Your Family Entertainment AG

Annual Business and Financial Report 2014

yfe yourfamily entertainment

Key Data		2014	2013
Turnover	€ k	2,858	2,526
EBITDA *	€ k	-1,396	-362
EBIT	€ k	936	872
Net income	€ k	731	772

*Earnings before interest, taxes and depreciation and amortisation

		2014	2013
Value of film assets	€ k	22,481	19,925
Shareholders' equity	€ k	15,231	14,578
Total balance sheet amount	€ k	25,012	21,357
Interest-bearing liabilities	€ k	2,124	2,163
Convertible Bonds	€ k	3,495	0

Disclaimer: This English language version of the Annual Business and Financial Report 2014 is provided for the convenience of readers only. In case of discrepancies the German language version of this report shall prevail in all cases.

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1. CEO's opening comments

Dear Shareholders,

2014 was an extremely exciting and eventful year for Your Family Entertainment AG with many new challenges.

This year, once again, my thanks go to the Your Family Entertainment AG team first and foremost, who have put extraordinary efforts into the continuing growth and development of the company.

Now to look at individual events.

On 13 January of the past financial year, RiC, the family channel, introduced its totally new on air design which is equally appealing to both children and adults, and launched the new year with the much-loved animated childrens' series "Der kleine Bär", "Hugo das Dschjungeltier" and "Albert das 5. Musketier".

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

At the end of January, RiC TV showed off a revamped version of itself for the first time with its own stand at the International Toy Fair in Nuremberg.

At the beginning of March, together with the children's fashion label Staccato of the KATAG fashion house, RiC TV launched a nationwide story-telling competition to stimulate children's creativity. The winning stories were broadcast on RiC TV as part of the "bedtime story" feature. In addition, Staccato children's fashion label were offering sought-after clothes from the current collection as prizes.

In order to continue to successfully push the channel into the international arena on a strategic and operational level, Paul Robinson, Managing Director of the media consultancy firm Creative Media Partners Ltd. and an expert in the field of children's TV with substantial knowledge and deep insight into the international media landscape, came on board on 21 March to strengthen the team.

The start of May saw one of the highlights in the international growth of the channel - a new feed of the "yourfamily" channel was launched via the platforms My HD and Azam TV, a new cooperation partner, allowing the channel to be broadcast in the whole Arabic-speaking world as well as in sub-Saharan Africa.

At the same time RiC TV's channel song "R-Abenteuerlied (R-Adventure Song)" was the sole finalist to be nominated for the New York Television Prize "Cynopsis Kids !magination Awards" in the category "Music for a TV Series/Special/Movie" and was honoured with a Special Award.

On 20 May another milestone was celebrated for the year, when Your Family Entertainment AG acquired all the worldwide rights to the Kauka characters from Alexandra Kauka, Rolf Kauka's wife and sole heiress. Rolf Kauka, who was known for his Kauka Comicosmos, was named the German Walt Disney at an exhibition at the Washington Chamber of Commerce.
Your Family Entertainment AG therefore owns all branding and merchandising rights and all book and film rights to all

significant characters in the Kauka Comicosmos. This includes not only Rolf Kauka's Paul the Mole and Lupo the Wolf, but also Fix&Foxi, the world-famous foxes who for the past 60 years have been amongst the most successful and well-loved comic heroes to be drawn by a German artist.

By mid June, the educational pay TV channel "yourfamily" could also be received via Switzerland's second largest cable network provider Quickline.

RiC contined to increase its coverage in Austria and, from 1 July 2014 onwards, its series and monthly highlights were also being broadcast by the multimedia provider kabelplus.

The end of July also saw RiC making a joint donation of €20,000 with Europe's largest fashion house Katag AG to the Regina Sixt children's charity "Tränchen trocknen (Dry your tears)". The money is to be used for building work on a training centre to help integrate Roma and Sinti children in Hungary.

The middle of August then saw a further success story in the bid to grow the channel internationally. In cooperation with My-HD, the first and only TV platform catering to a broad audience in the Middle East and North Africa (MENA), their product offering was enhanced by the addition of the award-winning German pay TV channel "yourfamily" in Arabic.

On the occasion of World Children's Day on 20 September, RiC TV showed short TV reports about life in seven SOS children's villages around the world, from Seekirchen to Haiti.

In autumn, the free TV children's channel RiC again extended its reach in Germany and will in future also be available via Vodafone MobileTV.

In Austria too coverage was increased, as the channel can be received via LIWEST, the cable network operator.

In mid-September, Your Family Entertainment AG and the JOJ Group, a media firm based in Bratislava which operates four channels, pooled their experience and their knowledge to launch the first Slovak-language channel aimed at children and families, named RiK, which will launch at the beginning of 2015. The first Slovak-language children's TV channel in the world is the sister channel of the only independent German children's channel in Europe, RiC. It launched successfully on 1 January this year on several Slovakian cable networks.

On 22 October, five months after the acquisition of all worldwide rights to the most famous comic heroes to have been drawn by a German artist, Rolf Kauka's Fix&Foxi, Your Family Entertainment AG announced the launch of a channel of the same name at the media trade fair Medientage München, by means of a live show.

The new family channel "Fix&Foxi" successfully went live on 1 December on pay TV via over 130 cable networks.

In November coverage was increased again in Germany, as the channel became available via M-net.

In addition, Stadlbauer, the sales and marketing specialist in the toy market, became our cooperation partner at the end of this year.
Stadlbauer and Your Family Entertainment AG share the same common values and the philosophy of a family business. Together with the channel RiC, we conducted many joint marketing activities for the Christmas trading period.

As has always been the case in recent years, we continue to strive to ensure the continuous growth of the company in all relevant business segments in order to increase the intrinsic value of the company, to in turn create long-term value for you, our shareholders.

I would like to take this opportunity to thank you, dear Shareholders, for your trust in our company. Likewise, I express my thanks to the members of the Supervisory Board who offer constant support to Your Family Entertainment AG with their guidance and resources.

Finally I would like to offer my sincerest thanks to all our employees once again, without whose tireless efforts we would never have achieved as much as we have this year.
Many thanks for all the creativity, inventiveness, flexibility and speed with which you have successfully approached all tasks and projects this year. It is a great pleasure for me to work with such a committed and motivated team and I am looking forward to our continued joint success in the future.

Munich, March 2015

Dr. Stefan Piëch

CEO

2. About us

The name Your Family Entertainment AG (YFE) symbolises innovation and tradition in one. For more than 30 years, we have been licensing and producing high-quality and educational TV series for children, young adults and families.

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

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

The library is continuously being maintained and new programmes are constantly being added. Last year saw further improvements in our excellent film stock. We have owned all the rights to Rolf Kauka's "Fix&Foxi" since May 2014. We have also had full rights to the series "Albert fragt" and "Albert sagt" since July 2014.

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

"Fix & Foxi"

"Albert fragt"

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

Since November 2014, RiC has been available via M-net in the Munich area as well as in parts of Augsburg, Nuremberg, Erlangen and Würzburg. Since February 2015, the trademark raven has been doing the rounds in Baden-Württemberg, Hessen and North Rhine-Westphalia via Unitymedia and Kabel BW. To date, RiC has increased its reach to around 30 million households in the German-speaking region. The range on cable networks is continuously being expanded.

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

"Albert sagt"

RiC, the raven

3. Report of the Supervisory Board

Dear Shareholders,

The Supervisory Board regularly monitored, controlled and advised on the work of the Board of Management during the 2014 financial year. The Board of Management kept the Supervisory Board comprehensively and punctually informed by means of both verbal and written reports. The Supervisory Board and the Board of Management were also in constant contact between meetings. Telephone conferences and email correspondence took place. Thus, the Supervisory Board was informed at all times of the intended business policy, the company's planning, including financial, investment and human resources, as well as the development of the business and the company's current situation.

A total of four meetings with the Supervisory Board were held in the financial year 2014. All members of the Supervisory Board participated in at least half of its meetings during their period of office in the 2014 financial year. During these meetings, all major matters of business policy, especially those relating to the company's commercial and financial development, its strategy and planning, important business events and matters requiring the consent of the Supervisory Board were subjected to detailed and empirical analysis, deliberated upon and discussed with the Board of Management making reference to comprehensive and complete reports prepared by the Board of Management. In addition, the Supervisory Board also held discussions by means of telephone conferences. Also during the 2014 financial year, the Supervisory Board exercised its right to inspect the books and records as well as the company's assets on numerous occasions. The Board of Management was available at all times to answer questions and to give explanations.

Key subjects discussed by the Supervisory Board

As in previous years, the Supervisory Board's deliberations and control activities in the 2014 financial year were again dominated by the sales development in the company's core business on the one hand and, on the other, the monitoring of the development of the new lines of business, in particular the free TV channel RiC. In addition, there was the issue of convertible bonds, which was presented to the Supervisory Board by the Board of Management and was discussed and decided upon by the Supervisory Board.

