Your Family Entertainment AG

Annual Business and Financial Report 2016

Key figures in € k	2016	2015
Turnover[1]	3,700	2,534
EBITDA[2]	627	-1,637
EBIT[3]	-2,559	644
Net loss (prior year net income)	-2,859	381
Balance sheet total	24,306	26,447
Film assets	22,074	25,139
Equity	13,728	15,708

[1] Figures after Accounting Directive Implementation Act reclassification (€ 764.16 from other operating income to revenues)
[2] EBITDA = Profit + interest expenses and income taxes + interest and similar expenses ./. Other interest and similar income write-down ./. Write-ups
[3] EBIT = EBITDA + Write-ups ./. Write-downs

Content

1. CEO's opening comments

Dear Shareholders,

We are very pleased to report an eventful past financial year and to give you an overview of the development of Your Family Entertainment AG.

I would now like to elaborate on individual events of the year 2016:

In March there was a splendid appearance of the world's first Slovak children's "RiK" at the Ski World Cup Jasná 2016 - the "RiK" mascot entertained all ski fans and participants at this great event on the slopes of the Chopok.

In the middle of April, Your Family Entertainment AG pioneered the popular "Heroes of the City" children series together with Dickie Toys, the member of the Simba Dickie Group and leading toy manufacturers in the field of radio-controlled vehicles, on the way to produce exciting toys of the popular children's series from the pen of Swedish producer Ruta Ett.

At the beginning of May, with "Heroes of the City", a new format for the whole family of UHD1 by Astra / HD +, one of the first UHD channels in Germany, was tested in cooperation with Your Family Entertainment AG.

The implementation of the capital increase of Your Family Entertainment AG was successful and was registered for entry on 17 June 2016 in the Trade Registry at Munich District Court.

On 22 June, our 2016 Annual General Meeting was hold very successfully. The meeting was well attended, among other things by new, young shareholders, and almost all resolutions were passed with over 99% approval.

In the summer, the "Fix & Foxi" children's and family channel launched together with the legendary service of Suburban FiberCo (Suburban FiberCo). Suburban FiberCo is a multimedia service provider for fiber optics, Internet & telephone services and premium content in Nigeria. The services of Suburban FiberCo Legend Service consist of premium HDTV content, unlimited Internet access, crystal clear phone solutions, smart home and security. Legend offers are incomparable in Nigeria because they combine an outstanding entertainment value with a reliable network at an affordable price for a broad market spectrum.

At the end of August, we were very pleased to announce a strong increase in revenues and EBITDA for the first financial half of the year 2016.

With the occasion of World Children's Day on 20 September, SOS Children's Villages worldwide and "RiC" TV, the educational family station with a pedagogically valuable content, once again set a common symbol for the rights of children all over the world.

On a complete broadcast day, the viewers of "RiC" TV could accompany the SOS children on a journey through the continents, admire breath taking landscapes, discover exciting traditions and get to know enriching foreign cultures.

In September, our international children's and family's channel "Fix & Foxi" TV was again nominated for the shortlist of the Eutelsat TV Awards 2016 in the "Children" category.

After winning the Hot Bird™ TV Award in 2010 and five more nominations, "Fix & Foxi" won the prestigious Eutelsat TV Award as the best children's TV channel, competing against the Children's channel Nickelodeon (Germany) and RTL Kockica (Croatia).

The winner of the Eutelsat TV Prize for Best Children's Channel was announced on 25 November at the "The Night of Satellites" at the award ceremony held in the impressive ambience of the Palazzo del Ghiaccio in Milan. "Fix & Foxi" TV, the first station in the world, named after a well-known comic character, convinced by originality and high-quality standards at national and international level.

On 11 November 2016, the exhibition "Fix and Foxi - Rolf Kaukas big world success" was opened at the Wilhelm Busch Museum, the German museum of caricature and drawing art in the Georgengarten in Hanover, which could have been visited until 26 March 2017.

The exhibition "Fix and Foxi" offered for the first time in Germany an insight into the graphic, creative and entrepreneurial universe of the Fix-and-Foxi-inventor Rolf Kauka. The selected original drawings of the stories and the coloured title sketches are from different artists such as Dorul van der Heide, Ludwig Fischer or Walter Neugebauer. Together with documents and historical material, they enable to follow the development of comics around the two foxes - from the beginnings to the present establishment as comic cult figures on television.

For the exhibition, the same title book was also published by Edition Alfons.

Furthermore, in November, the cooperation of Your Family Entertainment AG with Mitchells & Butlers Germany GmbH, started under the leadership of 39 ALEX- and 4 Brasserie- companies run all across Germany.

