory Board that does not provide for a deductible. 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 Board of Management meets the legal requirements.

Composition of the Board of Management (Section 4.2.1 Sentence 1)

Due to the size of the business and the size of the company, the Board of Management consists of only one person. It therefore has no chairman or spokesman.

Establishment and disclosure of the principles of a compliance management system (Section 4.1.3 Sentences 2 & 3)

The Board of Management ensures compliance with the legal provisions and the company's internal guidelines. The Code recommends in Section 4.1.3, Sentence 2, that the Management Board should ensure that the Company's measures are tailored to its risk situation (Compliance Management System) and that it should disclose its basic features. In view of the size of the company, no separate compliance management system was set up for this, as the Board of Management and the Supervisory Board believe that the costs of setting up such a compliance management system would be disproportionate to its benefits. Therefore, the recommendation contained in Section 4.1.3 Sentence 2 is not implemented.

Also, no specially protected whistleblower option was established for employees as recommended in Section 4.1.3 Sentence 3 in the company. The Management Board and the Supervisory Board are of the opinion that due to the size of the company as well as the internal corporate culture of trust, any legal violations will be communicated directly.

Board of Management remuneration (Section 4.2.2 (2) sentence 3, 4.2.3 (2) sentence)

Insofar as the Code of Conduct in Section 4.2.2 (2) sentence 3 recommends, for the purposes of Board of Management remuneration, that the ratio of availability of the upper management tier and the workforce as a whole be taken into account with regard to temporal development, a deviation is declared in this respect. The Supervisory Board did not distinguish between the comparison groups of the Code Recommendation when reviewing vertical adequacy and did not carry out any surveys on the temporal development of the salary structure. 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 remuneration. The Supervisory Board nevertheless intends to include a vertical assessment of management remuneration suitability in future versions of management contracts on the basis of the content and timescale criteria set out in the required Code recommendations.

The recommendation in Section 4.2.3 (2) section 6 of the Code for an upper limit both to total remuneration for directors and to the variable bonus element, is not adhered to. The current Board of Management 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, due to the variable remuneration, which is purely linked to performance, the Supervisory Board regards the suitability to be guaranteed.

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

The Supervisory Board cannot pay attention to diversity in the composition of the Management Board, as the company has a sole director. However, in view of the number of Board members currently considered sufficient for the Company and whose position will be filled for the foreseeable future, it appears unworkable to seek diversity in the composition of the Board of Management in the near future as recommended by the Government Commission.

Formation of committees (Sections 5.3.1, 5.3.2, 5.3.3)

In view of the size of the Supervisory Board (three members), the formation of committees is not considered necessary.

Definition of concrete objectives for the composition of the Supervisory Board and development of a competence profile (Section 5.4.1 (2) and (3))

The Supervisory Board of Your Family Entertainment AG does not specify any concrete goals for its composition. A competence profile for the entire committee will not be developed. Up until now, the Supervisory Board's election proposals for the Supervisory Board have been guided exclusively by the suitability of the candidates with the aim of constituting the Supervisory Board in such a way that its members as a whole have the necessary knowledge, skills and professional experience to perform their duties properly. In the opinion of the Supervisory Board, this approach has proven effective. It is therefore considered unnecessary to change this practice. Consequently, the recommendations based on Section 5.4.1. (3) cannot be followed.

Time of accounting (Section 7.1.2 sentence 4)

The annual financial statements will not be published within 90 days of the end of the financial year and the half-yearly financial statements will not be made public within 45 days after the end of the reporting period. The amount of work required for a timely publication would require unreasonably high costs. From the point of view of the Management Board and the Supervisory Board, too, the legal requirements are sufficient to provide timely information to shareholders and the capital market.

2. Your Family Entertainment AG has generally complied with the recommendations of the German Corporate Governance Code in the version of 7 February 2017 since the last Declaration of Conformity of December 2016. The recommendations contained in sections 3.8 (3), 4.2.1 sentence 1, 4.2.2 (2) sentence 3, 4.2.3 (2) sentence 6, 5.1.2 (1) sentence 2, 5.3.1, 5.3.2, 5.3.3, 5.4.1 (2) and (3), 7.1.2 clause 4 were not applied.

For the reasons for the deviation from the aforementioned paragraphs, see explanations under point 1.

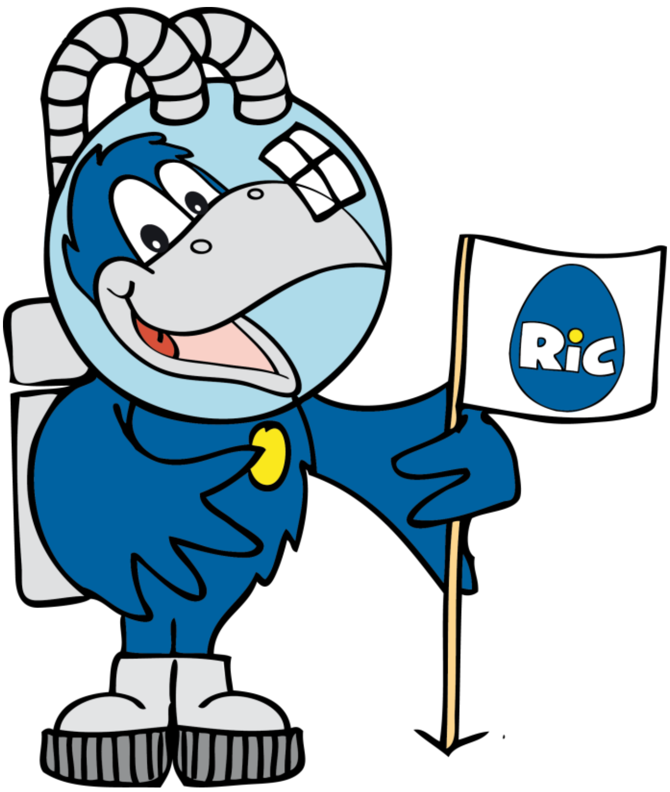
Munich, December 2018

Dr. Hans-Sebastian Graf von Wallwitz

(Chairman of the Supervisory Board)

Dr. Stefan Piëch

(Board of Management)



6. Annual Financial Statements and Management Report

6.1 Balance sheet as at 31 December 2018

ASSETS		31.12.2018		31.12.2017
	EUR	EUR	EUR	EUR
A. Fixed assets				
I. Intangible assets				
1. Franchises and similar rights aquired for a consideration	42,529.21			64,855.21
2. Film assets and other rights aquired for a consideration	18,000,331.26			21,487,145.44
		18,042,860.47		21,552,000.65
II. Tangible assets				
Other equipment, operational and office equipment		33,900.00		60,270.00
			18,076,760.47	21,612,270.65
B. Current assets				
I. Receivables and other assets				
1. Accounts receivable, trade	669,851.42			1,131,975.37
2. Other assets	26,143.35			38,653.79
		695,994.77		1,170,629.16
II. Cash on hand and bank balances		1,095,206.27		4,104,907.10
			1,791,201.04	5,275,536.26
C. Accruals and deferrals			51,771.23	53,561.14
Total assets			**19,919,732.74**	**26,941,368.05**

LIABILITIES					
		31.12.2018			31.12.2017
		EUR	EUR	EUR	EUR
A.	**Shareholders' equity**				
I.	**Subscribed capital**	10,295,459.00			10,295,459.00
	Less nominal value of treasury shares	-20,309.00			-9,208.00
	Issued capital		10,275,150.00		10,286,251.00
II.	**Capital reserve**		2,783,906.61		2,787,971.79
III.	**Accumulated profit**		-2,685,281.96		1,534,682.98
				10,373,774.65	14,608,905.77
B.	**Accruals**				
	1. Provisions for pensions and similar obligations		345,142.00		314,707.00
	2. Other accruals		478,376.95		553,118.05
				823,518.95	867,825.05
C.	**Liabilities**				
	1. Bonds		4,375,460.00		3,494,760.00
	2. Loans from credit institutions		3,672,497.21		3,107,545.44
	3. Advance payments received on account of orders		30,878.28		28,140.26
	4. Accounts payable, trade		598,394.06		753,182.15
	5. Other liabilities		37,587.35		4,073,553.17
				8,714,816.90	11,457,181.02
D.	**Accruals and deferrals**			7,622.24	7,456.21
Total liabilities				**19,919,732.74**	**26,941,368.05**

6.2 Profit and loss account for 2018

	2018		2017
	EUR	EUR	EUR
1. Revenues	3,207,679.09		5,087,245.00
2. Other operating income	1,087,740.83		4,066,164.70
		4,295,419.92	9,153,409.70
3. Cost of materials			
a) Cost of licences, commissions and materials	166,731.58		164,496.30
b) Cost of purchased services	961,560.90		857,425.03
		1,128,292.48	1,021,921.33
		3,167,127.44	8,131,488.37
4. Personnel expenses			
a) Salaries	971,518.24		993,560.28
b) Social security expenses and expenses for pension schemes and support thereof pensions EUR 36,246.27 (previous year EUR 7,958.91)	182,415.45		155,663.40
		1,153,933.69	1,149,223.68
5. Depreciation on intangible assets and property, plant and equipment		4,486,093.14	4,276,716.02
6. Other operating expenses		1,453,271.62	1,541,641.63
7. Interest and similar expenses		291,504.77	273,202.50
8. Taxes on income and earnings		2,329.16	8,903.50
9. Income after taxes		-4,220,004.94	881,801.04
10. Other taxes		-40.00	308.00
11. Annual loss (previous year annual net profit)		-4,219,964.94	881,493.04
12. Profit brought forward		1,534,682.98	653,189.94
13. Accumulated profit		-2,685,281.96	1,534,682.98

6.3 Cash flow statement for 2018

		2018 €k	2017 €k
A. Ongoing business activities			
1.	Annual result	-4,220	881
2.	Depreciation on value of film assets and other rights	4,458	4,236
3.	Depreciation on remaining items of fixed assets	28	41
4.	Write-ups on value of film assets and other rights	-903	-3,942
5.	Losses incurred by the disposal of items from the fixed assets	0	361
6.	Change in long-term accruals	30	0
7.	Other non-cash expenses and income	329	-90
8.	Interest payable	292	273
9.	Tax expenses	2	9
10.	Increase in trade receivables	253	-182
11.	Increase in other assets	15	154
12.	Decrease in trade liabilities	-155	-87
13.	Decrease in other liabilities	2	-1,936
14.	Taxes paid	-2	-9
	Cash inflow from ongoing business activities	**129**	**-291**
B. Investment activities			
1.	Investments in property, plant and equipment	-2	-32
2.	Investments in other intangible fixed assets	0	-1
3.	Investments in the value of film assets and in other rights	-46	-25
	Cash outflow from investment activities	**-48**	**-58**
C. Financing activities			
1.	Cash outflows for the acquisition of treasury shares	-15	-1
2.	Proceeds from borrowing via financial loans and bonds	150	4,845
3.	Repayments of financial loans	-3,494	-1,087
4.	Interest paid	-147	-121
	Cash inflow from investment activities	**-3,506**	**3,636**
D.	**Net changes in cash and cash equivalents**	**-3,425**	**3,287**
E.	**Cash and cash equivalents at the beginning of the period**	**4,098**	**811**
F.	**Cash and cash equivalents at the end of the period**	**673**	**4,098**

Composition of cash and cash equivalents	31.12.2018 €k	31.12.2017 €k
Cash on hand, bank balances	1,095	4,105
Liabilities to banks with a remaining term of up to three months	-422	-7
Cash and cash equivalents	**673**	**4,098**

6.4 Equity analysis 2018

	Subscribed capital	Less nominal value of treasury shares	Issued capital	Capital reserve	Accumulated profit	**Shareholders' equity**
	EUR	EUR	EUR	EUR	EUR	EUR
1.1.2016	**9,662,999.00**	**-3,834.00**	**9,659,165.00**	**2,537,003.73**	**3,512,221.53**	**15,708,390.26**
Acquisition of treasury shares	0.00	-4,924.00	-4,924.00	-1,723.44	0.00	-6,647.44
Capital increase	632,460.00	0.00	632,460.00	252,984.00	0.00	885,444.00
Annual net loss	0.00	0.00	0.00	0.00	-2,859,031.59	-2,859,031.59
31.12.2016	**10,295,459.00**	**-8,758.00**	**10,286,701.00**	**2,788,264.29**	**653,189.94**	**13,728,155.23**
1.1.2017	**10,295,459.00**	**-8,758.00**	**10,286,701.00**	**2,788,264.29**	**653,189.94**	**13,728,155.23**
Acquisition of treasury shares	0.00	-450.00	-450.00	-292.50	0.00	-742.50
Annual net profit	0.00	0.00	0.00	0.00	881,493.04	881,493.04
31.12.2017	**10,295,459.00**	**-9,208.00**	**10,286,251.00**	**2,787,971.79**	**1,534,682.98**	**14,608,905.77**
1.1.2018	**10,295,459.00**	**-9,208.00**	**10,286,251.00**	**2,787,971.79**	**1,534,682.98**	**14,608,905.77**
Acquisition of treasury shares	0.00	-11,255.00	0.00	-4,280.78	0.00	-15,535.78
Sale of treasury shares	0.00	154.00	154.00	215.60	0.00	369.60
Annual net loss	0.00	0.00	0.00	0.00	-4,219,964.94	-4,219,964.94
31.12.2018	**10,295,459.00**	**-20,309.00**	**10,286,405.00**	**2,783,906.61**	**-2,685,281.96**	**10,373,774.65**

6.5 Notes to the Annual Financial Statement 2018

I. General information

The financial statements of Your Family Entertainment AG (YFE) (Munich District Court, HRB 164922) for the 2018 financial year were prepared in accordance with §§ 242 et seq., 264 et seq. of the German Commercial Code (HGB) and the relevant provisions of the German Stock Corporation Act (AktG). The rules apply to large corporations, as the corporation is capital market-oriented within the meaning of § 264 d HGB.

Your Family Entertainment AG is located 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, both nationally and internationally. The company's object also includes the publication of music 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 business activities are divided into the segments "Productions" and "License Sales".

II. Accounting and valuation methods

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

1. Balance sheet

The film assets acquired for a consideration and the other rights are recognised at amortised cost. Scheduled amortisation takes place depending on the exploitation of the film rights. The periodic proportionate depreciation resulting from the exploitation is carried out in line with the pro rata realised sales in the financial year in relation to the total planned realisation of the individual film rights including the sales realised in the financial year.

As part of the review of the process for determining the fair value of the individual film rights and the greater focus on the broadcaster business, it was decided from the 2016 financial year, to change the procedure for determining the fair value of the individual film rights.

In accordance with the procedure applied in the 2018 financial year, the individual film rights are valued on the basis of the direct cash flow forecast method. The financial surpluses which are isolated for each film right form the starting point. The specific cash flows are determined separately for each individual film right on the basis of the different areas of license revenues, television revenues (separated into pay-TV and free-TV), exploitation revenues, merchandising revenues and other revenues. In the case of the underlying cash flow planning period, the economic useful life or remaining useful life is considered separately for each individual film right.

The cash flows that can be generated in the future are discounted using a risk-adjusted capitalisation interest rate to determine the corresponding cash value on the valuation date. The calculation of the weighted average cost of capital (WACC) is based in particular on the corresponding parameter values of a group of listed peer groups of capital market data used to calculate the cost of equity, borrowing costs and capital structure. Asset-specific capital costs, based on the Capital Asset Pricing Model (CAPM), consist of a risk-free base rate and a market risk premium.

Based on the method for determining the value per film right, the corresponding fair values are determined, which are compared with the respective book values per film right in the context of the impairment test.

If the fair value is lower than the book value of the individual film rights at the valuation date, an unscheduled write-down will take place. In the 2018 financial year, unscheduled write-downs totalling € 3,032k (previous year: € 2,361k) were recorded on the basis of the valuation method used and due to this comparison.