The Supervisory Board took positive note of the increased turnover which was achieved in the 2014 financial year. However, the sales base has not yet developed in a sufficiently sustainable manner. The development of the channel "RiC" has been closely monitored by the Supervisory Board. The growth of the business to date is pleasing. The development will be monitored by the Supervisory Board intensively. The company has invested heavily in the further development of its licence stock, in particular by digitising current material and creating more language versions.

The significant events of the financial year included the issue of convertible bonds which had been decided upon in the previous year. As a result of this, the company will have the resources to expand on existing business activities as well as to develop new business activities.

As in previous years, the ongoing monitoring of the company's liquidity situation remained a main focus of the Supervisory Board. The Board of Management reported regularly on the subject.

Committees of the Supervisory Board

The Supervisory Board has not established any committees.

Report on the audit of the annual financial statements

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

In accordance with the Supervisory Board's instructions, Ernst & Young GmbH, the Stuttgart audit company, audited the company's accounting system and its financial statements and management report for the 2014 financial year. The auditor issued an unqualified audit opinion based on the audit. The company's annual financial statements, management report and the audit reports of the auditor were submitted to the Supervisory Board for their perusal. The Supervisory Board discussed these documents in detail at its balance sheet meeting held on 23 March 2014 in the presence of the auditor via telephone, who reported on the principal findings of the audit. All the Supervisory Board's questions were answered in detail. The Supervisory Board took note of and approved the findings of the audit. Following its own conclusive examination, the Supervisory Board established no grounds for objecting to the company's financial statements and management report for the 2014 financial year. Accordingly, the financial statements of Your Family Entertainment AG have been adopted. The Board of Management has prepared its report on the company's relationships with affiliated companies and submitted this report, together with the audit report on this subject, to the Supervisory Board. The auditor issued the following unqualified opinion:

"We confirm, following our obligatory examination and assessment,

1. that the factual details contained in the report are correct and that
2. the value given to the legal transactions listed in the report was not unreasonably high."

The auditor reported on relations with affiliated companies and on the principal findings of the audit. The Supervisory Board's examination of the Board of Management's report and the audit report gave no cause for objections; the Supervisory Board agrees with the findings of the auditor's report.

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

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

Corporate Governance and the declaration of conformity

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

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

The Supervisory Board would like to thank the Board of Management and all employees for their commitment during the 2014 financial year.

Munich, March 2015

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

Fix&Foxi, the channel's mascots

4. Shares

4.1 Overview

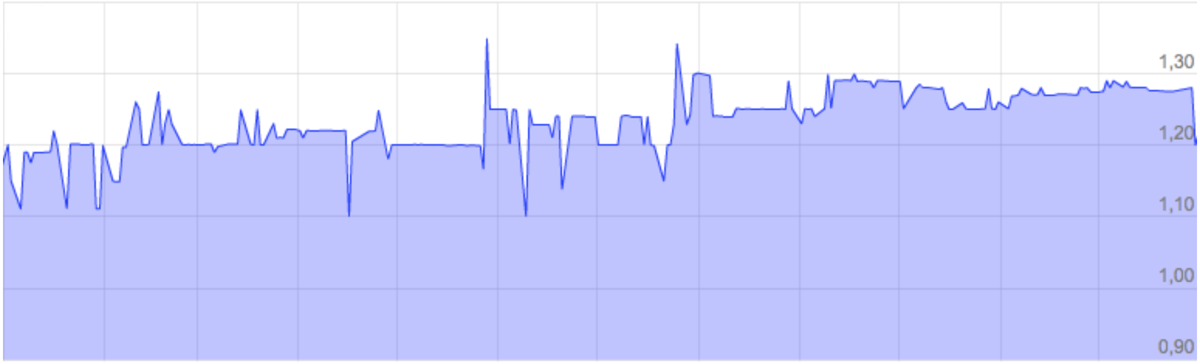
Your Family Entertainment AG is quoted under the security identification number WKN 540891/ISIN: DE0005408918 and the ticker symbol „RTV" on the regulated market of the Frankfurt Stock Exchange (General Standard).

Your Family Entertainment AG Shares	
Number of shares	9,662,999 units
Subscribed capital	€ 9,662,999
Initial listing	8 June, 1999
Business sectors	Media & Entertainment

4.2 Development of the share price in 2014

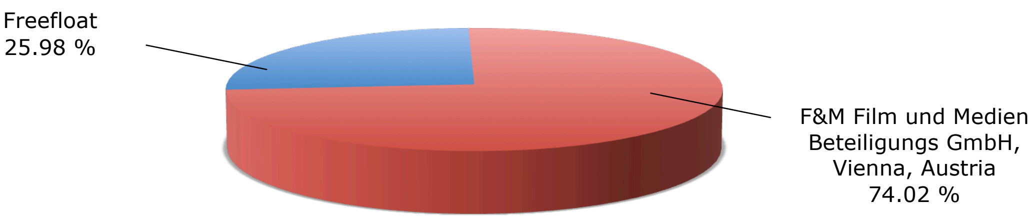
During the period from January to December 2014, the share price of Your Family Entertainment AG on the Frankfurt Stock Exchange evolved as follows:

Your Family Entertainment AG shares from 1 January to 31 December 2014



Source: www.dab.de

4.3 Shareholding structure (as of 31 December 2014)



5. Corporate Governance Report

Your Family Entertainment AG continued to develop its Corporate Governance activities in 2014 and follows to the greatest possible extent the recommendations and suggestions of the German Corporate Governance Code using the version produced on 24 June 2014.

The Supervisory Board of Your Family Entertainment AG does not form committees due to its size as it consists of only three members, but has at its disposal an independent financial expert who meets the required criteria. This financial expert is independent and was not a member of the Management of the company (recommendations in section 5.3.2). In its current composition, the Supervisory Board of Your Family Entertainment AG has a very broad expert knowledge, which also accommodates the international orientation of the company (section 5.4.1). YFE will also follow these objectives when making suggestions for new elections in the Supervisory Board. If Your Family Entertainment AG makes use of the exception regulations in section 5.4.4 of the Code when a member of the Board of Management becomes a Supervisory Board member, it will explain this in the shareholders' meeting.

The remuneration of the Board of Management and Supervisory Board is shown in the notes to the annual financial report for 2014. Remuneration was not assessed as contracts are ongoing. There was therefore no internal vertical comparison (Section 4.2.2 / 4.2.3). In 2014, no conflicts of interest arose either in the Board of Management or in the Supervisory Board. A possible conflict of interest in connection with the Supervisory Board member Dr. Sebastian Graf von Wallwitz was avoided in that a resolution sought by the company on cooperation with the legal firm of Schwarz Kelwing Wicke Westphal, in which Graf von Wallwitz is a partner, was submitted to the 2007 shareholders' meeting for adoption of a resolution and an appropriate approval was given.

The only incremental position held by the Board of Management in 2014 was the Supervisory Board role at the SOS children's villages. The Supervisory Board monitors the efficiency of its own activities annually. It is the Supervisory Board's opinion that it has a sufficient number of independent members.

A comparison of the previous declaration of conformity with the Corporate Governance Code, which was actually implemented in the 2014 financial year, did not reveal any discrepancies. Your Family Entertainment AG to a large extent complies with the recommendations of the government commission German Corporate Governance Code, departing from the Code only in areas where this appears justified due to the company's size, the adequacy of purpose of such measures and also the financial parameters of a medium-sized company.

The rules of business procedure under which the Board of Management and the Supervisory Board operate remained unchanged in 2014. Approximately 28 shareholders and guests, representing 77.74% of the voting share capital, took part in the 2014 shareholders' meeting. All items proposed for resolution were accepted.

Munich, March 2015

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

Dr. Stefan Piëch (CEO)

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

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

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

Your Family Entertainment AG will comply with the recommendations of the German Corporate Governance Code in the version of 24 June 2014, with the following exceptions:

Directors and Officers Insurance for the Supervisory Board (Section 3.8, paragraph 3)

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

Composition of the Management Board (section 4.2.1 sentence 1)

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

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

Insofar as the new version of the Code further specifies the vertical comparison of management remuneration already required by the German Stock Corporation Act [*Aktiengesetz (AktG)*], and defines in detail the comparison groups and time period for comparison, we must declare potential non-compliance. In its vertical comparison, the Supervisory Board did not distinguish between the comparison groups as recommended in the Code, nor did it obtain data on the changes over time in wages and salaries. The Supervisory Board nevertheless intends to include a vertical comparison of management remuneration in future versions of management contracts on the basis of the content and timescale criteria in the new Code recommendations. The Board of Management and the Supervisory Board also take the view that certain details of the new section 4.2.2. para. 2 sentence 3 are still the subject of considerable debate in practice and in the legal literature in the field. For this reason too, we therefore take the precaution of declaring possible non-compliance.