The popular comic duo Fix & Foxi will be presented in the ALEX, the German "family-friendly leisure-gastronomy company", with included children's meals on the new children's menu, painting and puzzle fun.

As a result of these successful financial statements of our company, earnings before interest, taxes, depreciation and amortization (EBITDA) were improved by around EUR 2.3 million in 2016.

On the basis of a recommendation from our mandated auditing firm, we decided to convert the valuation methodology of the film assets as part of the preparation of the annual financial statements.

The resulting revaluation of the balance sheet item "Paid-for film assets and other rights" thus amounts to approximately EUR 22.1 million. In the case of booked acquisition costs of around EUR 124 million, the fair value of the film assets remains well above the reported book value.

In the first quarter of 2017, Your Family Entertainment AG was already able to record sales of around EUR 2.7 million.

Finally, we would like to thank you, our shareholders, for your trust in our company, as well as for the members of the Supervisory Board for the ongoing and always active support.

I would also like to thank our team, which has contributed to the ongoing development, as has been the case over the last few years, and the further extension and expansion of the company.

We look forward to continuing to lead Your Family Entertainment AG with such motivated and ambitious employees, to expand the company and to work on the realization of new, successful projects.

Munich, April 2017

Dr. Stefan Piëch
Board of Management

2. About us

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

Behind Your Family Entertainment AG is a young and dynamic team of highly motivated employees who share a common goal: Enthusiasm and passion for responsible and high-quality children's TV programs to children, families and customers all over the world.

In international licensing, we are in the possession one of the largest European independent libraries for children and family entertainment. We can look back on a program period of about 3,500 half-day programs. This contains a large number of series, all lovingly created and with great effort, which allows us to make available a varied offer.

The library is continuously maintained and supplemented by new programs. In the last few years, the value of film stocks has also been sustainably increased. Since May 2014 we have obtained all rights to Rolf Kaukas "Fix & Foxi". Since July 2014, we have also acquired all rights to the series "Albert asks" and "Albert says". In 2015 three series of world format were added to the distribution with "Toot the Tiny Tugboat", "Eena Meena Deeka" and "Badanamu".

Since 2007, we have been successfully running the award-winning pay-TV station "yourfamily", which won the prestigious HOT BIRD TV Award in 2010 and was again nominated for the finals of the best three children's stations worldwide in 2011, 2013, 2014 and 2015. The Pay TV station "yourfamily" got two new station figures in December 2014 and called itself since then "Fix & Foxi". In the year 2016 "Fix & Foxi" won the Eutelsat TV Award in the category "Children Channels". Through the integration of the Fix & Foxi brand in Pay TV, which has a large fan base, not only in Germany, for more than 60 years, the popularity of the two foxes is combined with high-quality TV content for families. Our popular foxes broadcast with their 24-hour, 16: 9 program an optimal mixture of high-quality entertainment and educational content as well as monthly highlights. Through its expanded concept, the channel occupies an independent and clear position in the German-speaking Kids Pay TV market; and this since 2015 even on AmazonFire TV app "Fix & Foxi TV". Thanks to its successful concept, the channel is already present in many countries around the world.

Since 2012 the YFE has also been represented in free TV with the children's channel "RiC". Our family channel is aimed at children from 3 to 13 years of age and persons running the household. Due to the extensive know-how and carefully chosen selection of high-quality content, RiC is positioning itself as the third private children's and family program in the German-speaking world. Both the child-friendly broadcast presentation as well as the decelerated content make RiC a counterpart in the predominantly American and Asian range. RiC is broadcast via satellite (Astra), many cable networks and as a live stream on the internet in the German-speaking countries as well as on iOS and Android mobile platforms.

Since November 2014, RiC has been available at M-net in the Munich area as well as in parts of Augsburg, Nuremberg, Erlangen and Würzburg. Since February 2015, the raven has been travelling through Unitymedia and Kabel BW in the areas of Baden-Württemberg, Hessen and North-Rhine Westphalia. Currently, RiC has extended its reach to more than 34 million households in German-speaking countries. The range in the cable network is further continuously expanded.

Your Family Entertainment AG was able to initiate another innovation with RiC at the end of 2014. "RiK", the world's first children and family channel in Slovakian language was started in early 2015 by a partner of Your Family Entertainment AG in Slovakia.

3. Report of the Supervisory Board

Dear Shareholders,

The Supervisory Board regularly monitored, controlled and advised the work of the Management Board in the 2016 financial year. The Management Board provided the Supervisory Board with comprehensive and timely information in oral and written reports. In addition, there was constant contact between the Supervisory Board and the Management Board even outside the meetings. There were telephone conferences and e-mail exchanges. The Supervisory Board was always informed about the intended business policy, business planning including financial, investment and personnel planning as well as the course of business and the situation of the company.