In the same way, if the fair value at the valuation date exceeds the book value but is less than the amortised acquisition cost of the respective film rights, a write-up is made if impairment no longer exists or has decreased. However, this means that an increase in value or reduction in the impairment of an asset is recognised only to the extent that it does not exceed the book value that would have resulted, taking into account the depreciation effects if no impairment had been recognised in previous years (amortised acquisition cost).Write-ups amounting to € 903k (previous year: € 3,942k) were recognised in the 2018 financial year on the basis of the valuation method used and the corresponding determination; these are reported in the item "other operating income".

Purchased IT software and property, plant and equipment are stated at acquisition cost less scheduled depreciation. Depreciation 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 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 appropriate individual valuation allowances. There is also a flat-rate bad debt allowance of 1% for the general credit risk.

Provisions for pensions are valued according to the accepted principles of actuarial science using the so-called "projected unit credit method" (PUC method). The provisioning requirement according to the PUC method is defined as the actuarial present value of the pension obligations, earned by the employees until the reporting date in accordance with the formula and vesting rule on the basis of their previously completed service periods. The provision amount is calculated taking into account trend assumptions with regard to the future development of the expectancy or pension as well as possible fluctuation probabilities. The biometric calculation bases used are the "Richttafeln 2018 G" by Dr. Klaus Heubeck. Furthermore, there is an interest rate of 3.21% p.a. (10-year average for pension obligations) and 2.32% (7-year average to indicate the difference in accordance with section 253 (6) HGB), as well as a pension trend of 0% based on the assumptions.

The calculation of the provision for the widow's / widower's benefit entitlement was made according to the so-called collective method, which was based on the probability of marriage in the calculation bases used. In addition, non-promised, but existing widowhood benefit entitlements in case law were included according to the collective method. As the final retirement age, the retirement age at the agreed end of the phased retirement employment relationship was set for partial retirement, and the earliest possible retirement age under the Pension Insurance Age Limits Adjustment Act 2007 was set for the remaining group of persons.

The difference according to Section 253 (6) HGB, which results from the comparison of the 10-year average to the 7-year average, is to be recognised at € 28k.

Other provisions include all identifiable risks and contingent liabilities. They are recognised in the amount of the required settlement amount (i.e. including future cost and price increases). Other provisions with a term of more than one year are discounted using the term-appropriate interest rate in accordance with the provisions for discounting 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. With a term of more than one year, the realisation and acquisition cost principle is observed.

Economic hedging relationships are tracked through the formation of valuation units. In applying the "freezing method", offsetting changes in value from the hedged risk are not recognised. The offsetting positive and negative changes in the value of both the hedged item and the hedging instrument are recognised without affecting the income statement.

Deferred tax assets as of the balance sheet date mainly result from tax loss carry-forwards, pension provisions, other provisions and foreign currency gains.

The option to capitalise deferred taxes is not exercised.

2. Profit and loss account

The profit and loss account is structured according to the total cost method.

Revenue recognition is dependent on the respective license agreement, in particular on the following points:

- a license contract signed by both parties is available;
- the contractual obligations regarding the delivery/provision of the material have been fulfilled;
- the licensing period has begun;
- the contractual remuneration can be determined, e.g. also through the periodic messages of video-on-demand (VoD) platforms.

Whether the rights are used by the licensee at a later date is not relevant for the time the revenue is recognised.

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

Sales in the Production division will be realised after completion and acceptance.

III. Explanatory notes on the balance sheet

1. Fixed assets

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

2. Receivables and other assets

Trade receivables and other assets as of December 31, 2018, as well as trade receivables and other assets as of December 31, 2017, do not include any items with a term of more than one year.

3. Equity

Share capital

The share capital of Your Family Entertainment AG is divided into 10,295,459 no-par-value shares with a pro-rata amount of the share capital of € 1.00 as of the balance sheet date. As of December 31, 2018, the capital stock therefore amounts to € 10,295,459.00. The shares are registered by name and are fully paid up.

As of December 31, 2018, F&M Film und Medien Beteiligungs GmbH, Vienna, Austria, holds 67.96% of the share capital.

Capital reserve

To offset the purchase price for 11,255 treasury shares above the nominal amount, € 4,280.78 was taken from the freely available capital reserve in 2018. The sale of 154 treasury shares led to an allocation of the freely available capital reserve of € 215.60. On balance, the freely available capital reserve in 2018 was € 4,065.18.

Authorised capital 2016

The Annual General Meeting on June 22, 2016 decided to cancel the Authorised Capital 2012 and at the same time approved new Authorised Capital (Authorised Capital 2016).

The following decision was taken:

a) The authorisation for the Board of Management to increase the company's share capital by 26 June 2017, on one or more occasions, up to a total of €4,831,499 (authorised capital 2012), is herewith nullified, provided this has not already taken place, effective at the time when the new authorised capital is created, in accordance with subsequent paragraphs b) to d), and 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 21 June 2021, 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 bearer share certificates in return for cash and/or contributions in kind (authorised capital 2016). As a matter of principle, shareholders will thereby be 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 (AktG) with the obligation to offer these to shareholders of Your Family Entertainment AG for subscription. However, the Board of Management is authorised, with the approval of the Supervisory Board, to exclude the statutory subscription rights of shareholders,

- if a capital increase against cash contributions does not exceed 10% of the share capital and the issue price of the new shares is not significantly lower than the market price (§ 186 (3) sentence 4 AktG); when making use of this authorisation under exclusion of subscription rights pursuant to § 186 (3) sentence 4 AktG, the exclusion of the subscription right due to other authorisations pursuant to Section 186 (3) sentence 4 AktG must be taken into account;

- if the shares are issued against contributions in kind for the purpose of acquiring companies or interests in companies or parts of companies or for the purpose of acquiring receivables from the company;

- to the extent necessary to offset fractional amounts.

c) The Board of Management is authorised, with the approval of the Supervisory Board, to determine the further details of the capital increase and its implementation.

The Supervisory Board is authorised to amend the version of the Articles of Association in accordance with the respective utilisation of the Authorised Capital 2016.

d) § 4(3) The Articles of Association shall be amended in accordance with the above resolutions as follows:

"(3) The Management Board is authorised, with the approval of the Supervisory Board, to repurchase the share capital of the Company on or before June 21, 2021, by a total of up to € 4,831,499 by issuing up to 4,831,499 new shares to increase the number of no-par value bearer shares from the beginning of the financial year in question at the time of issue against cash and / or non-cash contributions (Authorised Capital 2016). As a matter of principle, shareholders will thereby be 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 (5) sentence 1 German Companies Act (AktG) with the obligation to offer these to shareholders of Your Family Entertainment AG for subscription. However, the Board of Management is authorised, with the approval of the Supervisory Board, to exclude the statutory subscription rights of shareholders,

- if a capital increase against cash contributions does not exceed 10% of the share capital and the issue price of the new shares is not significantly lower than the market price (§ 186 (3) sentence 4 AktG); when making use of this authorisation under exclusion of subscription rights pursuant to § 186 (3) sentence 4 AktG, the exclusion of the subscription right due to other authorisations pursuant to § 186 (3) sentence 4 AktG must be taken into account;

- if the shares are issued against contributions in kind for the purpose of acquiring companies or interests in companies or parts of companies or for the purpose of acquiring receivables from the company;

- to the extent necessary to offset fractional amounts.

The Management Board is authorised, with the approval of the Supervisory Board, to determine the further details of the capital increase and its implementation. The Supervisory Board is authorised to amend the version of the Articles of Association in accordance with the respective utilisation of the Authorised Capital 2016."

Conditional Capital 2013

The Extraordinary General Meeting on November 7, 2013 approved Conditional Capital (Conditional Capital 2013).

The following decision was taken:

a) The Management Board is authorised, with the approval of the Supervisory Board, to issue single or multiple bearer convertible bonds with a total nominal value of up to € 10,000,000.00 with a term of no more than 20 years and to grant the holders of the convertible bonds rights to new shares in the Company with a proportionate amount of the share capital of up to a total of € 2,300,000.00 in accordance with the terms and conditions of the convertible bonds by November 6, 2018. The convertible bonds may be issued once or several times, in whole or partial bonds, and at the same time in different 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 fixed for each share must be at least 80% of the average closing price of the Company's shares in floor trading on the Frankfurt Stock Exchange or, if the shares are included in XETRA trading, in XETRA trading or a corresponding successor system on the last ten trading days before the date of the resolution by the Board of Management regarding the issue of the convertible bonds. §§ 9 (1), 199 (2) AktG remain unaffected.

The Management Board is authorised, with the approval of the Supervisory Board, to determine the further details of the issue and nature of the convertible bonds, in particular the interest rate, issue price, duration and denomination, conversion price and the conversion period.

b) The share capital is conditionally increased by up to € 2,300,000.00 through the issue of up to 2,300,000 new no-par-value bearer shares (conditional capital 2013). The conditional capital increase shall be used to grant shares to holders of convertible bonds issued in accordance with the above authorisation. The conditional capital increase will only be carried out providing that the holders of convertible bonds issued by the company by 6 November 2018 as authorised by the general meeting of 7 November 2013 exercise their conversion right and to the extent that other forms of settlement are not deployed. 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 Management Board is authorised, with the approval of the Supervisory Board, to determine the further details of the implementation of the conditional capital increase. The Supervisory Board is authorised to amend the wording of the Articles of Association in accordance with the respective utilisation of the conditional capital." § 4 of the Articles of Association is supplemented by the above resolutions.

The Annual General Meeting on 15 September 2017 adopted the following resolution under item 6 of the agenda on the extension of the authorisation to issue convertible bonds, on the increase of the existing conditional capital for 2013 and the corresponding amendment of the Articles of Association:

a) The resolution authorising the issuance of convertible bonds under agenda item 1 of the Extraordinary General Meeting on 7 November 2013 is extended to authorise the Board of Management, with the approval of the Supervisory Board, to reimburse or redeem convertible bonds with a total nominal value of up to € 15,000,000.00 with a term of no more than 20 years, by November 6, 2018, one or more times, and to grant holders of the convertible bonds conversion rights to new shares in the company with a proportionate amount of the share capital of up to a total of € 5,147,729.00 granted in accordance with the terms and conditions of the convertible bonds.

The remaining provisions of the authorisation of the Extraordinary General Meeting of November 7, 2013 under agenda item 1 on the issue of convertible bonds remain unchanged.

b) The existing Conditional Capital 2013 is amended as follows:

The share capital is conditionally increased by up to € 5,147,729.00 by issuing up to 5,147,729 new no-par-value registered shares (Conditional Capital 2013/2017). The conditional capital increase serves to grant shares to the holders of convertible bonds issued in accordance with the authorisation of the Annual General Meeting of November 7, 2013, as amended by resolution of the Annual General Meeting on September 15, 2017. The conditional capital increase will only be carried out provided that the holders of convertible bonds issued by the Company by 6 November 2018 at the Annual General Meeting of November 7, 2013, as amended by the resolution of the Annual General Meeting of September 15, 2017, make use of their conversion right and provided other forms of fulfilment are not deployed. 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 is authorised, with the approval of the Supervisory Board, to determine the further details of the implementation of the conditional capital increase. The Supervisory Board is authorised to amend the wording of the Articles of Association in accordance with the respective utilisation of the conditional capital.

c) § 4 (4) of the Articles of Association is amended as follows:

"(4) The share capital is conditionally increased by up to € 5,147,729.00 through the issue of up to 5,147,729 new no-par value registered shares (Conditional Capital 2013/2017). The conditional capital increase serves to grant shares to the holders of convertible bonds issued in accordance with the authorisation of the Annual General Meeting of November 7, 2013, as amended by resolution of the Annual General Meeting on September 15, 2017. The conditional capital increase will only be made providing that the holders of convertible bonds issued by the Company by November 6, 2018, based on the authorisation granted by the Annual General Meeting on November 7, 2013, as amended by resolution of the General Meeting of September 15, 2017, make use of their conversion right and provided other forms of fulfilment are not deployed. 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 is authorised, with the approval of the Supervisory Board, to determine the further details of the implementation of the conditional capital increase. The Supervisory Board is authorised to amend the version of the Articles of Association in accordance with the respective utilisation of the conditional capital."

On November 21, 2017, the Board of Management resolved on the basis of the above authorisation and with the approval of the Supervisory Board to issue a convertible bond with a total nominal amount of up to € 4,375,460, divided into 2,573,800 no-par value bearer bonds of a nominal amount of €1.70 each. The issue price per bond is 100% of the nominal amount and thus €1.70. The bonds bear interest at 3% p.a. This convertible bond has a term from 1 January 2018 and ends on 9 February 2020.

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

At Extraordinary General Meeting on June 24, 2015, the following resolutions were made:

a) Upon the effective date of the amendment to the articles of association under lit. b), no-par-value bearer shares are converted into registered shares.

b) The articles of association of the Company are amended in § 5 (1) and (2) and recast as follows:

"(1) All shares are denominated in the 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 registered shares."

c) The Articles of Association of the Company are amended in § 4 (3) sentence 1 and reworded as follows:

"The Board of Management is authorised, with the approval of the Supervisory Board, no later than June 26, 2017, to increase the share capital of the Company once or several times up to a total of € 4,831,499.00 – by issuing up to 4,831,499 new no-par value registered shares with profit entitlement from the beginning of the financial year in question at the time of issue, for contributions in cash and/or contributions in kind (Authorised Capital 2012)."

d) aa) The authorisation to issue bearer shares resolved by the Extraordinary General Meeting of 7 November 2013 on agenda item 1 is amended so that the authorisation applies instead to the issuance of convertible bonds for no-par value bearer shares for the purpose of granting convertible bonds for registered no-par-value shares.

bb) The conditional capital increase for the servicing of convertible bonds decided at the extraordinary shareholders' meeting of 7 November 2013 on agenda point 1 is amended in that the conditional capital increase takes place through the issuance of no-par-value registered share certificates instead of through 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 terms and conditions of the convertible bonds remain unaffected.

dd) The articles of association of the company are changed in § 4 (4) sentence 1 and reworded as follows:

"The share capital is conditionally increased by up to € 2,300,000.00 through the issuance of up to 2,300,000 new no-par-value registered shares (Conditional Capital 2013)."

Share repurchase

In 2018, due to the favourable share price, the authorisation to purchase own shares, which had been revised at the Annual General Meeting on June 27, 2012 and the Annual General Meeting on June 22, 2016, was exercised and a total of 11,255 (0.11% of the share capital) shares were purchased with a total nominal value of € 11,255.00 at a total price of € 15,535.78 plus € 395.98 additional costs on the stock exchange. At the end of the term of the convertible bond (2014/2018), 154 shares, valued at € 2.40 per share, were transferred to creditors who made use of the conversion right.

The treasury shares thus amounted to 20,309 shares as of the balance sheet date. This corresponds to 0.20% of the share capital.

4. Accruals

The other provisions in the amount of € 478k (previous year: € 553k) relate mainly to personnel costs of € 75k (previous year € 88k), provisions for outstanding invoices € 103k (previous year € 127k), provisions for annual reporting costs and auditing costs € 47k (PY: € 53k), provisions for the interest expense of the convertible bond € 131k (PY: € 125k) and the provision for the remuneration of the Supervisory Board € 46k (PY: € 54k). There is also a provision for impending losses from derivative financial instruments in the amount of € 8k (previous year: € 25k).

5. Convertible bonds

In 2014, convertible bonds (2014/2018) were issued in the total nominal amount of € 3,494,760.00. The holders of the convertible bonds were granted conversion rights to new shares in the company with a proportionate amount of the share capital of € 1,456,150.00. At maturity, these convertible bonds were partly converted by the creditors (154 shares), but most of the liabilities were repaid.