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

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

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

Formation of committees (sections 5.3.1, 5.3.2, 5.3.3)

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

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

The Supervisory Board of Your Family Entertainment AG does not state any specific goals for its composition. In its proposal of suitable Supervisory Board election candidates, the Supervisory Board has always aimed to put together a Supervisory Board exclusively made up of members who possess the proper qualifications - the knowledge, abilities and industry experience to work effectively. In the opinion of the Supervisory Board, this approach has proven itself. It is therefore considered unnecessary to change this practice. Consequently, the recommendations based on that pursuant to section 5.4.1 para. 3 cannot be followed.

Date of financial reporting (section 7.1.2 sentence 4)

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

Since the last declaration of conformity of December 2013, Your Family Entertainment AG has complied in principle with the recommendations of the German Corporate Governance Code in the version of 24 June 2014. The recommendations from sections 3.8 para. 3, 4.2.1 sentence 1, 4.2.2 para. 2 sentence 3, 4.2.3 para. 2 sentence 6, 5.1.2 para. 1 sentence 2, 5.3.1, 5.3.2, 5.3.3, 5.4.1 para. 2 with the exception of parts of sentence 2, 5.4.1 para. 3 and 7.1.2 sentence 4 were not applied.

For the reasons of deviating from the above-mentioned sections, see explanations under no. 1.

Munich, December 2014

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

Dr. Stefan Piëch
(CEO)

6. Annual Financial Statements and Management Report

6.1 Balance sheet as at 31 December 2014

	ASSETS in €	31.12.2014	31.12.2013
A.	**Fixed assets**		
I.	Intangible assets		
1.	Franchises and similar rights acquired for a consideration	79,835.73	28,959.73
2.	IT software acquired for a consideration	233.00	633.00
3.	Film assets and other rights acquired for a consideration	22,481,050.72	19,924,877.53
		22,561,119.45	**19,954,470.26**
II.	Tangible Assets		
1.	Other equipment, operational and office equipment	85,333.00	41,005.00
		85,333.00	**41,005.00**
B.	**Current assets**		
I.	Accounts receivable and other assets		
1.	Accounts receivable, trade	681,771.37	737,009.41
2.	Other assets	92,518.48	68,210.92
		774,289.85	**805,220.33**
II.	Cash on hand and balances with banks	1,273,983.38	229,327.49
C.	**Accruals and deferrals**	317,316.07	326,773.19
	Total assets	**25,012,041.75**	**21,356,796.27**

	LIABILITIES in €	31.12.2014	31.12.2013
A.	**Shareholders' equity**		
I.	Subscribed capital	9,662,999.00	9,662,999.00
	Nominal value of treasury shares	-82,000.00	-13,000.00
	Issued capital	9,580,999.00	9,649,999.00
II.	Capital reserve	2,518,740.42	2,527,457.81
III.	Accumulated profit	3,131,364.64	2,400,777.40
		15,231,104.06	**14,578,234.21**
B.	**Provisions & accrued liabilities**		
1.	Pension provision	305,726.00	298,147.00
2.	Other provisions and accrued liabilities	907,128.36	704,979.76
		1,212,854.36	**1,003,126.76**
C.	**Liabilities**		
1.	Convertible bonds	3,494,760.00	0.00
2.	Loans from credit institutions	2,124,079.05	2,163,441.12
3.	Advance payments received on account of orders	1,855,709.67	1,821,411.56
4.	Accounts payable, trade	1,001,237.84	1,682,178.56
5.	Other liabilities	43,936.86	44,850.16
		8,519,723.42	**5,711,881.40**
D.	**Accruals and deferrals**	48,359.91	63,553.90
	Total liabilities	**25,012,041.75**	**21,356,796.27**

6.2 Profit and Loss Statement for 2014

	P & L in €	31.12.2014	31.12.2013
1.	Sales revenue	2,858,110.32	2,526,035.71
2.	Other operating income	2,835,645.54	2,821,367.21
		5,693,755.86	**5,347,402.92**
3.	Cost of materials		
	a) Cost of licences, commissions and materials	315,124.14	226,077.82
	b) Cost of purchased services	568,515.02	430,840.56
		883,639.16	**656,918.38**
		4,810,116.70	**4,690,484.54**
4.	Personnel expenses		
	a) Salaries	1,169,390.59	890,343.02
	b) Social security expenses	172,884.28	129,174.99
	c) Pension scheme expenses	13,218.47	3,835.35
		1,355,493.34	**1,023,353.36**
5.	Depreciation on intangible assets and property, plant and equipment	418,363.19	1,259,152.74
6.	Other operating expenses	2,100,326.40	1,536,249.60
		935,933.77	**871,728.84**
7.	Other interest and similar income	253.57	4,972.94
8.	Interest and similar expenses	196,580.07	95,940.37
9.	**Income from ordinary operations**	**739,607.27**	**780,761.41**
10.	Taxes on income and earnings	8,758.03	8,132.68
11.	Other taxes	262.00	262.00
12.	Annual net profit	730,587.24	772,366.73
13.	Profit brought forward from previous year	2,400,777.40	1,628,410.67
12.	**Balance sheet profit**	**3,131,364.64**	**2,400,777.40**

6.3 Cash flow statement for 2014

	Cash flow statement in € k	2014	2013
1.	**Cash flow from operating activities**		
	Annual result	731	772
	Depreciation of film assets and other rights	361	1,226
	Depreciation of other fixed assets	57	34
	Write-ups of film assets and other rights	-2,750	-2,493
	Change in long-term provisions and accrued liabilities	8	2
	Other non-cash income	254	-124
	Interest income	0	-5
	Interest payable	197	96
	Tax expenses	9	8
	Increase in trade receivables	-259	155
	Increase in other assets	-15	-236
	Increase in trade payables	-714	1,130
	Increase (previous year decrease) in other liabilities	240	2,069
	Cash from ongoing business activities before interest and taxes	**-1,881**	**2,634**
	Interest payments	-99	-78
	Tax expenses	-9	-8
	Cash flow from operating activities	**-1,989**	**2,548**
2.	**Cash flow from investment activities**		
	Payments for investments in property, plant and equipment	-80	-24
	Payments for other investments in other intangible assets (inclusive of advance payments)	-74	-17
	Payments for investments in film assets and in other rights (including advance payments)	-190	-1,752
	Cash flow from investment activities	**-344**	**-1,793**
3.	**Cash flow from financing activities**		
	Dividends paid to shareholders	0	0
	Payments for the purchase of treasury shares	-257	-79
	Proceeds from the sale of treasury shares	179	138
	Proceeds from the issue of bonds	3,495	0
	Proceeds from borrowing via financial loans	644	530
	Repayments of financial loans	-683	-1,342
	Cash flow from financing activities	**3,378**	**-753**
4.	**Cash funds at the end of the period**		
	Net change in cash and cash equivalents	1,045	2
	Cash and cash equivalents at beginning of the period	229	227
	Cash and cash equivalents at end of the period	**1,274**	**229**
5.	**Composition of cash and cash equivalents**		
	Liquid funds	**1,274**	**229**

6.4 Equity analysis 2014

in €	Subscribed capital	Less nominal value of treasury shares	Issued capital	Capital re-serve	Accumulated profit	Shareholders' equity
01.01.2013	**9,662,999.00**	**-51,400.00**	**9,611,599.00**	**2,507,232.56**	**1,628,410.67**	**13,747,242.23**
Acquisition of treasury shares	0.00	-76,600.00	-76,600.00	-2,774.75	0.00	-79,374.75
Sale of treasury shares	0.00	115,000.00	115,000.00	23,000.00	0.00	138,000.00
Annual net profit	0.00	0.00	0.00	0.00	772,366.73	772,366.73
31.12.2013	**9,662,999.00**	**-13,000.00**	**9,649,999.00**	**2,527,457.81**	**2,400,777.40**	**14,578,234.21**
01.01.2014	**9,662,999.00**	**-13,000.00**	**9,649,999.00**	**2,527,457.81**	**2,400,777.40**	**14,578,234.21**
Acquisition of treasury shares	0	-209,000.00	-209,000.00	-47,757.39	0	-256,757.39
Sale of treasury shares	0	140,000.00	140,000.00	39,040.00	0	179,040.00
Annual net profit	0	0	0	0	730,587.24	730,587.24
31.12.2014	**9,662,999.00**	**-82,000.00**	**9,580,999.00**	**2,518,740.42**	**3,131,364.64**	**15,231,104.06**

6.5 Notes to the financial statements for 2014

A. General Information

The annual financial statements of Your Family Entertainment AG (YFE), Munich, for the 2014 financial year were prepared in accordance with § 242 et seqq., § 264 et seqq. of the German Commercial Code (HGB) as well as the relevant provisions of the German Companies Act (AktG). The rules for large limited companies apply.