On November 23, 2017, the Board of Management and Supervisory Board of Your Family Entertainment announced the issuance of a further convertible bond (2018/2020) with a total nominal value of up to € 4,375,460.00 divided into equal 2,573,800 bearer shares, including partial bonds with a nominal value of € 1.70 each.

The term of the convertible bond began on January 1, 2018 and ends on February 9, 2020. The issue price per bond is 100% of the nominal amount and therefore € 1.70. Each bond bears interest of 3% p.a. at the nominal amount.

Under the subscription right, the shareholders were entitled to subscribe to a new bond for every four shares in accordance with the ratio of 4:1. The option of a multiple subscription of bonds was provided. The subscription period ran from 29 November 2017 to 13 December 2017 (inclusive), and trading in subscription rights was not provided for. The corresponding subscription offer was published on November 24, 2017 in the Federal Gazette.

6. Liabilities

Liabilities as at 31.12.2018 in €k	up to 1 year	1 - 5 years	> 5 years	Total
Convertible bonds	0	4,376	0	4,376
Loans from credit institutions	3,672	0	0	3,672
Advance payments received on account of orders	31	0	0	31
Accounts payable, trade	473	125	0	598
Other liabilities • of which are taxes • of which relate to social security	38 (29) (3)	0 (0) (0)	0 (0) (0)	38 (29) (3)
Total liabilities	**4,214**	**4,501**	**0**	**8,715**

Liabilities as at 31.12.2017 in €k	up to 1 year	1 - 5 years	> 5 years	Total
Convertible bonds	3,495	0	0	3,495
Loans from credit institutions	3,108	0	0	3,108
Advance payments received on account of orders	28	0	0	28
Accounts payable, trade	574	179	0	753
Other liabilities • of which are taxes • of which relate to social security	28 (18) (0)	4,045 (0) (0)	0 (0) (0)	4,073 (18) (0)
Total liabilities	**7,233**	**4,224**	**0**	**11,457**

Collateral in the form of rights and claims under film license agreements was granted to secure liabilities to banks. In addition, the liabilities due to banks are backed by a bill designation and a bill of exchange.

7. Other financial obligations

The other financial obligations due within one-year amount to € 773k and are essentially divided into rental (€ 50k), leasing (€ 5k), consulting and service obligations (€ 717k).

Within a period of 2 to 5 years, a total of € 425k, primarily for service costs, is due.

8. Derivative financial instruments

The Company has entered into interest rate hedges to hedge interest rate risks. These financial instruments will be effective from 1 June 2012.

Type/category in €k	Nominal amount	Fair value Current market value	Book value
Interest swap	500	-10	n/a
Interest swap	300	-6	n/a
Cap	700	-5	-4
Cap	500	-4	-4
Total	**2,000**	**-25**	**-8**

Insofar as the underlying transactions are closed positions, there was no provision requirement.

Other provisions in the amount of € 8k (previous year: € 25k) were formed for the caps.

The following evaluation methods were used:

The listed values are for present value. Possible past cash flows (e.g. interest or premium payments) are not taken into account. Future cash flows from variable payments and discount rates are determined on the basis of generally accepted financial mathematical models. Interbank mid-market prices are used for the valuation.

9. Valuation units

The following valuation units were formed:

Underlying transaction / hedging instrument	Risk / type of hedging relationship Valuation unit	Included amount (€k)	Hedged risk (€k)
Loan payables / interest swaps	Interest rate risk / microhedge	800	-16

The hedged item is a variable-rate credit line that is highly likely to be utilised on a permanent basis during the hedging period (June 1, 2012 to June 3, 2019), at least for the amount of the hedging volume. The counter-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 balance sheet date, there was no need for provisions.

IV. Explanatory notes on the profit and loss account

1. Sales revenue

Sales revenues totalling € 3,208k were generated entirely in the “License Sales" area in 2018 (previous year: € 5,087k), thereof € 1,370k (previous year: € 1,380k) in Germany and € 1,838k (previous year: € 3,707k) was generated abroad.

2. Other operating income

This includes, in particular, income from write-ups on film assets of € 903k (previous year: € 3,942k) and the release of provisions in the amount of € 52k (previous year: € 31k). In addition, income from currency translation in the amount of € 8k (previous year: € 34k) is reported.

3. Cost of materials

The statement relates to sales-related expenses for licenses, commissions, materials and purchased services. These are above all the expenses for purchased services of € 962k (previous year: € 857k), licenses (author shares) of € 105k (previous year: € 127k) and commissions of € 61k (previous year: € 38k).

4. Personnel expenses

On average throughout the year, 17 employees were employed (previous year 17), including apprentices and interns but excluding the Board of Management; 1 of which were only employed on a marginal basis (previous year 1).

5. Depreciation & amortisation

As a result of the so-called impairment test for financial stability, unscheduled amortisations of the value of film assets amounting to € 3,032k (previous year € 2361k) were made. In addition, depreciation on film assets of € 1,391k (previous year € 1,736k) and straight-line depreciation on film assets in the amount of € 13k (previous year € 101k) were incurred.

6. Other operating expenses

This collective item mainly includes the costs of maintenance and administration (especially investor relations, legal, court, audit and consultancy costs), rental and leasing costs as well as press, advertising and trade show costs.

In addition, expenses for losses from the increase of specific valuation allowances on trade receivables in the amount of € 606k (previous year: € 32k) and from currency translation in the amount of € 12k (previous year: € 25k) were reported.

7. Interest and similar expenses

Expenses from the discounting of provisions amount to € 11k (previous year: € 12k).

8. Taxes on income and earnings

This item in the amount of € 2k essentially relates to foreign withholding tax.

V. Significant transactions with affiliated persons and/or companies

To expand the liquidity base, F & M Film and Media Beteiligungs GmbH, Vienna, in a loan agreement dated 26 April 2017, made available a loan facility of up to € 1.0 million to Your Family Entertainment AG up to December 31, 2018. The interest rate on utilisation is 4% p.a., commercial collateral in the form of an assignment of rights and obligations under an execution agreement for the sale of rights to substances, characters and brands has been agreed. The assignment becomes legally effective if Your Family Entertainment AG, despite a written reminder and reasonable deadline of at least 30 days, does not fulfil its obligation to redeem the loan by 31 December 2018. As at the balance sheet date, Your Family Entertainment AG did not use this loan or any part of this framework agreement. There were no transactions on non-market terms.

VI. Information on the company's statutory bodies

1. Supervisory Board

Members of the Supervisory Board are:

- Dr. Hans-Sebastian Graf von Wallwitz, Munich, Germany

  Lawyer

  (Chairman)
- Dr. Andreas Aufschnaiter, Munich, Germany

  Business consultant, Member of the Board of MS IndustrieAG

  (Deputy Chairman)
- Mag. Johannes Thun-Hohenstein, Vienna, Austria

  Media consultant, coach and civil rights mediator

Total remuneration (excluding expenses) of the Supervisory Board amounted to € 45k in the financial year 2018. According to Article 16 of the Articles of Association, € 20k was due to the Chairman, € 15k to the Deputy and € 10k to the other members. As of 31 December 2017, the members of the Supervisory Board held 100 shares.

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. Hans-Sebastian Graf von Wallwitz:

  Member of the Board of Directors of Fenix Outdoor International AG, Zug, Switzerland
- Dr. Andreas Aufschnaiter:

  regular member of the Supervisory Board of

  - MEA AG, Aichach, Germany (until 31.08.2018)
  - Beno Holding AG, Starnberg, Germany
  - Wolftank-Adisa Holding AG, Innsbruck, Austria
  - Genomatix AG, Munich, Germany (until 05.06.2018)

2. Board of Management

Sole director of the Your Family Entertainment AG is:

- Dr. Stefan Piëch, Vienna, Austria, film salesman

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

  - SOS Children's Villages worldwide Hermann-Gmeiner-Fonds Deutschland e.V., Munich, Germany
  - SEAT, S.A., Martorell, Spain
  - Porsche Automobile Holding SE, Stuttgart, Germany

The total remuneration of the Management Board for the 2018 financial year amounted to € 202k and includes fixed salaries (€ 197k) and insurance premiums (€ 5k). Due to the fact that the agreed target achievement was not reached, no variable remuneration was paid.

As of the balance sheet date, the Board of Management held 121,251 no-par-value shares.

The total remuneration for former members of the Board of Management amounted to € 29k. The pension provisions for former members of the Board of Management and their surviving dependents are formed in full and amount to € 312k as of December 31, 2018.

3. Audit and consultancy fees

The total fee charged by the auditor for the financial year amounts to € 27k, of which € 27k is accounted for by auditing services.

4. Appropriation of profits

The net loss will be carried forward to new account.

VII. Supplementary report

On April 12, 2019, changes / additions to existing loan agreements of a total amount of € 3.5 million were agreed with UniCredit Bank Austria AG. These provide the following changes / additions:

The loans are available until further notice. Termination (of the utilised (partial) credit line in whole or in part) by the lender shall not take effect at the end of the respective financial year of the borrower in which the termination was issued by the lender.

As collateral, the lender is guaranteed by F & M Film und Medien Beteiligungs GmbH in the amount of € 1,100k. The lender will release F & M Film und Medien Beteiligungs GmbH from its liability if the borrower meets defined financial ratios for three consecutive financial years.

Also on April 12, 2019, the company announced that the Board of Management had decided to write down 100% of its receivables from Euvid One GmbH. The reason for this is that EO Television GmbH has applied to commence insolvency proceedings. Euvid One GmbH holds a majority stake in EO Television GmbH, but to our knowledge, it is not itself involved in the insolvency proceedings of EO

Television GmbH. Nevertheless, the Board of Management of Your Family Entertainment AG acts in accordance with the principle of prudence and, based on the information currently available, has written down receivables amounting to around € 564k for Euvid One GmbH.

VIII. Declaration according to § 161 AktG to the Corporate Governance Code

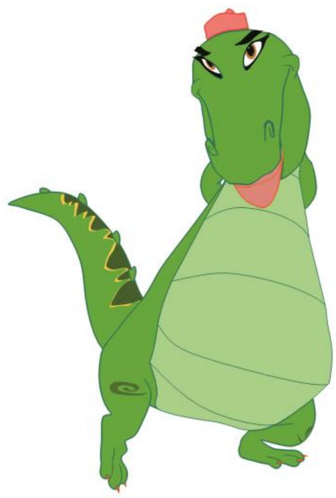
Your Family Entertainment AG, of Munich, issued the declaration required by § 161 AktG for 2018 and made it permanently available to shareholders in December 2017 on the Company's website (www.yfe.tv) under Investor Relations.

Munich, March 28, 2019

Your Family Entertainment AG

The Board of Management

Dr. Stefan Piëch



IX. Development of the fixed assets 2018

Development of the fixed assets 2018

	Acquisition costs					Cumulative depreciation & amortisation					Book values	
	1.1.2018 EUR	Acquisitions EUR	Transfers EUR	Disposals EUR	31.12.2018 EUR	1.1.2018 EUR	Acquisitions EUR	Write-ups EUR	Disposals EUR	31.12.2018 EUR	31.12.2018 EUR	31.12.2017 EUR
I. Intangible assets												
1. Franchises and similar rights aquired for a consideration	276,913.48	0.00	0.00	0.00	276,913.48	212,058.27	22,326.00	0.00	0.00	234,384.27	42,529.21	64,855.21
2. Film assets and other rights aquired for a consideration	122,658,459.07	45,950.84	0.00	302,116.03	122,402,293.88	101,171,313.63	4,435,509.20 [1)]	902,744.18	302,116.03	104,401,962.62	18,000,331.26	21,487,145.44
	122,935,372.55	45,950.84	0.00	302,116.03	122,679,207.36	101,383,371.90	4,457,835.20	902,744.18	302,116.03	104,636,346.89	18,042,860.47	21,552,000.65
II. Tangible assets												
Other equipment, operational and office equipment	481,861.96	1,887.94	0.00	1,141.91	482,607.99	421,591.96	28,257.94	0.00	1,141.91	448,707.99	33,900.00	60,270.00
	123,417,234.51	47,838.78	0.00	303,257.94	123,161,815.35	101,804,963.86	4,486,093.14	902,744.18	303,257.94	105,085,054.88	18,076,760.47	21,612,270.65

[1)] Of which are extraordinary write-downs totalling EUR 3,031,548.41

6.6 Management report for 2018

A. General

Your Family Entertainment AG (YFE), Munich, is one of Germany's most traditional companies in the production and licensing of entertainment programs for children, adolescents and families.

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, by our own assessment, 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.

The divisions of the company are split into the areas of "License 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 License Sales business division also includes the production and the distribution by the company directly or via third parties of DVD and audio products for home entertainment. The direct sales take place under the DVD label "yourfamilyentertainment".

In addition, since the end of 2007, YFE has also been successful in the market with its own pay-TV broadcaster "yourfamily", which also offers its own series as a program. The channel broadcasts 24 hours of programming over satellite, cable and DSL (IPTV). In 2010 and 2016, "yourfamily" and „Fix&Foxi" was awarded the Best Broadcaster award in the children's category with the Hot BirdTM TV Award in the Children's category and was nominated again in 2011, 2013 and 2014 for the final of the best three children's channels worldwide. The pay-TV channel offering was expanded in May 2014 by broadcasting and marketing the "yourfamily" station in the sub-Saharan region of Africa. In December 2014, "yourfamily" was replaced by the "Fix&Foxi" channel. The range of „Fix&Foxi" has been continuously expanded since then. Currently „Fix&Foxi" can be received via eight satellites and via IP on the following continents: South and North America, Asia, Europe and Africa.

Since 2012, YFE has also been working on free TV with the family channel "RiC". "RiC" can be received via satellite (Astra) throughout Europe, via cable networks and in the live stream in German-speaking countries. Economically, "RiC" contributes to the marketing of advertising time on the station or through the sale of airtime.

As a co-producer, the company also develops and creates TV series in cooperation with international partners.

B. Economic Review

1. Economic framework conditions

1.1 General economic climate

"The German economy is in one of the longest boom phases of the post-war period. However, unfavourable external economic conditions, temporary production-related problems and capacity bottlenecks are dampening the pace of expansion. Growth rates of gross domestic product (GDP) are therefore expected to approach 1.6% for 2018 and 1.5% for 2019, compared with the estimated potential growth of currently around 1.5%. Global economic growth is also expected to slow. For the euro area, GDP growth rates of 2.0% and 1.7%, respectively, are forecast for 2018 and 2019. There are risks to economic development due to an escalation of the trade conflict, a disorderly Brexit or a resurgence of the euro crisis.

The German economy faces great challenges. At the international level, this is above all the uncertain future of the multilateral global economic order, and demographic change at the national level. Both relate to Germany in particular. Strengthening the European Union (EU) would be part of the answer to international challenges. Allowing structural change through digitisation would help meet national challenges. This requires the right economic policy decisions.

The Federal Government should courageously tackle necessary reforms and seize the opportunities that arise. In order to safeguard prosperity in the long term, economic policy should improve the framework conditions of the German economy and create room for manoeuvre to tackle new challenges. It should refrain from a guiding industrial policy.

Since US President Trump took office, the United States has seen a move away from multilateral organisations and agreements. Especially in international trade and global climate protection, national unilateralism is associated with welfare losses for the international community. The protectionist measures of the United States and the reactions of trading partners have increased the average tariff rates. However, the situation is not yet comparable to a trade war as in the 1920s and 1930s.

The EU should consider retaliatory measures within the rules of the World Trade Organization (WTO) in order to credibly punish breaches. It is also important to reform the WTO and thereby strengthen it. The EU should seize the opportunity for further welfare enhancements and conclude new free trade agreements with, for example, the United States. Own protectionist measures, such as a general approval requirement for foreign direct investment, are not in Germany's long-term interest.

The exit of the United States from the Paris Climate Agreement is thwarting efforts to find a global solution to climate change. This is particularly difficult because, instead of national energy policy, global climate protection approaches should be sought, covering all sectors, technologies and regions, such as a single global carbon price. As a first step, the EU could establish a single and comprehensive price. In contrast to reducing global CO2 emissions, particulate matter and nitrogen oxide emissions in urban areas require local responses. Better than a driving ban would be a city toll, which means that the polluter would participate in the costs, and which varies with the local load and emissions of the vehicles.

Many OECD countries, which previously had higher collectively agreed tax rates than Germany, have lowered their tax rates. A complete abolition of the solidarity surcharge could offset the increase in tariff rates since the tax reform of 2008. A patent box in Germany which is compliant with OECD rules (Nexus approach) could be considered to be a tax-competitive element. On the other hand, the proposals for taxing digital companies discussed at EU level should be rejected. A minimum taxation can only be a temporary solution. The global challenges underline the value of the EU as a political project that promotes peace among Member States and contributes to prosperity. But at present, the EU is increasingly being questioned by Eurosceptic parties, for example in Italy, and as a result of the United Kingdom's exit (Brexit). Brexit is likely to cause adverse effects, in particular for the United Kingdom and for the remaining EU Member States. Therefore, the best solution would still be for the UK and the negotiating parties to find a way to prevent Brexit. The danger of a disorderly Brexit requires a consistent preparation in order to avoid dislocations. If Brexit cannot be prevented, the aim should be to conclude the most comprehensive follow-up deal possible, which will minimise the damage for both sides but will not allow the UK to "cherry pick".

The UK's exit requires a reorganisation of the EU's finances. The renegotiated EU Multiannual Financial Framework for the years 2021 to 2027 can be seen as an opportunity to focus on European added value. It would be advisable to strengthen the principle of subsidiarity and to concentrate financial resources on the tasks of the EU thus defined, such as public security, infrastructure and basic research. Instead of distributing money across the EU using the Structural and Cohesion Funds using a scattergun approach, they should be geared to the objectives of the funds.

In order to permanently stabilise the euro area, the European Central Bank (ECB) would have to successfully bring about the transition to a normal monetary policy. However, the ECB's monetary policy is still very expansionary despite a significant increase in inflation. There is a danger that the monetary policy shift will come too late. In addition, the ECB should communicate a procedure for reducing the central bank balance sheet. Governments need to engage in sustainable fiscal policies to create scope for the future.

In the euro area member states, a reduction in the debt levels, which are still high, is indicated in the current economic situation. Institutional reforms to strengthen and improve the enforceability of EU fiscal rules could support this. The sharp rise in Italian government premiums on Italian government budgets reflects market discipline. If a Member State risks losing access to the market, it may receive a conditional loan from the European Stability Mechanism (ESM). It would make sense to further develop the ESM by allowing for an orderly debt restructuring of sovereign debt and introducing the fiscal backstop for the resolution fund. Proposals that are currently on the political agenda for the reform of monetary union aim to improve risk-sharing between Member States. In fact, the common monetary policy can only react to a limited extent to heterogeneous economic developments in the Member States. National fiscal policies, in particular the operation of automatic stabilisers, play an important role in stabilising country-specific developments. A European fiscal capacity is not necessary and carries the risk of introducing a transfer union through the back door. Long-term substantial transfers without abandonment of sovereignty should be avoided.

In addition, the credit and factor markets have an important stabilising role to play. A longer-term goal is to remove barriers to financial integration in Europe through deepening the European Banking Union and Capital Markets Union. By lifting the regulatory privilege of sovereign claims and a fiscal backstop for the Single Resolution Fund, the risk sharing between banks and sovereigns should be further eased. Joint deposit insurance requires mandatory deregulation and further risk reduction. Central to the promotion of an integrated capital market are harmonisation of insolvency law, equal treatment of debt and equity from a taxation perspective and an expansion of the powers of the European Securities and Markets Authority (ESMA).

At the national level, demographic change will necessitate adjustments in almost all economic policy areas. The current demographic breathing space and economic recovery are providing good conditions for reforms that will strengthen growth and economic sustainability.

Employment has increased sharply. Meanwhile there are noticeable bottlenecks with qualified personnel. A first approach to reduce skill shortages is to make greater use of existing human resources. For example, part-time workers should be able to extend their working hours more easily, for example by making the way work is organised more flexible and by further developing full-day childcare. In order for workers to better balance their work demands and lifestyles, the Working Hours Act should be modernised so that they can distribute their working time over the days of the week with greater flexibility.

A second approach provides for measures to increase domestic workforce potential. These include increasing labour market participation through lower labour market hurdles, flexible retirement and measures to increase female employment. Immigration is playing an increasingly important role in the labour market and now contributes more than half of the increase in employment subject to social security contributions. A permanently high level of professionally-qualified immigration should be indispensable for securing prosperity in Germany. It could be increased by the planned Fachkräftezuwanderungsgesetz (skilled labour immigration law).

The degree of expansion of fiscal policy in Germany will increase in the coming year. Thus, the structural balance adjusted for cyclical and transitory effects is expected to reach 0.8% of nominal GDP this year and to decline to 0.1% next year. In addition, measures are being discussed which would further burden the demographic pressure of social security systems.

In statutory pension insurance, the introduction of a double holding line at the premium rate and the level of protection until 2040 would mean a significant increase in the necessary subsidies from federal funds, assuming a constant retirement age from 2030 onwards. This would probably require tax increases. Instead, it requires a gradual increase in the statutory retirement age, ideally by linking it to the longer life expectancy. Demographic-blind measures that expand the sustainability gap at the expense of future generations are predicted.

Residential real estate prices have risen sharply in recent years as housing demand has increased more than supply, especially in urban centres. Exaggerations in the price trend for residential real estate can not be ruled out in the big cities. Given the moderate development of loans and debt, there are currently no acute risks to financial stability. Nonetheless, macro-prudential measures should be considered to address the risks of a fall in real estate prices and significantly higher interest-rate risks. Regulations such as the rental price brake only address symptoms. In order to meet the socio-political challenges, measures to increase housing supply are required. These include the reduction of property tax and land transfer tax distortions and regulations. Housing benefit should be reinforced. In addition, social housing should be better designed, not least to avoid social segregation. To promote private wealth creation in the real estate sector, the company pension scheme was to be opened up in favour of the purchase of owner-occupied real estate.

The financial burdens in the healthcare system are likely to rise noticeably in future as a result of demographic change and medical-technical progress. Some evidence points to oversupply and misuse in the health care system in various areas. The high capacities and small-scale hospital structures could be reduced by competitive elements and structural adjustment in the hospital sector. The conversion of hospital financing from a dual system to a monistic system and the expansion of crosssector care offer efficiency potential. In the health insurance market, financing of the health insurance funds through non-income-related additional contributions and the further development of the health insurance system into a citizen allowance with social compensation could strengthen competition.

It should be virtually impossible to compensate for the decline in the volume of work caused by demographic change. Rather, stronger productivity growth is needed. There are great hopes for digitisation. The opportunities created by technological change and specifically by digitisation are high: in the past, on balance, more new jobs were created than lost. Technological progress, however, leads to profound changes in the economy and society.

Priority should be given to efforts to better empower the people to make the most of the opportunities offered by digital transformation, for example through better framework conditions, reinforcing start-up financing and a modern education system. There is also a need for greater social appreciation of innovation and entrepreneurship.

An important factor for the contribution of digitisation to productivity development are investments in information and communication technologies as well as the necessary infrastructure. The increase in connection speeds was to be implemented in a technology-neutral manner, with more intense competition and only state-subsidised in individual cases. In addition, the use of efficiency potential in the digitisation of administration and health care needs to be increased, for example through a central online portal and the electronic patient file.

When structural change becomes visible and technological upheavals emerge, calls are made for industrial policy interventions. In order to be sustainably successful, an innovation location should refrain from being driven by a guiding industrial policy, which sees it as the task of the state to identify future markets and technologies as strategically important. It should rely on decentralised knowledge and the actions of various actors in the economy and its role in ensuring that good infrastructure and effective competition are safeguarded. Small-scale interventions in favour of individual interest groups should be avoided, especially in the area of digitisation. However, there is a need to modernise competition law, but no special taxes on digital companies."

(Source: "Prior to important economic policy decisions" Annual Report of the German Council of Economic Experts on the Assessment of Macroeconomic Development, Summary of the Annual Report 2018/19 in November 2018; https://www.sachverstaendigenrat-wirtschaft.de/fileadmin/dateiablage/gutachten/jg201819/JG2018-19_gesamt.pdf)

1.2 Entertainment and Media Industry

Development of audio-visual sales in 2018

According to VAUNET’s autumn forecast for the full year 2018, audiovisual media revenues in Germany (excluding public contributions) are expected to increase by 725 million euros (+ 6.2%) to a total of 12.44 billion euros. Since 2013, the average growth has been around € 600 million annually.

Umsätze* der audiovisuellen Medien in Deutschland

Prognostizierte Netto-Umsätze in Mio. Euro, Veränderungen in Prozent und in Mio. Euro

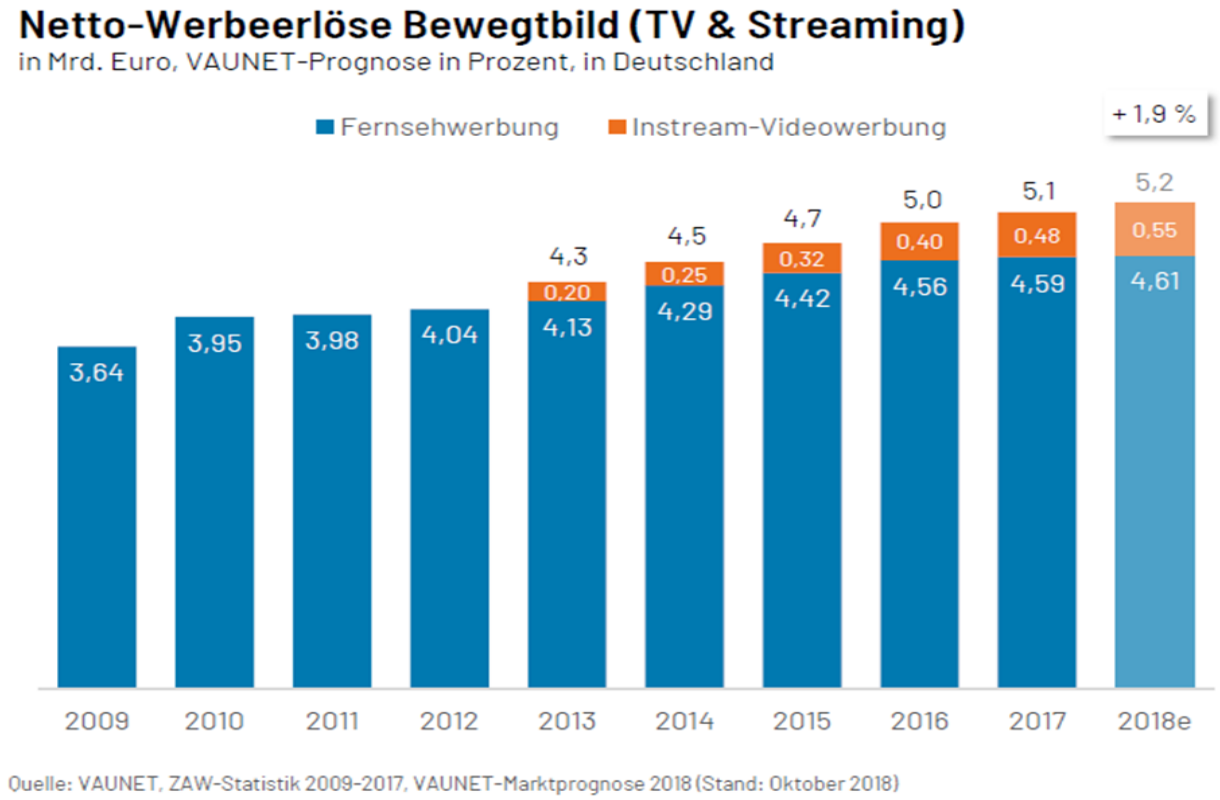
	2018e	2018e vs. 2017	2018e vs. 2017	2017
	in Mio. Euro	VÄ in Prozent	in Mio. Euro	in Mio. Euro
Radiowerbung**	800 Mio. €	+ 2,0 %	+ 15,7 Mio. €	784 Mio. €
Instream-Audiowerbung***	44 Mio. €	+ 50 %	+ 15 Mio. €	29 Mio. €
Audiowerbung	843 Mio. €	+ 3,7 %	+ 30,2 Mio. €	813 Mio. €
Fernsehwerbung**	4.614 Mio. €	+ 0,5 %	+ 23,0 Mio. €	4.591 Mio. €
Instream-Videowerbung***	552 Mio. €	+ 15 %	+ 72 Mio. €	480 Mio. €
Bewegtbildwerbung	5.166 Mio. €	+ 1,9 %	+ 95,0 Mio. €	5.071 Mio. €
Audiovisuelle Werbung****	6.009 Mio. €	+ 2,1 %	+ 125,1 Mio. €	5.884 Mio. €
Pay-TV	2.392 Mio. €	+ 4,0 %	+ 92,0 Mio. €	2.300 Mio. €
Paid Video	1.040 Mio. €	+ 30 %	+ 240 Mio. €	800 Mio. €
Pay-TV & Paid Video	3.432 Mio. €	+ 10,7 %	+ 332,0 Mio. €	3.100 Mio. €
Paid Audio	909 Mio. €	+ 22,7 %	+ 168,2 Mio. €	741 Mio. €
Paid AV-Content	4.341 Mio. €	+ 13,0 %	+ 510,2 Mio. €	3.841 Mio. €
Teleshopping	2.087 Mio. €	+ 5,0 %	+ 99,4 Mio. €	1.988 Mio. €
Audiovisuelle Medien*****	**12.438 Mio. €**	**+ 6,2 %**	**+ 724,7 Mio. €**	**11.713 Mio. €**

* Prognosewerte jeweils für den Gesamtmarkt in Deutschland im Gesamtjahr; ** einschließlich privater und öffentlich-rechtlicher Anbieter; *** einschließlich internationaler Anbieter; **** noch nicht in „Audiovisuelle Werbung" erfasst: In-Game, Kino- und audiovisuelle Outdoor-Werbung; ***** noch nicht in „Audiovisuelle Medien" erfasst sind sonstige Umsätze der audiovisuellen Medienunternehmen (z. B. aus Rechtehandel und Lizenzen) oder Beitragseinnahmen der öffentlich-rechtlichen Rundfunkanstalten. Ebenfalls noch nicht berücksichtigt sind die Umsätze auf vor- und nachgelagerten Wertschöpfungsstufen (Produzenten, Netze, Plattformen, Geräte, Agenturen, Dienstleister, etc.)
Quelle: VAUNET-Herbstprognose 2018 (Stand: Oktober 2018)