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

Object of the company:

The creation, editing and production of films, video and sound carriers and merchandising products, the purchase and sale of rights, investment in radio and television broadcasting companies, trade of films, image/sound carriers, merchandising products and national and international rights as well as event marketing. The company is also a full-service provider in that it acts as an agency for the marketing of its own and third-party merchandising rights at home and abroad. The company's object also includes music publishing and all related business promoting the purpose of the company, including the production of music, especially film music, either in its own capacity or through third parties.

The company's business activities are split into the business segments "Production" and "Licence Sales".

B. Accounting and valuation methods

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

Balance sheet

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

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

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

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

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

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

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

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

The liabilities are valued at the settlement value.

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

Economic hedging relationships are accounted for by the creation of valuation units. Balancing value changes from the hedged risk are not accounted for on the balance sheet, applying the "net hedge presentation method". The balancing positive and negative value changes both of the underlying transaction as well as the hedging instrument are recorded without affecting the profit and loss statement.

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

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

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

Profit and Loss Statement

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

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

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

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

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

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

C. Explanatory notes to the balance sheet

Fixed assets

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

Accounts receivable and other assets

Items with a remaining time to maturity of more than one year exist in the receivables from trading amounting to €0k (previous year €36k) and in the other assets amounting to €7k (previous year €12k).

Shareholders' equity

Share capital

The share capital of Your Family Entertainment AG as of the balance sheet cut-off date is divided into 9,662,999 no-par value shares, each with a pro-rata amount in the share capital of €1.00. As of 31 December 2014, the share capital thus amounted to €9,662,999.00. The shares are bearer-shares. They are fully paid up.

As of 31 December 2014, F&M Film und Medien Beteiligungs GmbH, Vienna, Austria, is in possession of 74.02% of the share capital.

Capital reserve

To offset the purchase price for 209,000 treasury shares above the nominal value, €47,757.39 was obtained from the freely available capital reserve in 2014.

The share premium of €39,040.00, which was achieved through the sale of 140,000 treasury shares to an investor, was transferred to the capital reserve.

Authorised capital 2012

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

In this respect, the following resolution was adopted:

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

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

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

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

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

"(3) With the approval of the Supervisory Board, the Board of Management is authorised to increase the company's share capital by 26 June 2017, on one or more occasions, by up to a total of € 4,831,499.00, through the issue of up to 4,831,499 new no-par-value bearer share certificates in return for cash and/or contributions in kind (authorised capital 2012). As a matter of principle, shareholders will be thereby granted a subscription right. The legal subscription right can also be granted in such a way that the new shares can be underwritten by a bank or an equivalent institution under § 186 para. 5 sentence 1 German Companies Act (AktG) with the obligation to offer these to shareholders of Your Family Entertainment AG for subscription. With the approval of the Supervisory Board, the Board of Management is authorised to exclude the legal subscription right: if a capital increase against cash contribution does not exceed 10% of the capital stock and the issue price of the new shares does not vastly fall below the stock market price (§ 186 para. 3 sentence 4 German Companies Act); when making use of this authorisation to exclude the subscription right under § 186 para. 3 sentence 4 German Companies Act, the exclusion of the subscription right due to other authorisations listed under § 186 para. 3 sentence 4 German Companies Act is to be taken into account; in the case of capital increases in exchange for non-cash contributions that are implemented in order to grant shares for the acquisition of companies, parts of companies or equity interests in companies; if this is necessary to compensate for fractional amounts.

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

2013 conditional capital

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

In this respect, the following resolution was adopted:

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

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

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

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

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

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

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

Share repurchase

In 2014, the authorisation to purchase treasury shares, which was passed at the 27 June 2012 shareholders' meeting, was exercised and a total of 209,000 treasury shares with a nominal value of a total of €209k(2.16% of the share capital) at an overall price of €257k were purchased on the stock exchange. 140,000 treasury shares (1.4% of the share capital) were sold off-market for a total price of €179k.

Thus, the treasury shares as of the balance sheet cut-off date amount to 82,000 shares. This corresponds to 0.85% of the share capital.

Provisions & accrued liabilities

The other provisions mainly relate to human resources costs, provisions for outstanding invoices as well as the provisions for the annual financial statements and the audit. Furthermore, a provision for contingent loss from derivative financial instruments amounting to €74k (previous year €79k) was formed.

Convertible bonds

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

Liabilities

Liabilities in € k	Up to 1 year	2 – 5 years	> 5 years	Total
As of 31.12.2014				
Loans from credit institutions	2,016	108	0	2,124
Advance payments received on account of orders	1,856	0	0	1,856
Accounts payable, trade	649	235	117	1,001

Convertible bonds	0	3,495	0	3,495
Other liabilities - of which are taxes - of which are for social security	44 (24) (4)	0 (0) (0)	0 (0) (0)	44 (24) (4)
Total liabilities	**4,565**	**3,838**	**117**	**8,520**

As of 31 December 2013				
Loans from credit institutions	1,513	650	0	2,163
Advance payments received on account of or-ders	1,821	0	0	1,821
Accounts payable, trade	1,284	237	162	1,683
Other liabilities - of which are taxes - of which are for social security	45 (16) (2)	0 (0) (0)	0 (0) (0)	45 (16) (2)
Total liabilities	**4,663**	**887**	**162**	**5,712**

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

Other financial commitments

Other financial commitments due within one year amount to €349k and are primarily divided into rental (€75k), leasing (€2k), and consultancy and service commitments (€272k).

Within a period of 2 to 5 years, a total of €27k will become due, primarily for rental expenses.

Derivative financial instruments

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

Type/category in € k	Nominal amount	Fair value Current market value	Book value
Interest swap	500	-81	n/a
Interest swap	300	-48	n/a
Cap	700	-43	-43
Cap	500	-31	-31
Total	**2,000**	**-203**	**-74**

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

For the caps, other provisions amounting to €74k (previous year €79k) were formed.

The following valuation methods were applied:

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

Valuation units

The following valuation units were formed:

Hedged item/ hedging tool	Risk/ type of valuation unit	Amount involved (€ k)	Hedged risk (€ k)
Loan payables/ interest swap	Interest rate risk/ microhedge	800	-129

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

D. Explanatory notes to the Profit and Loss Statement

Sales revenue

Sales of €1,234k (previous year €1,091k) were achieved in Germany and €1,624k (previous year €1,435k) abroad.

In 2014, the sales revenue of €2,858k was achieved entirely in the "Licence Sales" segment (previous year €2,526k).

Other operating income

This item primarily includes income from the write-ups to film assets amounting to €2,750k (previous year €2,493k).

Furthermore, income from currency conversion amounting to €2k (previous year €11k) was shown.

The income relating to other periods of €1k was primarily from derecognised licence fee liabilities affecting net income.

Cost of materials

This position relates to sales-related costs for licenses, commission, materials and purchased services. Above all, these are the expenses for purchased services amounting to €569k (previous year €431k), for licenses (authors' shares) of €219k (previous year €167k) and commissions €96k (previous year €59k).

Personnel expenses

On average throughout the year, 21 employees were employed, including apprentices and interns but excluding the Board of Management; 8 of which were only employed on a marginal basis (previous year 0).

Depreciation & amortisation

As a result of the so-called impairment test for financial stability, unscheduled amortisations of film assets amounting to €156k (previous year €928k) were made. In addition, amortisations of €205k (previous year €298k) were made on film assets as a result of the exploitation of the assets.

Other operating expenses

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

Furthermore, currency conversion accounted for €33k (previous year €9k) in expenses.

Other interest and similar income

The income from the addition of accrued interest amounts to €0 (previous year €1k).

Interest and similar expenses

Interest expenses from provisions and accrued liabilities was €14k (previous year €18k).

Taxes on income

This item amounting to €9k relates exclusively to foreign withholding tax.

Significant transactions with affiliated persons and/ or companies

Within the framework of a credit agreement with UniCredit Bank Austria AG, Vienna, a letter of guarantee for € 1.3 million plus interest and ancillary costs was issued by F&M Film und Medien Beteiligungs GmbH, Vienna, for Your Family Entertainment AG. As a result F&M Film und Medien Beteiligungs GmbH committed to its continued stake in the company of an unchanged amount and to ensuring that Your Family Entertainment AG is led and equipped with financial resources in such a manner that it is at all times in a position to meet its current und future liabilities towards its creditors in time as long as the credit with UniCredit Bank Austria AG (including all interests and additional costs) is not yet fully repaid in accordance with the original deadline.