TV and video advertising 2018

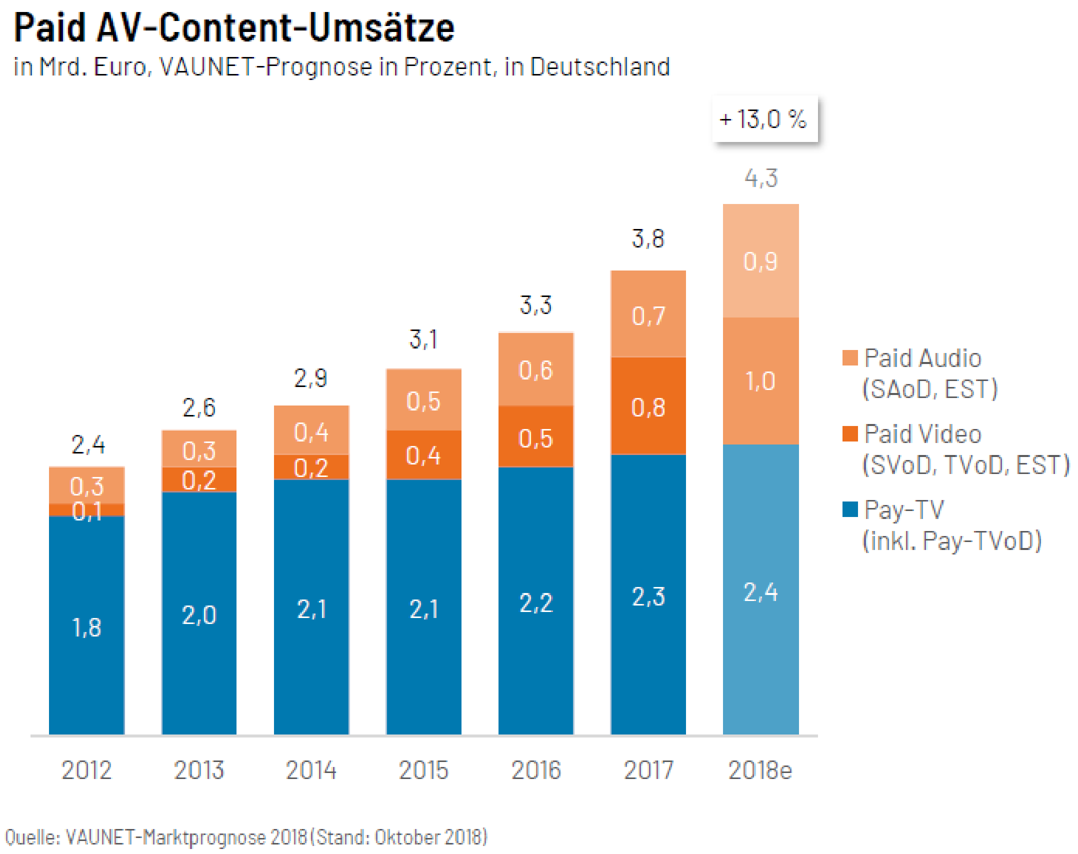
For television advertising, the VPRT expects full-year revenue growth of approximately 0.5% to 4.61 billion euros in 2018. That would correspond to an increase of around 23 million euros compared with the previous year. Thus, television remains by far the strongest sales driver in the German advertising market.

For the area of streaming-integrated online video advertising (instream video advertising), the VPRT forecasts an increase of around 15% or around 72 million euros to 552 million euros. Overall, sales from video advertising (linear and non-linear) are expected to increase by around 1.9% to around 5.2 billion euros.



Paid AV Content 2018

For paid content revenues in the audiovisual sector, the VPRT forecasts an increase of 13% in the full year 2018 by 500 million euros to around 4.3 billion euros. Revenues are expected to grow by 92 million euros (+ 4%) to 2.4 billion euros for the top-selling pay-TV segment. In the Paid Video segment, an increase of around 240 million euros (+ 30%) to around 1 billion euros is expected, while the Paid Audio segment is expected to increase by 168 million euros (+ 22.7%) to approximately 909 million euros.



VPRT outlook 2019 - 2023

Trend forecasts

For the years 2019 to 2023, the experts expect fundamentally positive market perspectives for the audiovisual media in Germany. The challenge, however, is seen as the creation of fair competition conditions, in particular with regard to global corporations, platforms and infrastructures as well as public-law competitors.

Positive market prospects

The demand for audiovisual media content – radio and audio as well as TV and video – is expected to increase in the coming years. On this basis, the market participants see growth potential in all segments of the audiovisual media, both in the area of classical linear offers, and – with particular dynamism – in the area of non-linear forms of supply.

Increasing competitive pressure

For the coming years, further increasing and increasingly international competitive pressure as well as a rapidly advancing convergence of the media are expected to take place. The greatest challenges facing the German market are the increasing and often unequal competition from global players and the strong dependence of gatekeeper content providers on platforms and infrastructures, while competitive pressure remains on the broadcasting sector, which is very financially strong compared with the rest of the world.

Rising investments

Market participants will continue to invest heavily in programs, forms of offerings and technologies. This is mainly attributed to the positive overall demand trend as well as to the progressive convergence and increasing relevance of automated and data-driven forms of supply and business models. In particular, the further expansion of non-linear services, increasing investments in interactive forms of services (e.g. Smart TV and Smart Radio), the introduction of new forms of services (e.g. virtual reality or 360 ° videos) and the progressive digitisation and automation are forecast on more and more levels (e.g. addressable TV, intelligent user interfaces, voice-driven platforms, recommendation systems, metadata, automated booking systems and programmatic buying).

Political need for action

However, the extent to which the expected value creation potentials can be realised in Germany depends to a large extent on the creation of fair conditions for domestic market participants in the international competitive environment.

Political action is seen against this background, especially in the following key areas of action:

Creation of a convergent regulatory framework

Enforcement of fair competition conditions against "global giants" and market partners with market power

Limiting the progressive expansion of public service offerings

Making advertising requirements flexible and waiving advertising bans

Establishment of innovation-friendly data protection regulations

Securing access to networks, devices and platforms

Findability of offers on platforms

Effective content protection

Overall economic classification

The audiovisual media are the engine of the creative industry and thus one of the most important drivers of growth and innovation in the German economy as a whole.

The relevance of the audiovisual industry goes far beyond the core segments covered in this publication. Thus, the audiovisual media stimulates additional revenue and value-added effects at a variety of upstream and downstream levels, including:

Film industry

Music industry

Sports industry

Software / multimedia

Hardware / consumer electronics

Infrastructures / networks

Platforms / aggregators

EPGs / programme magazines

Advertising industry and trade

According to the study "The macroeconomic importance of the audio and audiovisual media" (database: 2015), the entire sector accounts for 830,000 employees in Germany, almost every 50th job relates to audiovisual media and its associated industries. With a contribution of around 2.5 percent or 67 billion euros to gross value added, the sector is one of the largest industrial sectors in Germany.

(Source: VAUNET "Turnover of Audiovisual Media in Germany 2018";
https://www.vau.net/studien-prognosen/content/vaunet-prognose-umsaetze-audiovisueller-medien-2018)

2. Significant events in the 2018 financial year

Repayment of convertible bonds (2014/2018) and issue of new convertible bonds (2018/2020)

In 2014, convertible bonds (2014/2018) were issued in the total nominal amount of € 3,494,760.00. The holders of the convertible bonds were granted conversion rights to new shares in the company with a proportionate amount of the share capital of € 1,456,150.00. At the end of the term in February 2018, these convertible bonds were partly converted by the creditors (154 units), but most of the liabilities were repaid by the company.

On November 23, 2017, the Management and Supervisory Boards of Your Family Entertainment AG issued a further convertible bond (2018/2020) with a total nominal value of up to € 4,375,460.00, divided into up to 2,573,800 no-par value bearer bonds with a par value of € 1.70 each. The term of the convertible bond began on January 1, 2018 and ends on February 9, 2020. The issue price per bond is 100% of the nominal amount and therefore € 1.70. Each bond bears interest of 3% p.a. at the nominal amount.

Under the subscription right, the shareholders were entitled to subscribe to a new bond for every four shares in accordance with the ratio of 4:1. The option of a multiple subscription of bonds was provided. The subscription period ran from 29 November 2017 to 13 December 2017 (inclusive), and trading in subscription rights was not provided for. The corresponding subscription offer was published on November 24, 2017 in the Federal Gazette.

Approximately € 1.1 million was subscribed to by existing shareholders as part of the subscription and oversupply offer, with the remaining approximately € 3.3 million being placed with institutional investors as part of the private placement, with high demand leading to an oversubscription.

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 (earnings before interest, taxes, depreciation and amortisation) and the liquidity status.

Write-ups and write-downs can have a material impact on the result of the company and therefore do not allow any conclusions to be drawn on the operating business of the company. In order to neutralise this effect, the Board of Management decided to focus on the key performance indicator EBITDA in the management of the company. For the assessment of the financial position, the liquidity status and the planning derived from this are also indispensable for making investment decisions.

Furthermore, disproportionately high losses from the increase in individual value adjustments on trade receivables in the amount of € 606k (previous year: € 32k) had a negative impact on the income of the company in the past financial year.

As already communicated by the Board of Management in the semi-annual report as at June 30, 2018, a project transaction in the area of license sales realised in 2017 could not be offset by new business in the 2018 financial year, meaning that sales and earnings growth in 2018 will be significantly below the previous year.

3.1 Sales development

Revenues in the license business, including the TV channels, in the past financial year 2018 were around 37% below the previous year's level at € 3,208k. The decline relates entirely to the area of license sales.

In principle, fluctuations in sales development can occur through project business and / or so-called "package" deals. In the 2017 financial year, approx. 35% of revenue was generated through a "package" deal. A comparable individual transaction could not be realised in 2018. Furthermore, due to the rules of accounting, there is a shift in sales, since sales are only realised at the beginning of the license term. This effect can lead to sales shifts to later periods.

3.2 Turnover by region

In the reporting period, the company's revenue was broken down by region as follows:

Region	2018		2017	
	in €k	in %	in €k	in %
Domestic	1,370	43	1,380	27
Overseas	1,838	57	3,707	73
Total	3,208	100	5,087	100

3.3 EBITDA

Sales below the level of the previous year, as well as losses from individual valuation allowances on trade receivables, led to negative EBITDA of - € 343k (previous year: € +1,499k), which is calculated as follows:

EBITDA =	€ -4,220k	(previous year: € 881k)	Net loss / profit for the year
	+ € 2k	(previous year: € 9k)	Taxes on income and earnings
	+ € 292k	(previous year: € 273k)	Interest and similar expenses
	+ € 4,486k	(previous year: € 4,277k)	Depreciation on fixed assets
	./. € 903k	(previous year: € 3,942k)	Write-ups on fixed assets
	= € -343k	**(previous year: € 1,499k)**	**EBITDA**

3.4 Liquidity

Cash and cash equivalents as at the balance sheet date, consisting mainly of bank balances, amounted to € 673k (previous year: € 4,098k). The reduction is mainly due to the repayment of the convertible bond (2014/2018) in February 2018.

3.5 Summary

With reference to the forecast report of the semi-annual report for 2018, the company was unable to compensate for the project business in fiscal year 2017 in the second half of 2018, despite promising discussions. The sales and earnings development was thus well below the level of 2017 and also below the forecast issued in the management report for 2017 of a development in sales and earnings (EBITDA) which was moderately lower compared with the previous year.

Measured by the entertainment and media industry, which is expected to show a 6.2% overall increase in audiovisual revenues, the business performance of the company was generally unfavourable in the past fiscal year.

4. Earnings situation

The net loss for the year of 2018 amounts to € 4,220k compared to net income of € 881k in the previous year.

EBITDA amounts to € -343k (previous year: € 1,499k).

Other operating income in the reporting year totalled € 1,088k (previous year € 4,066k). Essentially, this includes write-ups on film assets of € 903k (previous year: € 3,942k).

Depreciation increased from € 4,277k to € 4,486k year-on-year. In addition to the straight-line depreciation on film assets of € 13k (previous year: € 101k) and the write-downs of € 1,391k (previous year: € 1,736k), these include extraordinary write-downs on film rights of € 3,032k (previous year: € 2,361k), which were carried out on the basis of the impairment test carried out as of the balance sheet date (lowest value test).

As part of the review of the process for determining the fair value of the individual film rights and the greater focus on the broadcaster business, it was decided that the procedure for determining the fair value of the individual film rights from the beginning of the 2016 financial year would be changed. Since then, the business divisions and plans of the company have evolved. Start-up costs for the internationalisation of the Free TV channel "RiC" in cooperation with Telekom Austria are having a negative effect on the planned cash inflows and on the valuation of the individual film titles, especially in the starting year. In addition, a large number of other parameters, including peer group data are included in the valuation, which can also influence the level of the valuation. Consequently, future fluctuations in write-ups and write-downs can not be ruled out in the balance sheet approach for the film assets and thus also in the income statement.

In accordance with the procedure applied in the 2017 financial year, the individual film rights are valued on the basis of the direct cash flow forecast method. The financial surpluses which are isolated for each film right form the starting point. The specific cash flows are determined separately for each individual film right on the basis of the different areas of license revenues, TV revenues (separated into pay-TV and free-TV), exploitation revenues, merchandising revenues and other revenues. In the case of the underlying cash flow planning period, the economic useful life or remaining useful life is considered separately for each individual film right.

The cash flows that can be generated in the future are discounted using a risk-adjusted capitalisation interest rate to determine the corresponding cash value on the valuation date. The calculation of the weighted average cost of capital (WACC) is based in particular on the corresponding parameter values of a group of listed peer groups of capital market data used to calculate the cost of equity, borrowing costs and capital structure. Asset-specific capital costs, based on the Capital Asset Pricing Model (CAPM), consist of a risk-free base rate and a market risk premium.

Based on the method for determining the value per film right, the corresponding fair values are determined, which are compared with the respective book values per film right in the context of the impairment test.

Film rights that are fully depreciated due to exploitation are no longer included in the film assets. Write-ups on film assets relate only to film rights that were previously written down by extraordinary write-downs, mainly in the course of the restructuring phase of the company, which at that time operated under Ravensburger TV Family AG between 1999 and 2006.

The material expenses relate to licenses, commissions and material. They are directly connected with realised sales revenues. These are primarily sales-based royalties to be paid to the licensors of the Company. The increase is mainly due to TV stations.

5. Assets and financial situation

The balance sheet total decreased by € 7,021k to € 19,920k (previous year: € 26,941k).

Film assets decreased by € 3,487k to € 18,000k (previous year: € 21,487k). This decrease is mainly the result of the above-mentioned depreciations. The decrease was not offset by write-ups of € 903k and investments in film assets of € 46k.

Trade receivables and other assets decreased by € 475k to € 696k (previous year: € 1,171k).

Equity decreased by € 4,235k from € 14,609k to € 10,374k. As a result, the equity ratio as at 31 December 2018 is around 52% (previous year: 54%).

As of December 31, 2018, the Company has subscribed capital in the amount of € 10,296k, a capital reserve of € 2,784k and a balance sheet loss in the amount of € 2,685k.

Other provisions decreased to € 478k (previous year: € 553k).

Cash and cash equivalents as at the balance sheet date, consisting mainly of bank balances, amounted to € 673k (previous year: € 4,098k).

UniCredit Bank Austria AG, Vienna, Austria, has a credit line of € 3,600k, which is granted indefinitely. Of this, € 3,446k were utilised as of December 31, 2018, and the bank balance was € 72k. With a contract dated July 11, 2012, UniCredit Bank Austria AG, Vienna, provided the company with a separate guarantee / guarantee framework in the amount of € 140k. The frame is available until further notice.

In addition, Deutsche Bank AG, Munich, Germany, has a credit line of € 750k, which is granted indefinitely. Of this, € 223k were utilised as of December 31, 2018, and the cash at bank was € 881k.

In addition, the company had a loan from F & M Film und Medien Beteiligungs GmbH in the amount of € 1 million until December 31, 2018 at its disposal. This was not used.

In order to hedge interest rate risks, the Company has entered into interest rate hedges that hedge the credit line to the extent of expected average utilisation.

As at the balance sheet date, the Company reported liabilities to banks amounting to € 3,673k (previous year: € 3,108k) for cash and cash equivalents (free credit lines + bank balances) of €1,773k. The company had sufficient liquidity at all times.

With the help of rolling financial planning, the liquidity needs of the company are monitored. In addition to the credit facility, the main instruments are short-term investments. Further financial management goals are the optimisation of interest expenses and income as well as securing the necessary foreign exchange. The company has a USD account.

The risk of rising interest rates is counteracted by derivative financial instruments.

6. Investments

Investments of € 48k were made during the reporting period (previous year: € 58k). Of this, € 46k went into film assets.

7. Key figures

Key figures in €k	2018	2017
Turnover	3,208	5,087
EBITDA[1]	-343	1,499
EBIT2	-3,926	1,164
Net loss (previous year's annual net profit)	-4,220	881
Balance sheet total	19,920	26,941
Film assets	18,000	21,487
Shareholders' equity	10,374	14,609

[1] EBITDA = Annual net profit + Taxes on income and earnings + Interest and similar expenses /. Other interest and similar income + Depreciation & amortisation./. Write-ups
[2] EBIT = EBITDA + write-ups ./. Depreciation & amortisation

8. Employees

Personnel costs for the 2018 financial year of € 1,154k remained at the previous year's level of €1,149k. On an annual average, 17 trainees (previous year 17) were employed, including apprentices and trainees, but not including the Board of Management; of which 1 (previous year 1) was employed on a marginal basis.

As of the balance sheet date, a total of 19 employees, including one board member, two apprentices and two marginal employees were employed by the company.

C. Risk Management

All general and operational risks are regularly recorded, evaluated and risk-minimisation measures are determined.

We see risk management as the central task of the Board of Management, executives and all employees.

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

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

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.

Special issues are discussed promptly between the Board of Management and the Supervisory Board.

For continuous risk monitoring, we use the following three instruments: liquidity management, sales controlling and balance sheet controlling. Ensuring regular and systematic control over these issues oversees all material operational and structural risks to the Company's business. 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 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 sales controlling is to recognise, quantify and develop the sales potential of the company by planning and coordinating the sales activities. This ensures that realisable medium-term sales potential is recognised, investments and expenditure are covered by realisable income and that a realistic cash flow plan 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 semi-annual 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 budget planning thus serves as an important early-warning system and as the basis for variance analyses and planning control.

Fundamentally, the risk management system serves to avoid risks. Since a proportion of the risks are beyond the control of the Board of Management, well-functioning risk management cannot guarantee that all risks are eliminated. In this respect, there may be developments that deviate from the planning of the Board of Management.

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

As a capital market-oriented corporation within the meaning of Section 264d HGB, we are required by § 289 (4) HGB to describe the main features of the internal control and risk management system with regard to the accounting process.

The internal control and risk management system is not defined by law with regard to the accounting process.

We understand, under an internal control system, the principles, procedures and measures adopted by the Board of Management and the management of the Company, which are geared towards the organisational implementation of management decisions to ensure the effectiveness and efficiency of the business (including the protection of assets, including the prevention and detection of pecuniary damage), the regularity and reliability of internal and external accounting and compliance with the legal requirements applicable to the company.

The risk management system includes the entirety of all organisational regulations and measures for risk identification and dealing with the risks of entrepreneurial activity.

With regard to the accounting process, the following structures and processes are implemented at Your Family Entertainment AG:

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

With regard to the accounting process, we consider those features of the internal control and risk management system to be significant that can significantly influence the accounting and the overall statement of the annual financial statements including 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 operational business processes that generate essential information for the preparation of the annual financial statements and the management report, including a separation of functions and approval processes in relevant areas;
- Measures to ensure the proper computerised processing of accounting-related facts and data;
- Measures to monitor the accounting-related internal control and risk management system

E. Forecast, Opportunities and Risk Report

The following risks are also taken into consideration in the considerations and risk management system of the company. The aim is to avoid these risks or counteract them with appropriate measures.

1. General business risk

Fluctuations of future business results

During a financial year and also from year to year, YFE – as is generally the case with film and TV production companies – may experience fluctuations in sales and operating income. These fluctuations have different causes, such as scope and timing of the completion of new productions, the volume and timing of sales of film and television rights, and market and competitive influences on product demand and thus sales prices. Fluctuations in write-ups and write-downs in the balance sheet approach of film assets can not be ruled out due to the large number and complexity of the parameters which are included in the individual evaluation of the film titles.

2. External risks / market risk

Competition-related risks

Although initial signs of rising demand are evident, the YFE-related film and television market continues to be impacted by a consolidation and concentration process, both among producers and customers. These developments can affect the demand for programmes. In particular, the target group of TV broadcasters or TV broadcaster groups makes a contribution margin calculation much more strongly than in the past with regard to the programmes they broadcast. In combination with the increasing multiple evaluation of individual productions in the industry, this leads to a more efficient use of own program resources and thus to reduced new investments. This is particularly the case for children's programmes. In addition, external factors such as current consumption and leisure behaviour as well as fundamental changes in the advertising market influence the programming and purchasing policies of the broadcasters.

3. Business performance risks / litigation risk

3.1. Risks in the production of programs

The production of programs, both in-house and co-produced, carries a number of operational risks. Fundamentally, the development and production of formats or television broadcasts are usually very costly and therefore associated with a high financial risk. If, for example, despite the careful selection of co-production partners or service providers, delays in completion occur, there may be a shift in the period with respect to the company's targeted revenue and earnings. In addition, it can not be ruled out that YFE does not have sufficient financial resources to develop programmes and fund their production, which is a prerequisite for the company conducting its business operations.

Co-production

YFE has secured the completion of co-productions through the careful selection of well-established and reliable co-production partners and service providers, but also, if necessary, through 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, as a producer, is responsible for the execution of the production under contract, it usually receives a fixed price for this from the client. The producer therefore carries the risk of possible budget overruns in the case of incorrect estimation of the costs of the production or should unplanned costs arise. In the case of a license production, the producer carries the full financing risk right through to the delivery of the completed product. In the case of contractual delivery, the production costs and, if applicable, the profit, are usually covered by the license proceeds. Should the budget not be covered or not fully covered by license sales under certain circumstances, the producer bears the risk of loss.

3.2. Risks when purchasing and using programs

YFE tries to identify trends in the field of programming and the needs of broadcasters at an early stage and to design its own offer accordingly. In doing so, the company has to take into account the currently restrictive purchasing policy of the broadcasters and its own restrictions with regard to investment opportunities and safeguarding of productions. The Company has entered into a large number of licensing agreements with licensors. On the one hand, there are general contractual risks for the company, such as the risk associated with contract fulfilment. In addition, under the contracts, a number of copyright and ancillary copyright must be transferred to the respective customers. The company must therefore ensure, within the framework of its contracts with those involved in the production of the particular programme, that the necessary copyrights and ancillary copyrights are transferred to the company in order to avoid infringements of industrial property rights (e.g. copyrights, license rights and personal rights). Even though the company uses internal and external legal advice, the possibility cannot be ruled out that third parties will assert claims regarding the above-mentioned rights, which might have significant negative implications for the company’s asset, financial and earnings situation.

Depreciation 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. Depreciation resulting from exploitation takes place in accordance with the ratio 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. Furthermore, a minimum value test (so-called impairment test) is performed on each balance sheet date. It can not be completely ruled out that the amount of the evaluation of the film library will continue to be impaired in the future by performing impairment tests or changed significantly. The company's film rights catalogue, which currently has around 170 titles, consists of two-thirds licenses from third parties, while only one third of the titles are self-produced or co-produced. YFE does not have third party licenses for an indefinite period of time, but usually for a limited time. YFE may no longer use these licenses should it not be possible to renew a large part of them on expiry. Consequently, an essential part of the library and thus the basis of the company would cease to exist. This may have negative implications for the company’s asset, financial and earnings situation.

There is an inherent risk that receivables from the exploitation of programmes remain unpaid. The Board of Management assumes that the default risks are adequately covered overall.

4. Financial risks

4.1 Access to external finance, interest rate risks, interest rate hedges

YFE has provided collateral in the form of rights and claims under film license agreements to Bank Austria AG, Vienna, Austria, under the terms of the loan agreement. 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 were counteracted by the conclusion of derivative financial instruments. Although there is an economic hedging relationship, no valuation unit has been formed for the caps because not all criteria are fully met. Other provisions in the amount of € 8k (previous year: € 25k) were formed for the caps. Interest rate swaps did not result in a provision requirement as the underlying transactions are closed positions (cf. "Derivative financial instruments" in the notes to the financial statements for 2018).

4.2 Exchange rate fluctuations, exchange rate hedging transactions

The Company's current and future activities outside the territory of the European Monetary Union are partially settled by YFE itself or by its distributors in currencies other than the euro. 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.

Currently, the Company has not entered into hedging transactions.

4.3 Other financial instruments

Attempts are made to counteract bad debts with contractual arrangements for prepayment and / or through contract fulfilment guarantees from major European banks. Receivables are subjected to a regular review as part of the calculation of the specific allowance.

4.4 Risk-taking procedures

Compared with Euvid One GmbH, Munich, there are overdue receivables totalling € 659k (gross) plus default interest. € 540k have already been subject to extrajudicial dunning. In November 2018, Your Family Entertainment AG filed a lawsuit with the District Court of Munich regarding the claim that was overdue at the time, together with interest and an undeniable claim for damages. The receivable was fully impaired as at 31 December 2018 under the precautionary principle.

5. Opportunities

The strong points of Your Family Entertainment AG are the high-quality and broad programme library with more than 3,500 half-hour programmes, the long-standing experience in the production of television programmes and the extensive cooperation network with purchasing broadcasters.

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 with regard to content clearly distinguishes the company from its competitors.

The progressive digitisation and the changed possibilities and / or habits of media consumption are developing into positive framework conditions.

The aforementioned opportunities form a balanced basis for the further development of the company.

Overall view of the risk and opportunities situation

The overall picture of the company's risk and opportunity situation is made up of the individual risks and opportunities presented in all risk and opportunity categories.

In addition to the risk categories described, there are unpredictable events that can disrupt business processes.

The opportunities and risks have not changed significantly compared to the previous year. Risks that alone or in combination with other risks could jeopardise the continued existence of the company are not discernible either at the balance sheet date or at the time of preparation.

In order to recognise risks and opportunities at an early stage and successfully counteract the current risk and opportunity situation, the established risk and opportunity management system is continuously monitored and developed.

6. Forecast

As in previous years, the focus of the company will continue to be on the expansion of international and national broadcasting 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".

Due to the reorganisation of sales initiated in the second half of 2018, the Board of Management expects a significant increase in revenues and EBITDA for the 2019 financial year, but this will be accompanied by a sharp increase in the fixed cost structure and consequently a negative impact on profit expectations, as it is planned to reinforce the sales team with additional staff members, and further start-up costs could arise through the planned launch of another station.

Although the development of sales and earnings will continue to be subject to natural fluctuations due to the dependency on projects or so-called "package deals", the stronger focus on the broadcasters, in addition to the stabilising element of the continuity of sales, should provide further impetus for a strong growth trend.

F. Declaration on corporate governance in accordance with § 289f HGB

The Declaration on Corporate Governance (§ 289f HGB) contains the Declaration of Conformity, information on corporate governance practices and the description of the working methods of the Board of Management and Supervisory Board, as well as information on the diversity concept. Our goal is to describe the management of the company in a manner that is clear and to the point.

1. Declaration of Conformity of the Board of Management and Supervisory Board of Your Family Entertainment AG with the German Corporate Governance Code in accordance with § 161 AktG

According to § 161 AktG, the Board of Management and Supervisory Board of a listed stock corporation must declare annually that the recommendations of the "Government Commission 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 met or which recommendations were or will not be applied and why not.

The full text of the Declaration of Conformity is published on the Company's website (www.yfe.tv) under Investor Relations.

2. Information on corporate governance practices and the working methods of the Board of Management and the Supervisory Board

The structures of the company management and supervision of Your Family Entertainment AG are as follows:

2.1 Shareholders and shareholders' meeting

Our shareholders exercise their rights at the Annual General 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 chairs the Annual General Meeting.

The Annual General Meeting decides on all tasks assigned to it by law (including election of Supervisory Board members, amendment of the Articles of Association, appropriation of profits, capital measures).

2.2 Supervisory Board

The central task of the Supervisory Board is to advise and supervise the Board of Management.

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

The Supervisory Board of Your Family Entertainment Aktiengesellschaft is currently also fully staffed with three members, all of whom are male. The current members of the Supervisory Board are elected before the end of the ordinary Shareholder's meeting, which decides on whether they are discharged for the 2018 financial 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, which also include the sales tax due on their remuneration, the members of the Supervisory Board receive a fixed remuneration payable after the end of the financial year, which amounts to € 10,000.00 for the individual member, twice the amount for the Chairman and 1.5 times the amount for the Vice Chairman.

2.3 Board of Management

The Board of Management – as the management body of the public limited company – manages the business of the company and is bound by the interests and business policy principles of the company in accordance with stock corporation law. It reports to the Supervisory Board regularly, promptly and comprehensively on all essential matters concerning the development of the business, the company's strategy as well as on possible risks.

The remuneration of the Board of Management consists of performance-related and fixed components.

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. Regarding the determination of the target for the proportion of women in the Board of Management, the Supervisory Board believes that the Board of Management of the company with one member is currently adequately staffed, especially 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. The implementation of a women's quota on the Board of Management would not be possible at this time without expanding the Board of Management.

However, by resolution of September 29, 2015, the Board of Management determined that the target for the proportion of women in executive management below the Management Board should be 20%. As the proportion of females currently stands at more than 20% and thus reaches the target number, it is not necessary to set deadlines for reaching the aforementioned target. Should the proportion of women in the management level fall below the target of 20%, the Board of Management will deal with the issue again and, in particular, set a deadline for achieving this target. Likewise, as soon as and as soon as another management level is set up, the Board of Management will deal with the topic again.

2.4 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.

2.5 Transparency

Uniform, comprehensive and timely information has a high priority at Your Family Entertainment AG. The reporting of the business situation and the results of Your Family Entertainment AG takes place in the annual financial report and in the semi-annual financial report.

Furthermore, information about press releases or ad-hoc announcements will be published. All announcements and releases are accessible on the Internet.

Your Family Entertainment AG has created the prescribed list of insiders according to Art. 18 Market Abuse Regulation (MAR). The persons concerned were informed about legal obligations and sanctions.

2.6 Accounting and auditing of the Annual Financial Statement

Since the 2006 financial year, the annual financial statements have been prepared exclusively in accordance with the provisions of the German Commercial Code (HGB). After being prepared by the Board of Management, the annual financial statements are audited by the auditors and the Supervisory Board and subsequently adopted by the Supervisory Board.

The annual financial statements will be 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 reports promptly to the Chairman of the Supervisory Board about all issues and events that arise during the audit of the Supervisory Board.

2.7 Risk Management

The business units of Your Family Entertainment AG are exposed to a large number of risks that are inextricably linked to global entrepreneurial activity.

We see risk management as the central task of the Board of Management, executives and all employees. This should make it possible to recognise risks at an earlier stage, to limit them and at the same time to exploit 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

For each of these steps, we have developed suitable instruments adapted to the size of the company.

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.

Special issues are discussed promptly between the Board of Management and the Supervisory Board.

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

Since a proportion of the risks are beyond the control of the Board of Management, well-functioning risk management cannot guarantee that all risks are eliminated. In this respect, there may be developments that deviate from the planning of the Board of Management.

2.8 Details of diversity concept

On May 1, 2015, the "Law for Equal Participation of Women and Men in Leadership Positions in the Private Sector and Public Service" of 24 April 2015 (Federal Law Gazette I p.642) came into force. For listed companies, § 111 (5) of the German Stock Corporation Act now requires that the Supervisory Board must set targets for the proportion of women in the Supervisory Board and the Board of Management, as well as deadlines for their achievement.

The Supervisory Board has dealt with this and has decided that:

Target for the proportion of women on the Supervisory Board

The Supervisory Board of Your Family Entertainment Aktiengesellschaft, in accordance with § 9 (1) of the Articles of Association of the Company in conjunction with §§ 95 sentence 1, 96 (1)(6) Alt., 101

(1) AktG, shall exclusively elect three votes to be elected by the General Meeting Representatives of the shareholders together.