Within the framework of a credit agreement for €1.1 million with UniCredit Bank Austria AG, Vienna, a further letter of guarantee was issued for Your Family Entertainment AG by F&M Film und Medien Beteiligungs GmbH, Vienna.

There were no other transactions not conducted under normal business terms and conditions.

E. Information on the company's statutory bodies

Supervisory Board

The members of the Supervisory Board are:

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

The total remuneration (excluding expenses) of the Supervisory Board in the 2014 financial year amounted to €45k.

Pursuant to § 16 of the company's articles of association, € 20k of this amount are due to the Chairman, € 15k to the Deputy Chairman and € 10k to the other members. The members of the Supervisory Board owned 100 shares on 31 December 2014.

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

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

Board of Management

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

Dr. Stefan Piëch, Vienna, Austria
Film Distributor

The Board of Management's total remuneration during the 2014 financial year amounted to €201k and includes fixed remuneration and insurance contributions. Because of a shortfall against agreed objectives no variable remuneration was paid.

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

The total remuneration for former members of the Board of Management amounted to €18k. The pension provisions for former members of the Board of Management and their surviving dependants are fully formed and as of 31 December 2014 amount to €279k.

F. Audit and consultancy fees

The auditor's total fee for the financial year was €49k. €42k of this fee was incurred for the audit of the financial statements (financial statements in accordance with the German Commercial Code (HGB) and the audit of the dependent company report) and €7k for other auditing services.

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

Your Family Entertainment AG, Munich, has submitted the declaration for 2014 required under § 161 AktG [German Companies Act] and made it permanently available to the shareholders in December 2014 on the website of the company (www.yf-e.com) under the heading "Investor Relations".

Munich, 24 March 2015

The Board of Management

H. Development of the fixed assets

	Intangible assets					Tangible assets	
in € k	Franchises and rights acquired for a consider-ation	IT software acquired for a consider-ation	Film assets and other rights ac-quired for a considera-tion	Down pay-ments	Total	Other equipment, operational and office equipment	Total
01.01.2014	36	57	128,198	0	**128,290**	282	**128,572**
Acquisitions	74	0	190	0	**264**	80	**344**
Disposals	0	0	1,313	0	**1,313**	10	**1,324**
31.12.2013	109	57	127,075	0	**127,241**	351	**127,592**
Cumulative depreciation & amortisation	30	57	107,344	0	**107,430**	266	**107,696**
Balance Sheet Value 31.12.2014	**80**	**0**	**22,481**	**0**	**22,561**	**85**	**22,646**
Annual depre-ciation	23	0	361[1)]	0	**384**	34	**418**
Annual write-ups	0	0	2,750	0	**2,750**	0	**2,750**

[1)]Thereof unscheduled amortisation totalling €156k.

6.6 Management report for 2014

A. General

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

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

The company's high-quality library of programs currently comprises more than 3,500 half-hour programs and is therefore one of the largest of its kind in Europe. The development of the library was started by Ravensburger Group over 30 years ago and is being continued by YFE with the same traditional values.

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

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

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

The Licence Sales business division also includes the production and the distribution by the company itself or third parties of DVD and audio products for home entertainment. The company's own distribution takes place under the DVD label "yourfamilyentertainment". This division is also responsible for the coproduction of individual film titles.

Since the end of 2007, YFE has also been successfully operating in the market with its pay TV channel "yourfamily", where its own series are also part of the program line-up. In December 2014 the channel was replaced by the "Fix&Foxi" channel. The channel broadcasts programs 24 hours a day via satellite, cable and DSL (IPTV). In 2010, "yourfamily" won a Hot Bird™ TV Award in the children's category. In 2011, 2013 and 2014, it was once again nominated for the final of the top three children's channels in the world. In May 2014, the pay TV station increased its reach by broadcasting and marketing the "yourfamily" channel in sub-Saharan Africa. Since 2012, the YFE also operates on free TV with the children's channel "RiC". Via satellite (Astra), some cable networks and live streaming, RiC can be received in the German-speaking region. RiC contributes commercially to the station by marketing advertising slots on the channel.

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

B. Economic Review

1. Overall economic situation

1.1 World economic climate

"The economic growth of the world economy in 2014 has so far been weaker than expected. This is largely due to the continued economic weakness within the Eurozone and more modest growth in the emerging markets compared with previous years. In China the transition to a situation where growth is more dependent on private consumption has been a process fraught with frictional losses. On the other hand, the United States of America and the United Kingdom appear to be enjoying a self-sustaining recovery. These countries have been successful in significantly reducing private debt, which had increased steeply pre-crisis in relation to economic performance.

However, the dichotomous economic development in developed countries is reflected in monetary policy. In the United States a continued expansive monetary policy meant that bond purchasing ceased while the European Central bank introduced a comprehensive policy of monetary easing.

In the member states of the European currency union, Ireland, Portugal and Spain all managed to achieve positive growth rates and even in Greece there are some initial signs of success. Both consolidation efforts and ambitious structural reforms have contributed to this. In comparison, France and particularly Italy have fallen behind and have hindered the growth of the Eurozone as a whole. Despite some reform efforts, the goods and factor markets need to be made fundamentally more flexible and this has not yet changed.

For 2015 a slight upturn in global growth is anticipated, but the dichotomous nature of the economy will remain. With growth rates of 3.1% and 2.6% respectively, the United States and the United Kingdom will once again be the locomotives of global growth amongst the highly developed economies. With a growth in GDP of 7% the Chinese market will slow which will have an attenuating effect on other developing countries. For the Eurozone a rather modest level of growth is expected. With a growth rate of 1% and a projected inflation rate of 0.7%, it is however improbable that it will slide into deflation.

Source: German Council of Economic Experts at the German Federal Statistical Office (Statistisches Bundesamt), Wiesbaden Annual Expert Report 2014/15 12.11.14 p. 51

1.2 Entertainment and media industry

Growth in all sectors

The 2014 market projections from the VPRT (German Association for Private Broadcasters and Telemedia) predict continuing growth in all sectors of electronic media and particularly sustainable growth in the audio-visual media sector (TV/Video, Radio/ Audio). Compared with the previous year electronic media is expected to generate incremental turnover of more than 0.5 billion euros in the sectors to be discussed in the following section.

Television advertising in 2014

Television advertising is expected to experience a net growth of 2.7% to 4.2 billion euros. This equates to an increase on the previous year of approximately 110 million euros. Television remains the strongest performer in terms of turnover in the German advertising market by a long way and can expect to increase its growth in sales in 2014 compared to the previous year once again. (2013: +2.2%). For the streaming sector of online video advertising (instream video advertising) the VPRT is predicting an increase of approximately 22% or 44 million euros, taking it to 244 million euros. Overall the increase in turnover for video advertising (both linear and non-linear) is expected to be around 3.6%.

Teleshopping turnover 2014

Teleshopping is expected to grow by approximately 4% to 1.8 billion euros of turnover. This equates to an increase on the previous year of approximately 70 million euros.

Online and Mobile Display Advertising 2014

Net turnover from online and mobile display advertising should grow by 6% to over 1.2 billion euros, according to the VPRT forecast for 2014. This equates to an increase on the previous year of approximately 70 million euros. For mobile the forecasted increase is 48%, while for online, the forecast is for growth of 4.4%.

Pay TV and Paid Video on Demand turnover 2014

For pay TV, growth of around 12% is expected before year end and for the paid Video On Demand market growth of around 18% is forecasted. Pay TV and the paid VOD markets put together are therefore experiencing growth of around 250 million euros on an annual turnover of around 2.3 billion euros. Paid audio turnover is forecasted to increase by around 8% to between 70 and 80 million euros.

Source: VPRT annual report for 2014, p. 76 et seqq., 27 November 2014

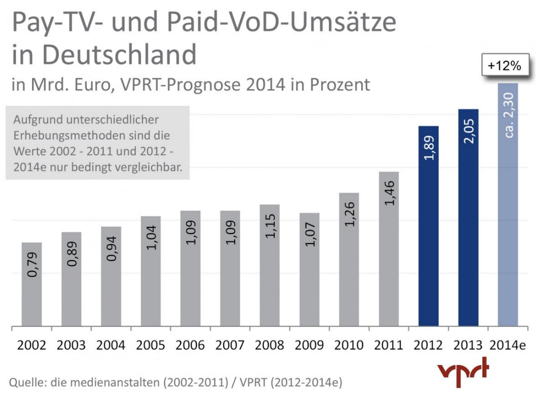
The "VPRT Working Group for Digital Pay TV" had already published a study in 2013 entitled "Pay TV in Germany 2013" which gave an overview of the pay TV market in Germany and in the German-speaking region. VPRT updated the market data for 2014 and were able to report that a historical benchmark had been surpassed.

With the increase in pay TV and paid video on demand turnover in Germany of 11.4% to 2.05 billion euros in 2013, for the first time the two billion euro turnover threshold had been exceeded.