The Supervisory Board of Your Family Entertainment Aktiengesellschaft is currently also fully staffed with three members, all of whom are male.

When determining the target size for the proportion of women on the Supervisory Board, the Supervisory Board considers the company and industry-specific characteristics as well as the availability of suitable, qualified candidates for the assumption of Supervisory Board mandates with the required experience in management positions.

The current members of the Supervisory Board are elected before the end of the ordinary Shareholder's meeting, which decides on whether they are discharged for the 2018 financial year. The implementation of a proportion of women of more than 0% on the Supervisory Board would therefore not be possible until the aforementioned date, without extending 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.

Without restricting the following target setting for the share of women on the Supervisory Board, however, the Supervisory Board will pay particular attention to the consideration of women in future Supervisory Board vacancies in the context of its candidate proposals.

Having said that, the Supervisory Board passed the following resolution:

The target figure for the proportion of women on the Supervisory Board is set at 0%. Therefore, it is also unnecessary to set deadlines for achieving the aforementioned target.

<u>Target for the proportion of women on the Board of Management</u>

The Board of Management of Your Family Entertainment Aktiengesellschaft currently consists of one male member.

In determining the target for the proportion of women on the Board, the Supervisory Board believes that the Board of Management of the company is currently adequately staffed with one staff member, especially taking into account the size of the company. With regard to the term of office of the current sole Board member,no changes are planned until December 31, 2022 at the earliest. The implementation of a proportion of women of more than 0% on the Board would therefore not be feasible until the aforementioned date, without extending the Board. Incidentally, in the interests of the company, the Supervisory Board of Your Family Entertainment Aktiengesellschaft was largely guided by the suitability of the candidate when appointing the Board of Management, with the aim of putting the Board of Management together in such a way that the necessary knowledge to properly perform their duties, skills and professional experience is available. This should continue to be the decisive criteria, even if special attention should be paid to actively seeking out qualified female candidates for appropriate board vacancies. However, in the case of a Board consisting of only one member, the definition of a target of more than 0% from the point of view of the Supervisory Board would lead to a disproportionate restriction on the selection of candidates. In addition, in the opinion of the Supervisory Board, the determination of the target size for the proportion of women on the Board of Management must take into account the availability of suitable, qualified female candidates with the requisite experience in management positions, in addition to company and industry-specific characteristics.

Having said that, the Supervisory Board passed the following resolution:

The target size to be achieved for the proportion of women on the board is set at 0%. Since no women are currently members of the company's Board, it is not necessary to set deadlines for achieving the aforementioned target.

G. 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. The fixed components guarantee a basic remuneration that allows the Board of Management to orientate its management to the well-understood interests of the company and its commercial interests, without being dependent on merely short-term performance goals. In addition, the service contract includes a variable special remuneration, which depends on the economic success of the company, in particular an increase in the annual result.

H. Reporting according to § 289a HGB

1. Composition of the subscribed capital

The share capital is divided into 10,295,459 no-par-value shares with a pro rata amount of the share capital of € 1.00 as of the balance sheet date. As of December 31, 2018, the share capital thus amounts to € 10,295,459. The shares are registered by name. They are fully paid-up.

2. Direct or indirect interests in capital

As of December 31, 2018, F&M Film und Medien Beteiligungs GmbH, Vienna, Austria, holds 67.96% of the share capital.

The Holler Foundation, Munich, is in possession of 13.27% of the share capital as at 31 December 2018.

Moreover, Dr. Stefan Piëch of Vienna, has a direct participation of 1.18% in the capital of Your Family Entertainment AG and an indirect participation of 67.96% through F&M Film und Medien Beteiligungs GmbH referred to above, meaning that a total of 69.14% of the share capital of Your Family Entertainment AG is attributable to Dr. Piëch directly and indirectly.

3. Holders of shares with special rights

As of December 31, 2018, there are no shares with special rights.

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

As of December 31, 2018, there is no voting control.

5. 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 the members of the Board of Management takes place in accordance with §§ 84 and 85 AktG. Changes to the Articles of Association are made in accordance with §§ 133 and 179 AktG.

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

Authorised capital 2016

The Annual General Meeting on June 22, 2016 decided to cancel the Authorised Capital 2012 and at the same time approved new Authorised Capital (Authorised Capital 2016).

The following decision was taken:

a) The authorisation for the Management Board, with the approval of the Supervisory Board, to increase the share capital of the Company on one or more occasions by June 26, 2017, by a total of up to € 4,831,499 (Authorised Capital 2012), is cancelled with effect from the date of registration of the new authorised capital, if not yet utilised, with a view to the creation of a new authorised capital under b) to d).

b) With the approval of the Supervisory Board, the Board of Management is authorised to increase the company's share capital by 21 June 2021, 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 bearer share certificates in return for cash and/or contributions in kind (authorised capital 2016). As a matter of principle, shareholders will thereby be 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 (5) sentence 1 German Companies Act (AktG) with the obligation to offer these to shareholders of Your Family Entertainment AG for subscription. However, the Board of Management is authorised, with the approval of the Supervisory Board, to exclude the statutory subscription rights of shareholders,

- if a capital increase against cash contributions does not exceed 10% of the share capital and the issue price of the new shares is not significantly lower than the market price (§ 186 (3) sentence 4 AktG); when making use of this authorisation under exclusion of subscription rights pursuant to § 186 (3) sentence 4 AktG, the exclusion of the subscription right due to other authorisations pursuant to § 186 (3) sentence 4 AktG must be taken into account;

- if the shares are issued against contributions in kind for the purpose of acquiring companies or interests in companies or parts of companies or for the purpose of acquiring receivables from the company;

- to the extent necessary to offset fractional amounts.

c) The Board of Management is authorised, with the approval of the Supervisory Board, to determine the further details of the capital increase and its implementation.

The Supervisory Board is authorised to amend the version of the Articles of Association in accordance with the respective utilisation of the Authorised Capital 2016.

d) § 4(3) The Articles of Association shall be amended in accordance with the above resolutions as follows:

"(3) The Board of Management is authorised, with the approval of the Supervisory Board, to repurchase the share capital of the Company on or before June 21, 2021, by a total of up to €4,831,499 by issuing up to 4,831,499 new shares to increase the number of no-par value registered shares from the beginning of the financial year which is ongoing at the time of issue against cash and / or non-cash contributions (Authorised Capital 2016). As a matter of principle, shareholders will thereby be 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 (5) sentence 1 German Companies Act (AktG) with the obligation to offer these to shareholders of Your Family Entertainment AG for subscription. However, the Board of Management is authorised, with the approval of the Supervisory Board, to exclude the statutory subscription rights of shareholders,

- if a capital increase against cash contributions does not exceed 10% of the share capital and the issue price of the new shares is not significantly lower than the market price (§ 186 (3) sentence 4 AktG); when exercising this authorisation under exclusion of subscription rights pursuant to Section 186 (3) sentence 4 AktG, the exclusion of the subscription right due to other authorisations pursuant to Section 186 (3) sentence 4 AktG must be taken into account;

- if the shares are issued against contributions in kind for the purpose of acquiring companies or interests in companies or parts of companies or for the purpose of acquiring receivables from the company;

- to the extent necessary to offset fractional amounts.

The Board of Management is authorised, with the approval of the Supervisory Board, to determine the further details of the capital increase and its implementation. The Supervisory Board is authorised to amend the version of the Articles of Association in accordance with the respective utilisation of the Authorised Capital 2016."

Conditional Capital 2013

The Extraordinary General Meeting on November 7, 2013 approved Conditional Capital (Conditional Capital 2013).

The following decision was taken:

"A) The Management Board is authorised, with the approval of the Supervisory Board, to issue single or multiple bearer convertible bonds with a total nominal value of up to € 10,000,000.00 with a term of no more than 20 years by November 6, 2018 and the holders of the convertible bonds will be granted conversion rights to new shares in the Company with a proportionate amount of the share capital of up to a total of € 2,300,000.00 according to the more detailed conditions of the convertible bond conditions. The convertible bonds may be issued once or several times, in whole or in partial bonds, and at the same time in different 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 fixed for each share must be at least 80% of the average closing price of the Company's shares in floor trading on the Frankfurt Stock Exchange or, if the shares are included in XETRA trading, in XETRA trading or a corresponding successor system on the last ten trading days before the date of the resolution by the Board of Management regarding the issue of the convertible bonds. §§ 9 (1), 199 (2) AktG remain unaffected.

The Management Board is authorised, with the approval of the Supervisory Board, to determine the further details of the issue and nature of the convertible bonds, in particular the interest rate, issue price, duration and denomination, conversion price and the conversion period.

b) The share capital is conditionally increased by up to € 2,300,000.00 through the issue of up to 2,300,000 new no-par-value bearer shares (Conditional Capital 2013). The conditional capital increase shall be used to grant shares to holders of convertible bonds issued in accordance with the above authorisation. The conditional capital increase will only be carried out providing that the holders of convertible bonds issued by the company by 6 November 2018 as authorised by the general meeting of 7 November 2013 exercise their conversion right and to the extent that other forms of settlement are not deployed. 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 is authorised, with the approval of the Supervisory Board, to determine the further details of the implementation of the conditional capital increase. The Supervisory Board is authorised to amend the wording of the Articles of Association in accordance with the respective utilisation of the conditional capital. "§ 4 of the Articles of Association is supplemented by the above resolutions."

On January 14, 2014, the Board of Management decided, on the basis of the above authorisation and with the approval of the Supervisory Board, to issue a convertible bond with a total nominal value of up to € 4,999,200 divided into up to 2,083,000 no-par value bearer bonds with a par value of € 2.40 each. The issue price per bond is 100% of the nominal amount and therefore € 2.40. The bonds bear interest at 4% p.a. The convertible bond has a four-year term. It starts on February 10, 2014 and ended on February 9, 2018.

The Annual General Meeting on 15 September 2017 adopted the following resolution under item 6 of the agenda on the extension of the authorisation to issue convertible bonds, on the increase of the existing conditional capital for 2013 and the corresponding amendment of the Articles of Association:

a) The resolution authorising the issuance of convertible bonds under agenda item 1 of the Extraordinary General Meeting on 7 November 2013 is extended to authorise the Board of Management, with the approval of the Supervisory Board, to reimburse or redeem bearer convertible bonds with a total nominal value of up to € 15,000,000.00 with a term of no more than 20 years on one or several occasions by November 6, 2018 and grant the holders of the convertible bonds conversion rights to new shares in the company with a pro rata amount of the share capital of up to € 5,147,729.00 in accordance with the terms and conditions of the convertible bond.

The remaining provisions of the authorisation of the Extraordinary General Meeting of 7 November 2013 under agenda item 1 on the issue of convertible bonds remain unchanged.

b) The existing Conditional Capital 2013 is amended as follows:

The share capital is conditionally increased by up to € 5,147,729.00 by issuing up to 5,147,729 new no-par-value registered shares (Conditional Capital 2013/2017). The conditional capital increase serves to grant shares to the holders of convertible bonds issued in accordance with the authorisation of the Annual General Meeting on 7 November 2013 as amended by the resolution of the Annual General Meeting on 15 September 2017. The conditional capital increase will only be carried out provided that the holders of convertible bonds issued by the Company by 6 November 2018 at the Annual General Meeting of November 7, 2013, as amended by the resolution of the Annual General Meeting of September 15, 2017, make use of their conversion right and provided other forms of fulfilment are not deployed. 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 is authorised, with the approval of the Supervisory Board, to determine the further details of the implementation of the conditional capital increase. The Supervisory Board is authorised to amend the wording of the Articles of Association in accordance with the respective utilisation of the conditional capital.

c) § 4 (4) of the Articles of Association is amended as follows:

"(4) The share capital is conditionally increased by up to € 5,147,729.00 through the issue of up to 5,147,729 new no-par value registered shares (Conditional Capital 2013/2017). The conditional capital increase serves to grant shares to the holders of convertible bonds issued in accordance with the authorisation of the Annual General Meeting on 7 November 2013 as amended by the resolution of the Annual General Meeting on 15 September 2017. The conditional capital increase will only be carried out providing that the holders of convertible bonds issued by the Company by November 6, 2018, based on the authorisation granted by the Annual General Meeting on November 7, 2013, as amended by resolution of the General Meeting of September 15, 2017, make use of their conversion right and provided other forms of fulfilment are not deployed. 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 is authorised, with the approval of the Supervisory Board, to determine the further details of the implementation of the conditional capital increase. The Supervisory Board is authorised to amend the version of the Articles of Association in accordance with the respective utilisation of the conditional capital. "

On November 21, 2017, the Board of Management decided, on the basis of the above authorisation, and with the approval of the Supervisory Board, to issue a convertible bond with a total nominal amount of up to € 4,375,460.00, divided into 2,573,800 bearer bonds with equal rights in the nominal amount of € 1.70 each. The issue price per bond is 100% of the nominal amount and thus € 1.70. The bonds bear interest at 3% p.a. This convertible bond has a term from 1 January 2018 and ends on 9 February 2020.

Acquisition of treasury shares

The Annual General Meeting on June 22, 2016 authorised the Company to acquire its own shares.

The following decision was taken:

a) The authorisation granted by resolution of the Company's Annual General Meeting of 27 June 2012 to acquire treasury shares by June 26, 2017, will be issued with regard to the creation of a new authorisation decision under b) to d) with effect from the effective date of the new authorisation decision.

b) The Company is authorised to acquire treasury shares in the Company. 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 in whole or in part, on one or more occasions, by the Company or by third parties for its account. The authorisation is valid until 21st June 2021.

c) The purchase takes place via the stock exchange or by means of a public purchase offer 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 shares of the Company are sold to third parties may not be significantly lower than the stock exchange price of the shares at the time of the sale. When making use of this authorisation, the exclusion of the subscription right due to other authorisations pursuant to § 186 (3) sentence 4 AktG must be taken into account;

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 simplified 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). The Board of Management will inform the Annual General Meeting of the reasons and purpose of the purchase of treasury shares, the number of shares acquired and the amount of the share capital attributable to them, and the equivalent value paid for the shares.

The disclosures pursuant to §160 I No. 2 AktG regarding own shares are made in the notes.

Resolution on the conversion of bearer shares to registered shares and related amendments to the Articles of Association, as well as the modification of authorisations

The Annual General Meeting on 24 June 2015 has decided as follows:

a) Upon the effective date of the amendment to the articles of association under lit. b), no-par-value bearer shares are converted into registered shares.

b) The articles of association of the Company are amended in § 5 (1) and (2) and recast as follows:

"(1) All shares are denominated in the 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 registered shares."

c) The Articles of Association of the Company are amended in § 4 (3) sentence 1 and reworded 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 € 4,831,499.00, through the issue of up to 4,831,499 new no-par-value named share certificates entitled to dividend in return for cash and/or contributions in kind (authorised capital 2012)."

d) aa) The authorisation to issue bearer shares resolved by the Extraordinary General Meeting of 7 November 2013 on agenda item 1 is amended so that the authorisation applies instead to the issuance of convertible bonds for no-par value bearer shares for the purpose of granting convertible bonds for registered no-par-value shares.

bb) The conditional capital increase for the servicing of convertible bonds decided at the extraordinary shareholders' meeting of 7 November 2013 on agenda point 1 is amended in that the conditional capital increase takes place through the issuance of no-par-value registered share certificates instead of through 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 terms and conditions of the convertible bonds remain unaffected.

dd) The articles of association of the company are changed in § 4 (4) sentence 1 and reworded as follows:

"The share capital is conditionally increased by up to € 2,300,000.00 through the issuance of up to 2,300,000 new no-par-value registered shares (Conditional Capital 2013)."

7. Essential agreements made on the condition of a change of control following a takeover bid

There were no such agreements at the balance sheet date.

8. Compensation agreements

As of the balance sheet date, there are no agreements with the members of the Management Board or employees in the event of a takeover bid.

I. Dependent company report

The Board of Management prepared and submitted the report on the relationships of Your Family Entertainment AG to affiliated companies (dependency report) for the 2018 financial year to the auditor.

The Board of Directors declares that the Company has received reasonable compensation for any legal transaction specified in the report on relationships with affiliated companies, in the light of the circumstances known to it at the time of the legal transaction. Other measures were neither taken nor omitted at the initiative or in the interest of these companies.

Munich, March 28, 2019

Your Family Entertainment AG

The Board of Management

Dr. Stefan Piëch

7. Auditors' Certificate Baker Tilly GmbH & Co. KG

REPORT OF THE INDEPENDENT AUDITOR

To the Your Family Entertainment AG, Munich

REPORT ON THE AUDIT OF THE ANNUAL FINANCIAL STATEMENT AND THE MANAGEMENT REPORT

Opinions

We have audited the financial statements of Your Family Entertainment AG, Munich – consisting of the balance sheet as at 31 December 2018 and the income statement for the financial year from 1 January 2018 to 31 December 2018, the cash flow statement and the statement of changes in equity for the financial year from 1 January 2018 to 31 December 2018 as well as the notes, including the presentation of the accounting policies. In addition, we reviewed the management report of Your Family Entertainment AG for the financial year from January 1, 2018 to December 31, 2018. The contents of the management report mentioned in the appendix have not been checked in terms of content in accordance with the statutory provisions.

In our opinion, based on the findings of the audit,

- the accompanying financial statements comply with the German commercial law applicable to corporations in all material respects and give a true and fair view of the net assets and financial position of the Company as of December 31, 2018 and its results of operations for fiscal year January 1, 2018 until December 31, 2018 and

- overall, the accompanying management report provides a true picture of the state of the company. In all material respects, this management report is consistent with the annual financial statements, complies with German statutory provisions and accurately presents the opportunities and risks of future development.

Pursuant to § 322 (3) sentence 1 HGB, we declare that our audit has not led to any objections to the regularity of the annual financial statements and the management report.

Basis for the audit opinions

We have audited the annual financial statements and the management report in accordance with § 317 HGB and the EU Auditors Ordinance (No. 537/2014, hereinafter "EU-APrVO") in accordance with the standards which are generally accepted in Germany promulgated by the Institut der Wirtschaftsprüfer (Institute of Auditors - IDW) for auditing financial statements. Our responsibilities under these rules and policies are further described in the section entitled "Auditors' Responsibilities for Auditing the Financial Statements and Management Report" of our opinion. We are independent of the company in accordance with the European and German commercial and professional regulations and have fulfilled our other German professional obligations in accordance with these requirements. In addition, in accordance with Article 10 (2) (f) EU-APrVO, we declare that we have not performed any prohibited non-audit services under Article 5 (1) EU APrVO. We believe that the audit evidence we have obtained is sufficient and appropriate to serve as a basis for our audit opinion on the financial statements and management report.

Particularly important audit matters in the audit of the annual financial statements

Particularly important audit matters are those matters that, in our best judgment, were most significant in our audit of the financial statements for the year ended January 1, 2018 to December 31, 2018. These matters have been taken into account in the context of our audit of the financial statements as a whole and in our opinion on the audit; we do not give a separate opinion on these matters.

Our presentation of this particularly important audit matter has been structured as follows:

1. Facts and presentation of a problem
2. Auditing procedure and findings
3. Reference to further information

Impairment of the film assets

1. In the annual financial statements of Your Family Entertainment AG, under the item "Intangible assets", film assets acquired for a consideration and other rights in the amount of € 18 million are reported, equating to approx. 89% of the balance sheet total. The film assets and other rights acquired against payment are subject to an impairment test annually as of the balance sheet date or on an ad hoc basis. These valuations are based on the present value of future cash flows of the respective film right. The valuations are based on the budget forecasts of the individual film rights, which are based on the financial plans approved by the management. Discounting takes place using the weighted average cost of capital of the company. The result of this valuation depends to a large extent on the assessment of future cash inflows by the legal representatives of the Company and the discount rate used and is therefore subject to considerable uncertainty, which is why this issue is of particular importance in our audit.

2. To address this risk, we critically scrutinised the assumptions and estimates made by management, including the following audit procedures:

   - We followed the methodological procedure for carrying out the impairment tests and assessed the determination of the weighted average cost of capital.

   - We are convinced that the future cash flows underlying the valuations and the discount rates used form an adequate basis for the impairment tests on the individual film rights.

   - Our estimation was based inter alia on a comparison with general and industry-specific market expectations as well as extensive explanations from the management team regarding the key value drivers of the plans and the reconciliation of these figures with the current budget from the planning approved by the Supervisory Board.

- Knowing that even relatively small changes in the discount rate can have a material impact on the value determined in this way, we used the parameters to determine the discount rate used, including the weighted average cost of capital, and followed the calculation scheme of the company.

- In addition, we performed additional sensitivity analyses for selected film rights in order to be able to assess a possible impairment risk in the event of a possible change in a material assumption of the valuation. The selection was based on qualitative aspects and the amount of coverage of the respective book value by the utility value. We have determined that the respective film rights and the total book values of the acquired film assets acquired for a consideration and other rights as of the balance sheet date are covered by the discounted future cash flows.

3. The details of the film assets are given in Note "II. Accounting and Valuation methods, 1st Balance Sheet" in the notes.

Other Information

The legal representatives are responsible for the other information:

- "Declaration on corporate governance in accordance with § 289f HGB" in the management report,
- "Assurance of the legal representatives" in the Annual Report,
- "Opening comments of the Board of Management" in the Annual Report,
- "About us" in the Annual Report,
- "Shares" in the Annual Report and
- "Corporate Governance Report" in the Annual Report.

The Supervisory Board is responsible for the following other information:

- "Report of the Supervisory Board" in the Annual Report.

Our audit opinions on the annual financial statements and the management report do not extend to the other information, and accordingly, we provide neither an opinion nor any other form of audit conclusion.

In connection with our audit, we have the responsibility to read the other information and to evaluate whether the other information

- shows material inconsistencies with the annual financial statements, management report or our knowledge acquired during the audit; or
- otherwise appears significantly misrepresented.

Responsibility of the legal representatives and the Supervisory Board for the annual financial statements and the management report

The legal representatives are responsible for preparing the annual financial statements that comply with the German commercial law applicable to corporations in all material respects, and for ensuring that the annual financial statements, in accordance with the accounting principles generally accepted in Germany, give a true and fair view of the net assets, financial position and earnings situation of the company. In addition, the legal representatives are responsible for the internal controls that they have determined to be necessary in accordance with generally accepted accounting principles in Germany in order to facilitate the preparation of financial statements that are free from material misstatement, whether intentional or unintentional.

In preparing the financial statements, the legal representatives are responsible for assessing the Company's ability to continue as a going concern. They are also responsible for disclosing matters relating to the continuation of the business, where relevant. In addition, they are responsible for accounting for continuing operations on the basis of the accounting principle, unless contrary to fact or law.

In addition, the legal representatives are responsible for the preparation of the management report, which as a whole conveys a true picture of the company's position, is in all material respects consistent with the annual financial statements, complies with German legal requirements and accurately reflects the opportunities and risks of future development. Furthermore, the legal representatives are responsible for the precautions and measures (systems) that they deemed necessary to enable the preparation of a management report in accordance with the applicable German statutory provisions and to provide sufficient suitable evidence for the statements in the management report.

The Supervisory Board is responsible for overseeing the Company's accounting process for preparing the annual financial statements and the management report.

Responsibility of the auditor for the audit of the annual financial statements and the management report

Our objective is to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatement, whether intentional or unintentional, and whether the management report collectively presents a true picture of the Company's situation and in all material respects with the financial statements is in line with the findings of the audit, that it complies with German legal requirements and accurately reflects the opportunities and risks of future development, and that it issues an audit opinion that includes our opinion on the annual financial statements and the management report.

Sufficient security is a high level of security, but no guarantee that a test conducted in accordance with § 317 HGB and the EU-APrVO in compliance with the generally accepted standards in Germany for the audit of financial statements (IDW) always reveals a material misstatement. Misstatements can result from any breach or inaccuracy and are considered material if they could reasonably be expected to influence, individually or collectively, the economic decisions of addressees made on the basis of these financial statements and management reports.

During the audit, we exercise due discretion and maintain a critical attitude. Furthermore,

- we identify and assess the risks of material misstatement, whether intentional or unintentional, in the financial statements and the management report, plan and perform procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to form the basis of our audit opinion. The risk that material misstatements will not be detected will be higher for violations than for inaccuracies, as violations may include fraudulent interactions, counterfeiting, intentional incompleteness, misrepresentations or overriding internal controls;

- we gain an understanding of the internal control system relevant to the audit of the financial statements and the arrangements and measures relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on their effectiveness;
- we assess the appropriateness of the accounting policies used by the legal representatives and the reasonableness of the estimates and related disclosures made by the legal representatives;
- we draw conclusions about the appropriateness of the accounting policy used by the legal representatives in continuing operations and, on the basis of the audit evidence obtained, whether there is material uncertainty related to events or circumstances that can raise significant doubts about the Company's ability to continue as a going concern. If we conclude that there is material uncertainty, we are required to draw attention in the audit opinion to the related disclosures in the financial statements and management report or, if inaccurate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. However, future events or circumstances may mean that the company can no longer continue its business activities;
- we assess the overall presentation, structure and content of the annual financial statements, including the disclosures and whether the annual financial statements present the underlying transactions and events in such a way that the financial statements give a true and fair view of the assets, financial and earnings situation in accordance with generally accepted accounting principles;
- we assess the consistency of the management report with the annual financial statements, its legislation and the image it conveys of the state of the company;
- we perform audit procedures on the forward-looking statements presented by the legal representatives in the management report. On the basis of sufficient suitable audit evidence, in particular, we carry out the significant assumptions underlying the future-oriented statements of the legal representatives and assess the proper derivation of the future-oriented statements from these assumptions. We do not give an independent opinion on the future-oriented statements and the underlying assumptions. There is a significant unavoidable risk that future events will differ materially from the future-oriented statements.

Among other things, we discuss the planned scope and timing of the audit with the responsible parties, as well as significant audit findings, including any deficiencies in the internal control system that we identify during our audit.

We make a statement to the responsible parties that we have complied with the relevant independence requirements, and discuss with them all relationships and other matters that can reasonably be expected to affect our independence and the safeguards they provide.

From the issues we have discussed with the supervisors, we identify those matters that were most significant in the audit of the financial statements for the current period and are therefore the key audit matters. We describe these matters in the audit report, unless laws or other legislation preclude public disclosure of the facts.

OTHER LEGAL AND REGULATORY REQUIREMENTS

Other information according to Article 10 EU-APrVO

We were elected by the Annual General Meeting on June 21, 2018 as the auditor. We were appointed by the Supervisory Board on October 11, 2018. We have been working continuously as an auditor of Your Family Entertainment AG , Munich, since the 2017 financial year.

We declare that the opinions contained in this Auditor's Report are consistent with the additional report to the Audit Committee pursuant to Article 11 EU-APrVO (audit report).

RESPONSIBLE ECONOMIC AUDITOR

The auditor responsible for the audit is Joachim Weilandt.

Munich, April 15, 2019

Baker Tilly GmbH & Co. KG
Accounting firm
(Dusseldorf)

Steel	Weilandt
Auditor	Auditor

8. Assurance of the legal representative / Responsibility Statement

"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 2019

Dr. Stefan Piëch
Board of Management

9. Financial calendar

• 30.04.2019	Publication of the Annual Financial Report 2018
• 19.07.2019	Shareholder's meeting
• 22.08.2019	Publication of the Annual Financial Report 2019

10. Legal notice / Contact

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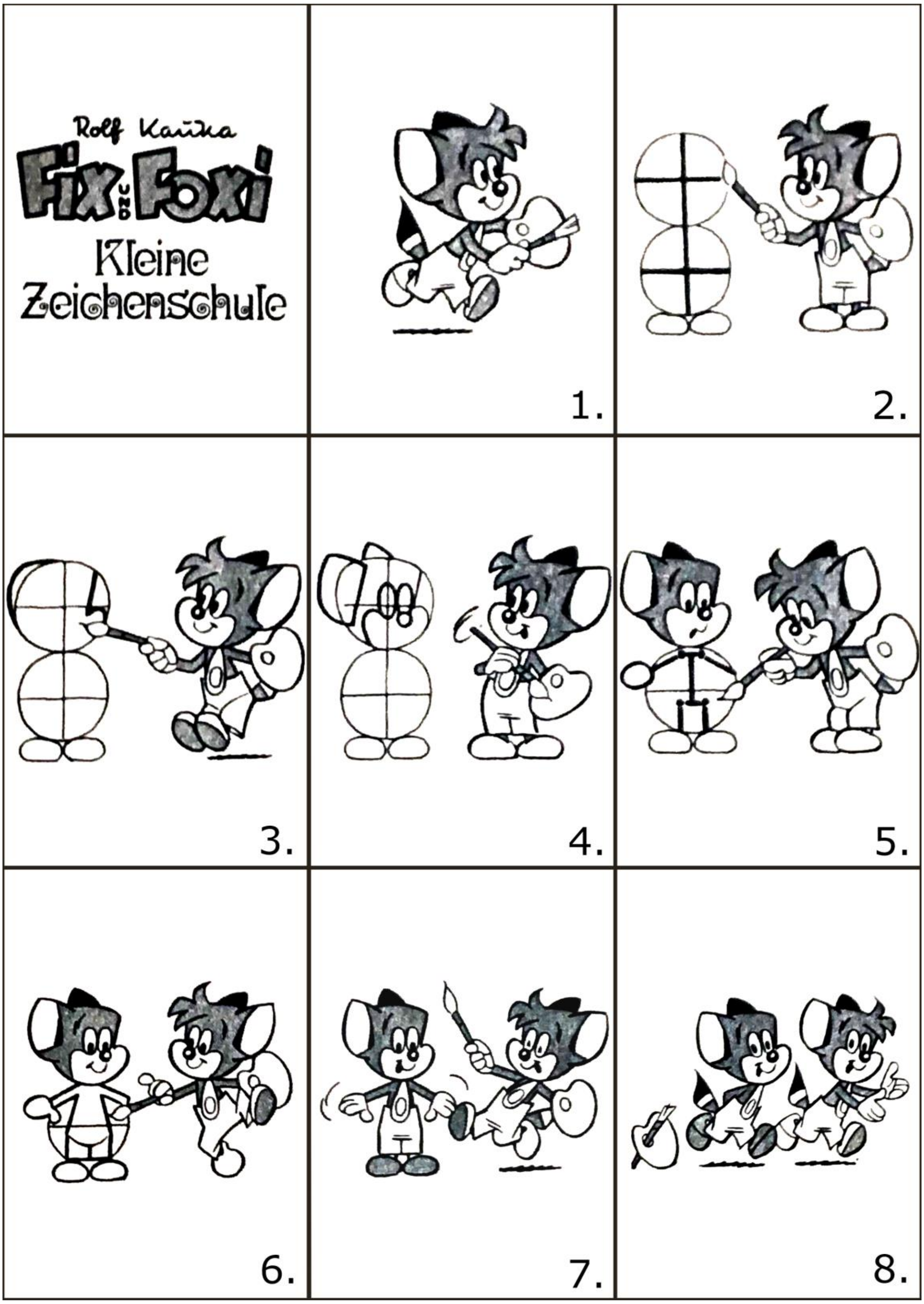
Rolf Kauka
Fix und Foxi
Kleine Zeichenschule
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