The number of subscribers to pay TV increased to 6.4 million in Germany and to around 7.1 million in the German-speaking area. Viewing figures for German pay TV alone were also at a record high with an average of 10.2 million viewers over the month.

The number of pay TV programmes recorded in Germany went from 26 programmes in 2003 to 88 programmes today. The number of pay TV programmes in high definition quality is 73 today, whereas in 2011 the figure was only 36 programmes.

Source: VPRT annual report for 2014, p. 80 et seqq., 27 November 2014



VPRT Trend Forecasts 2015-2020

"For the years 2015-2020 the experts who contributed to the VPRT market forecasts for 2014 surmise that the importance of audio-visual media as a cultural and economic factor will continue to increase and act as an engine for creative innovation and growth. This forecast is based on trends which have already manifested themselves today and which cause us to expect a similar market dynamic in coming years.

Use of audio-visual media

The starting point of this expectation is the observation of a continual audio and video boom. In 2020, radio, audio, TV and video shows will be available constantly and will be ever-present. Radio, audio, TV and video usage will therefore continue to increase cross-platform. On Demand and mobile are both set to show particularly high growth figures. In addition it is expected that consumers will demonstrate increased willingness to pay for high quality audio-visual content.

Development of the audio-visual portfolio

As a result of newcomers to the market and the development of the existing portfolio, particularly in the audio and video on demand segment and in the interactive additional offers such as smart radio and smart TV, the variety of the audio-visual portfolio on the German market, which is already highly diverse today, could increase still further. In certain segments the market development could however also lead to consolidation. In order to view the incredible variety of programming, the user of 2020 will be increasingly reliant on intelligent user interfaces, search engines and recommendation systems.

Development in turnover in the audio-visual segment

Turnover in audio-visual media should continue to increase in the coming years. Further market share gains are expected for electronic media in advertising sales compared with other genres. To what extent media firms based in Germany can benefit from this will largely depend on how the overall market conditions evolve.

Changing competitive conditions

In order to remain competitive, content providers need to make significant investments in their product offering and new technologies. With new entrants to the market and increased fragmentation in the market, the competitive pressure is increasing. The reliance on strong market partners, such as platform and network operators, device manufacturers or media agencies will continue to increase. In order to enjoy commercial success, media providers must prepare themselves for rapidly progressing convergence and also increasing fragmentation in addition to general economic and demographic development."

Source: VPRT annual report for 2014, p. 79, 27 November 2014

2. Key events during the 2014 financial year

The issue of convertible bonds

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

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

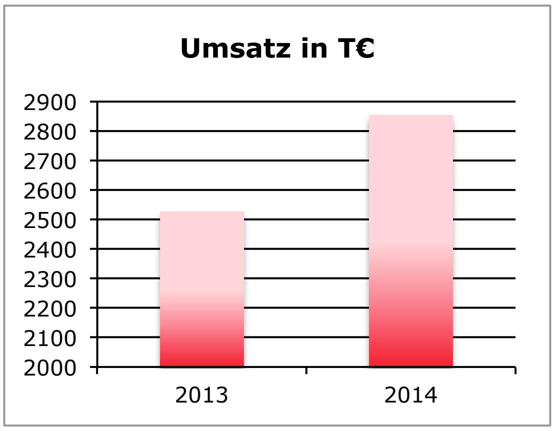
On the basis of the above authorisation and with the approval of the Supervisory Board, the Board of Management decided on 14 January 2014 to issue a convertible bond with a total nominal value of up to 4,999,200.00 EUR, divided into 2,083,000 equal partial bearer bonds with a nominal value of €2.40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

The company placed 70% of the 2,083,000 shares in two tranches during the 2014 financial year. The remaining shares will be retained by the company to be placed at an opportune time and dependant on capital needs.

3. Business performance

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

3.1 Sales Trend



Sales revenues were in total slightly higher than last year (€332k or 13%). The sales of €2,858k (previous year €2,526k) were achieved entirely in the "Licence Sales" sector. In this case, however, the business and customer structure have changed. Decreasing numbers in the pay TV sector were off-set by sales increases in the channel's customers, VoD and free TV sectors.

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

3.2 Sales by region

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

Region	2014		2013	
	in € k	in %	in € k	in %
Domestic	1,234	43	1,091	43
Overseas	1,624	57	1,435	57
Total	**2,858**	**100**	**2,526**	**100**

4. Earnings situation

The result of ordinary operations amounts to €740k compared with €781k in the previous year.

Earnings before depreciation, write-ups, interest, taxes and extraordinary items (EBITDA) amounted to €-1396k (previous year: €-362k).

The annual surplus for 2014 amounts to €731k compared to €772k in the previous year.

The other operating income in the reporting year amounts to a total of €2,836k (previous year €2,821k). This mainly consists of the write-ups to film assets amounting to €2,750k (previous year €2,493k). The write-ups were determined on a single security basis and are mostly due to appreciation in the film category following investment in different language versions, in the digitisation of films and in production of HD material. These write-ups to film assets are the result of, among other factors, changes to contractual film rights, licences that have become available again and updated sales expectations.

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

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

Compared with the previous year, depreciation decreased from €1,259k to €418k. In addition to scheduled depreciation of €262k (previous year €331k), this item includes unscheduled amortisation of film rights to an amount of €156k (previous year €928k), largely owing to the impairment tests carried out on the balance sheet cut-off date and also revised sales expectations.

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

5. Asset and financial situation

The balance sheet total increased by €3,655k to €25,012k (previous year €21,357k).

The film assets rose significantly by €2,556k. This increase mainly results from investments in the film assets of €190,000 as well as write-ups of €2,750k due to rights that have become available and the valuation based on the impairment test described above. These were offset by depreciation and amortisation of €361k.

The receivables and other assets decreased by 3.9% to €774k.

Equity increased mainly as a result of the sales trend by €653k from €14,578k to €15,231k. The equity ratio as at 31 December 2015 is therefore around 61% (previous year 68%). The reduction in the equity ratio has largely arisen due to the issue of convertible bonds.

As of 31 December 2014, the company records subscribed capital amounting to €9,663k, a capital reserve of €2,519k and balance sheet profit amounting to €3,131k.

The other provisions increased to €907k (previous year €705k).

Cash and cash equivalents on the balance sheet date, consisting of balances at banks, have increased significantly at €1,274k (previous year €229k).

A credit line of €2,500k with no fixed term and a loan of €542k at the balance sheet date was granted by UniCredit Bank Austria AG, Vienna, Austria. The loan repayments are quarterly at €108k.

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

A credit line of € 1,100k with a term running until 31 March 2017 was granted by Bank Austria in September 2013 to finance the purchase of a large film package. The purpose of this credit line is to hedge the transaction and to finance the payment instalments. By the end of the year a further €670k had been utilised, therefore the balance as at 31 December 2014 is €971k.

Due to the convertible bonds that were placed in 2014, the company accrued €3.5 million in cash. These bonds, which are interest-bearing at 4%, can be converted by the company until 10 February 2018 for one share per bond, as long as the share quotation has remained at over €2.40 per share for longer than 20 stock exchange trading days. If at the end of the term the share price is not over €2.40 per share, the nominal value is payable.

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

As of the balance sheet cut-off date, the company records loans amounting to €2,124k (previous year €2,163k) at a credit line of €2000k. The company's liquidity has been sufficient at all times.

YFE's liquidity requirements are monitored using rolling financial planning. The main instruments besides the global credit line are amortisable loans and short-term financial investments. Further aims of the financial management include the optimisation of interest payable and interest income as well as securing the required foreign currency. The company has a USD account.

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

6. Investments

In the reporting period, investments amounting to €344k were made (previous year €1,793k). €190k of these were for film assets. This was specifically for the acquisition of the rights to the series "Albert" and the purchase of extensive material from the Moonscoop insolvency. In 2014, investments were also made in various language versions, in digital versions of films and in the creation of HD material.

7. Key Data

Key Data in € k	2014	2013
Turnover	2,858	2,526
EBITDA	-1,396	-362
EBIT	936	872
Annual net profit	731	772
Balance sheet total	25,012	21,357
Value of film assets	22,481	19,925
Shareholders' equity	15,231	14,578
Interest bearing liabilities	2,124	2,163

8. Employees

Personnel expenses for the 2014 financial year amounting to €1,355k were higher than the previous year's personnel expenses of €1,023k.

On average throughout the year, 21 employees were employed, including apprentices and interns.

As of the balance sheet cut-off date, as in the previous year, a total of 27 people were employed by YFE, including one board member, one apprentice and eight people who were marginally employed.

9. Summary

In 2014 significant efforts were made to broaden the company's business activities. In order to hedge the financing of the growth, at the beginning of the year the company issued the first tranche of the convertible bonds which had been approved by the shareholders at the end of 2013. The company used the year to take sustainable steps to stabilise the company, to develop on its current activities and to establish new business activities. The marketing structure for the licensing sector was reorganised, the marketing for the advertising slots on the free TV channel RiC was established and the reach of the pay TV channel "yourfamily" was extended to sub-Saharan Africa, thus appealing to new markets entirely. The national branch of the pay TV channel was launched at the end of the year in 16:9

aspect ratio under the brand name "Fix&Foxi".

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

These efforts have strengthened the foundations of the company but have also taken significant amounts of work and tied up capacity. The company can continue its national and international development from this strengthened position.

In addition, losses in sales have had to be borne due to marketing activity having been allocated to a distribution agency, before they were dismissed. This loss could not be compensated for this year. The Board of Management considers the revenue trend in the past financial year 2014 to be satisfactory – in view of the conditions described above – and the earnings development to be acceptable.

The gradual upturn in the licencing business which was forecast last year has indeed been realised, although this is not quite yet reflected in the company's turnover with the reorganisation of the company. No significant fluctuations have occurred in the pay TV sector. Rather, the company's activity base has grown and therefore stabilised due to the exploitation of further markets in Africa and the Middle East and North African (MENA) region. Much work has been done on the quality of the channel, which culminated in its repositioning within the market place as "Fix&Foxi". In the free TV segment, turnover was boosted with advertising revenue.

C. Risk management

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

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

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

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

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

Central to the risk management of Your Family Entertainment AG are the regular discussions between the Board of Management and the second management tier. These discussions serve to recognise and assess risks and, if necessary, to take counter-measures in time and to monitor the measures taken. Moreover, the second management tier informs the Board of Management about risks which may unexpectedly occur outside these regular meetings.

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

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

The aim of the liquidity management is the continuous monitoring and ensuring the liquidity of the company. The liquidity management is based on three reports, namely the annual liquidity plan as part of preparation of the budget, the rolling liquidity forecast and the daily liquidity status.

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

The aim of the balance sheet controlling is the monitoring of the balance sheet items in order to recognise necessary corrective measures in time, in particular an equity deficiency. The balance sheet controlling comprises three pillars: the audited financial statements, the half-yearly interim financial report and the continuous balance sheet controlling.

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

As part of the risks lie outside the Board of Management's sphere of influence, even a functioning risk management is unable to guarantee that all risks are eliminated. Developments may indeed take place which differ from the planning of the Board of Management.

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

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

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

We understand the term internal control system to mean the basic principles, procedure and measures introduced in the company by the Board of Management and management team aimed at the organisational implementation of decisions made by management

- in order to ensure the validity and profitability of the company's business activities (this includes the protection of its assets and the prevention and disclosure of damage to assets),
- in order to ensure proper and reliable internal and external accounting

- and compliance with the legal requirements applicable to the company.

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

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

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

With regard to the accounting process, we consider such characteristics of the internal control and management system as material which may significantly influence the accounting process and the overall message conveyed by the annual financial statements and the management report. These are the following elements in particular:

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

E. Forecast, opportunity and risk report

1. General business risk

Fluctuations of future business re-sults

During a financial year and from year to year, fluctuations of the sales and the operating profit of YFE may occur - as is generally the case for any film and TV production company. These fluctuations have a variety of causes, such as for example the degree and timing of completion of new productions, the degree and timing of the sales of films and television rights, as well as market and competitive influences on the demand for products and consequently on sales prices.

2. External risks/market risk

Competition-related risks

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

3. Business performance risks/litigation risk

a) Risks in the production of programmes

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

Co-production

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

Production to order

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

b) Risks in the purchasing and marketing of programs

YFE tries to recognise trends in the fields of programmes and TV channels' requirements as early as possible and tailors its own product range accordingly. In so doing, the company has to take account of TV channels' current restrictive purchasing policy and its own limitations as regards investment possibilities and the provision of security for its productions. The company has concluded a variety of contracts with licensors for the licensing of programs. On the one hand, the company carries the general contractual risks, such as the risk of (non)-fulfillment. Moreover, a variety of copyrights and ancillary copyrights have to be transferred to the relevant customers as part of the contracts. The company must therefore ensure, within the framework of its contracts with those involved in the production of the particular program, that the necessary copyrights and ancillary copyrights are transferred to the company in order to avoid infringements of industrial property rights (e.g. copyrights, licence rights and personal rights). Even though the company uses internal and external legal advice, the possibility cannot be ruled out that third parties will assert claims regarding the above-mentioned rights, which might have significant negative implications for the company's asset, financial and earnings situation.

The amortisation of film assets (that is the rights of use and exploitation referred to above) and the other rights are governed by the exploitation of the film rights. The amortisation resulting from the exploitation takes place in accordance with the relation between the actual sales in the financial year to the total expected revenue from the exploitation of film rights including sales in that financial year. Moreover, a so-called impairment test is carried out at each balance sheet cut-off date. It cannot be completely ruled out that impairment tests carried out in the future will considerably change the value of the film library. Two thirds of the company's catalogue of film rights, which currently comprises approximately 180 titles, derives from licences from third parties, whilst only one third of the titles were in house productions or co-productions. The licences from third parties in YFE's possession have not been granted indefinitely but generally for a limited period of time. YFE may no longer use these licences should it not be possible to renew a large part of them on expiry. Consequently, an essential part of the library and thus the basis of the company would cease to exist. This may have negative implications for the company's asset, financial and earnings situation.

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

c) Risks arising from ongoing proceedings

"Robinson Sucroe"

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

The plaintiff's Canadian lawyers have indicated their intention first to seek payment from another joint and several debtor registered in Canada. An existing E&O insurance policy covering claims against France Animation and the company also insures a total sum of 1.0 million Can$ plus interest and costs. From the above sum, the company is still directly liable for payment in the amount of 388,000.00 Can$ plus interest for the plaintiff's loss of profit. The company has created provisions for this amount in the 2014 annual report. The parties are involved in an ongoing dialogue in order to reach an amicable final settlement on the basis of the final judgements from the Canadian court.

4. Financial risks

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

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

Risks are also posed by variable interest agreements. These risks have been counteracted by conclusion of contracts on derivative financial instruments. In spite of an existing financial hedging relationship, no valuation unit was formed, because not all criteria are completely fulfilled.

b) Exchange rate fluctuations, exchange rate hedging transactions

The company’s current and future activities outside the area of the European Monetary Union are partly transacted in currencies other than the euro, either by YFE or by its distribution partners. The applicable exchange rates are subject to fluctuations which cannot be foreseen and which may possibly prevent the company from generating a stable income. There is an inherent risk of losses from such exchange rate fluctuations.

Unfavourable exchange rate fluctuations or costs incurred in the future for currency hedging could therefore have negative effects on the development of sales and thus the asset, financial and earnings situation of the company.

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

5. Opportunities

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

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

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

6. Forecast

The Board of Management particularly sees great potential for international development in the pay TV channel “Fix&Foxi”. Because of Your Family Entertainment AG’s broad educational, child-friendly programme line-up with strong values, there is further potential to expand into more international markets in addition to the expansion that has already been achieved in sub-Saharan Africa and in the MENA region.

The free TV segment will be strengthened as a result of the ongoing work which is being put into marketing advertising slots. Alongside advertising slots, the channel’s concept itself can be successfully marketed. In Slovakia, the first exclusively Slovak-language childrens’ channel was launched in cooperation with a local partner. This work will be continued.

For the licensing segment, including the licensing of films, rights and characters, the Board of Management is anticipating an increase in turnover, particularly due to the qualitative improvements which have been made to many of the series. The development of sales and results will, however, continue to be subject to natural fluctuations in future as a result of dependency on projects and package deals. In line with the market growth in general, without taking account of any extraordinary business transactions, the Board of Management is anticipating stable or slight growth in the "Licence Sales" sector.

Overall, therefore, we are expecting 2015 sales and earnings to be considerably above the levels achieved in the previous year.

It is YFE's long-term goal to become a major player on this market once again.

F. Declaration of the company's management in accordance with § 289a HGB [German Commercial Code]

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

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

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

The full text of the declaration is published on the company's website (www.yf-e.com) under "Investor Relations".

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

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

Shareholders and shareholders' meeting

Our shareholders exercise their rights in the shareholders' meeting.

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

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

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

Supervisory Board

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

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

In addition to the reimbursement of their expenses to which the value added tax due on their remuneration must be added, the members of the Supervisory Board receive a fixed fee payable at the end of the financial year amounting to € 10,000.00 for the individual member, twice that amount for the chairman, and 1.5 times that amount for the deputy chairman.

Board of Management

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

The remuneration of the Board of Management is partly performance-related and partly fixed.

Shares held by the Board of Management and the Supervisory Board

Members of the Board of Management and the Supervisory Board hold shares in Your Family Entertainment AG.

Transparency

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

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

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

Accounting and auditing of the annual financial statements

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

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

It has been agreed with the auditor that the chairman of the Supervisory Board will be notified immediately about the reasons for exclusions or exemptions and/or errors in the declaration of conformity revealed during the audit. The auditor immediately reports to the chairman of the Supervisory Board on any major issues and events that emerge during the audit which are pertinent to the role of the Supervisory Board.

Risk management

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

We see risk management as a core responsibility of the Board of Management, the management team and all employees. Through active risk management, it should be possible to detect risks earlier, to limit them and at the same time make use of entrepreneurial opportunities.

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

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

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

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

Moreover, the second management tier informs the Board of Management about risks which may unexpectedly occur outside these regular meetings.

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

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

As part of the risks lie outside the Board of Management's sphere of influence, even a functioning risk management is unable to guarantee that all risks are eliminated. Developments may indeed take place which differ from the planning of the Board of Management.

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

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

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

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

I. Reporting in accordance with § 289 para. 4 HGB

1. Composition of the subscribed capital

The share capital as of the balance sheet cut-off date is divided into 9,662,999 no-par-value shares, each with a pro rata amount in the share capital of € 1.00. As of 31 December 2014, the share capital thus amounts to €9,662,999. The shares are bearer-shares. They are fully paid up.

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

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

3. Direct or indirect participation in the capital

As of 31 December 2014, F&M Film und Medien Beteiligungs GmbH, Vienna, Austria, is in possession of 74.02% of the share capital.

Moreover, Dr. Stefan Piëch, Vienna, has a direct stake of 0.62% in the capital of Your Family Entertainment AG and an indirect stake of 74.02% through F&M Film und Medien Beteiligungs GmbH referred to above, such that in total 74.64% of the share capital are attributable to Dr. Piëch directly and indirectly.

4. Owners of shares with special rights

As of 31 December 2014, no shares with special rights were given.

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

There were no controls on voting rights as of 31 December 2014.

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

The appointment and dismissal of members of the Board of Management takes place in accordance with § 84 and § 85 of the German Companies Act. Changes to the articles of association take place in accordance with § 133 and § 179 of the German Companies Act.

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

Authorised capital 2012

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

In this respect, the following resolution was adopted:

a) The authorisation for the Board of Management to increase the company's share capital by 8 June 2015, on one or more occasions, by up to a total of €3,387,001.00 (authorised capital 2010), is herewith nullified, effective at the time when the new authorised capital, in accordance with subsequent paragraphs b) and c), is entered in the commercial register.

b) With the approval of the Supervisory Board, the Board of Management is authorised to increase the company's share capital by 26 June 2017, on one or more occasions, by up to a total of

€ 4,831,499.00, through the issue of up to 4,831,499 new zero-par bearer share certificates in return for cash and/or contributions in kind (authorised capital 2012). As a matter of principle, shareholders will be thereby granted a subscription right. The legal subscription right can also be granted in such a way that the new shares can be underwritten by a bank or an equivalent institution under § 186 para. 5 sentence 1 German Companies Act with the obligation to offer these to shareholders of Your Family Entertainment AG for subscription. With the approval of the Supervisory Board, the Board of Management is authorised to exclude the legal subscription right: if a capital increase against cash contribution does not exceed 10% of the capital stock and the issue price of the new shares does not vastly fall below the stock market price (§ 186 para. 3 sentence 4 German Companies Act); when making use of this authorisation to exclude the subscription right under § 186 para. 3 sentence 4 German Companies Act, the exclusion of the subscription right due to other authorisations listed under § 186 para. 3 sentence 4 German Companies Act is to be taken into account; in the case of capital increases in exchange for non-cash contributions that are implemented in order to grant shares for the acquisition of companies, parts of companies or equity interests in companies; if this is necessary to compensate for fractional amounts.

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

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

"(3) With the approval of the Supervisory Board, the Board of Management is authorised to increase the company's share capital by 26 June 2017, on one or more occasions, by up to a total of € 4,831,499.00, through the issue of up to 4,831,499 new no-par-value bearer share certificates in return for cash and/or contributions in kind (authorised capital 2012). As a matter of principle, shareholders will be thereby granted a subscription right. The legal subscription right can also be granted in such a way that the new shares can be underwritten by a bank or an equivalent institution under § 186 para. 5 sentence 1 German Companies Act with the obligation to offer these to shareholders of Your Family Entertainment AG for subscription. However, the Executive Board shall be authorised, with the approval of the Supervisory Board, to exclude the shareholders' statutory rights,

if a capital increase against cash contribution does not exceed 10% of the capital stock and the issue price of the new shares does not vastly fall below the stock market price (§ 186 para. 3 sentence 4 German Companies Act); when making use of this authorisation to exclude the subscription right under § 186 para. 3 sentence 4 German Companies Act, the exclusion of the subscription right due to other authorisations listed under § 186 para. 3 sentence 4 German Companies Act is to be taken into account; in the case of capital increases in exchange for non-cash contributions that are implemented in order to grant shares for the acquisition of companies, parts of companies or equity interests in companies; if this is necessary to compensate for fractional amounts.

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

Acquisition of the company's treasury shares

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

In this respect, the following resolution was adopted:

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

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

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

aa) should the acquisition take place via the stock exchange, the value per share paid by the company (excluding the ancillary costs of acquiring the shares) may not be higher or lower by more than 20% of the average closing price of shares of a similar nature on the Frankfurt Stock Exchange during the last ten stock exchange trading days prior to the acquisition of the shares.

bb) should the acquisition take place by way of a public offer to buy addressed to all shareholders, the purchase price per share offered (excluding the ancillary costs of acquiring the shares) may not be higher or lower by more than 20% of the average closing price on the Frankfurt Stock Exchange during the last ten stock exchange trading days prior to the date the offer was published. The offer to buy may stipulate other conditions. Acceptance must be made by quota should the offer to buy be oversubscribed. The privileged acceptance of a limited number of shares per shareholder of the company of up to 100 units of the shares offered for sale may be provided for.

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

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

bb) By selling shares to third parties. The price at which the company's shares are issued to third parties may not be materially lower than the stock exchange price of the shares at the time of the sale. The exclusion of a subscription right due to other authorisations in accordance with § 186 para. 3 sentence 4 German Companies Act is to be taken into account when exercising the authorisation.

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

The above authorisations relating to the use of the treasury shares acquired may be exercised once or on several occasions, completely or in parts, individually or jointly. The shareholders' subscription right regarding the own shares acquired is excluded insofar as these shares are used pursuant to the above-mentioned authorisations under aa) and bb). At the shareholders' meeting, the Board of Management will inform the shareholders of the reasons and the purpose of the acquisition of the company's treasury shares, the number of shares acquired and the amount of share capital that they represent as well as the amount that was paid for the shares.

2013 conditional capital

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

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

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

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

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

9. Compensation agreements

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

J. Dependent company report

The Board of Management has prepared and submitted to the auditors a report on the relations of Your Family Entertainment AG with affiliated companies (dependent company report) for the 2014 financial year. The Board of Management declares that for the financial year 2014, no transactions or measures subject to mandatory reporting requirements took place nor were there any omissions.

Munich, 24 March 2015

The Board of Management

7. Auditor's Certificate Ernst & Young GmbH

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

We have audited the financial statements, consisting of the balance sheet, income statement, cash flow statement, statement of shareholders' equity and the notes to these financial statements - including the accounting system and the management report of Your Family Entertainment AG, Munich, for the financial year from 1 January to 31 December 2014. The accounting system and the preparation of the financial statements and the management report in accordance with the provisions of the German commercial law are the responsibility of the company's legal representatives. It is our responsibility, on the basis of our audit, to express an opinion on the financial statements including the accounting and the management report.

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

Our audit did not give rise to any objections.

In our opinion, based on the knowledge we acquired during the course of the audit, the financial statements comply with the legal requirements and give a true and fair picture of the company's asset, financial and earnings situation in accordance with generally accepted accounting principles. The management report is consistent with the annual financial statements, gives a true and fair picture of the company's situation, and accurately presents the opportunities and risks of future developments."

Ravensburg, 24 March 2015

Ernst & Young GmbH
Audit firm

Bürkle	Arnold
Auditors	Auditors

8. Assurance given by the company's legal representative

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

Munich, April 2015

Dr. Stefan Piëch
CEO

9. Financial Calendar

22.04.2015	Release of the annual financial report 2014
22.05.2015	Release of the interim report for the first half of 2015
24.06.2015	Shareholders' meeting
26.08.2015	Release of the half-yearly interim financial report 2015
11.11.2015	Release of the half-yearly interim report for the second half of 2015

10. Copyright page / How to contact us

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