In financial year of 2016, a total of four meetings were held by the Supervisory Board. All members of the Supervisory Board took part in at least half of the meetings of the Supervisory Board during their term of office in 2016: During these meetings, all key questions of business policy, in particular the economic and financial development of the company, strategy and planning, important business events, legal developments and transactions requiring approval were analytically and empirically analysed in detail, on the basis of very comprehensive and detailed reports, which were discussed and consulted with the Management Board. The Supervisory Board has also voted in the course of telephone conferences. In financial year 2016, the Supervisory Board also exercised its right to inspect the books and documents as well as the assets of the company. The Management Board was always available for inquiries and explanations.

Focus of the discussions on the Supervisory Board

At the core of the Supervisory Board's consultations and control activities stood the ongoing monitoring of the effects of last year's measure to reduce costs in the financial year of 2016. This was a welcome improvement. Sales growth was also positive compared to the previous year. Nevertheless, further steps are necessary to achieve adequate capitalization of the film library.

The Supervisory Board also dealt intensively with the future accounting treatment of the film assets of the company. According to the board of directors and the appointed auditor, the previous method of film evaluation was no longer adequate to adequately reflect the development of film assets. The Supervisory Board agreed with this view. In the future, the company will therefore assess film assets using a Discounted Cash Flow method. The introduction of this method led to extraordinary write-downs of T€ 5,728 and on the other hand to write-ups of T€ 3,178 on the film assets that the company has made. The resulting net effect of T€ 2,550 led to the negative overall result for the year. On the other hand, the operating result (EBITDA) developed positively.

Committees of the Supervisory Board

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

Report on the results of the audit of the financial statements

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

On behalf of the Supervisory Board, Ernst & Young GmbH, Wirtschaftsprüfungsgesellschaft, Munich, audited the bookkeeping system, the annual financial statements and the management report for the 2016 financial year. On the basis of the audit, the auditor issued an unrestricted audit opinion. The annual financial statements and the management report for the company as well as the auditor's reports were submitted to the Supervisory Board and were examined by the Supervisory Board. The above documents were presented by the Supervisory Board in two meetings, on 24 April 2017, in the presence of the auditor, and again on 28 April 2017. All questions of the supervisory board were answered extensively. The auditor has, in particular, explained the new valuation approach in detail and has intensively dealt with the financing of the company. The Supervisory Board took note of the audit results. Even after the final result of the Supervisory Board's own review, no objections have been raised against the annual financial statements and the management report of the company for the 2016 financial year. The Supervisory Board approved the annual financial statements of Your Family Entertainment AG presented by the Management Board. The annual financial statement of Your Family Entertainment AG is thus established.

The Management Board has prepared its report on the company's relations with affiliated companies and presented it to the Supervisory Board together with the audit report submitted to it by the auditor. The auditor has issued the following unrestricted audit opinion:

In accordance with our audit and assessment, we confirm that

1. the actual details of the report are correct,
2. and that in 2016 neither legal transactions subject to reporting requirements nor any reportable measures were required between the company and affiliates."

The auditor has reported on the relationships with affiliates and the key findings of its audit. The review by the Supervisory Board of the report of the Management Board and the auditor's report did not rise any complaints; The Supervisory Board agrees with the findings of the auditor's audit.

In addition, the auditor, in accordance with § 317 para. 4 HGB, has also examined and found that the Management Board has set up a monitoring system that meets statutory requirements for the early detection of risks to the existence of the company and that the Management Board has taken appropriate measures to detect developments at an early stage and to avoid risks.

The auditor submitted the declaration of independence required by the German Corporate Governance Code to the Supervisory Board and disclosed the auditors 'and auditors' reports in the respective financial year to the Supervisory Board.

Corporate Governance and Declaration of Conformity

The subject of corporate governance is of great importance to the Supervisory Board. The Supervisory Board has dealt with the further development of corporate governance principles within the company. The declaration made by the Management Board and the Supervisory Board in accordance with art. 161 of the German Stock Corporation Act is reproduced in the Corporate Governance section of the Annual Report and can be found on the Company's homepage (www.yfe.tv) under Investor Relations.

Further information on corporate governance can be found in the annual report on pages 13 - 15 (Corporate Governance Report).

The Supervisory Board would like to thank the Management Board and all employees for their dedicated services in the 2016 financial year.

Munich, April 2017

Dr. Hans-Sebastian Graf von Wallwitz
Chairman of the supervisory board

4. Shares

4.1 Overview

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

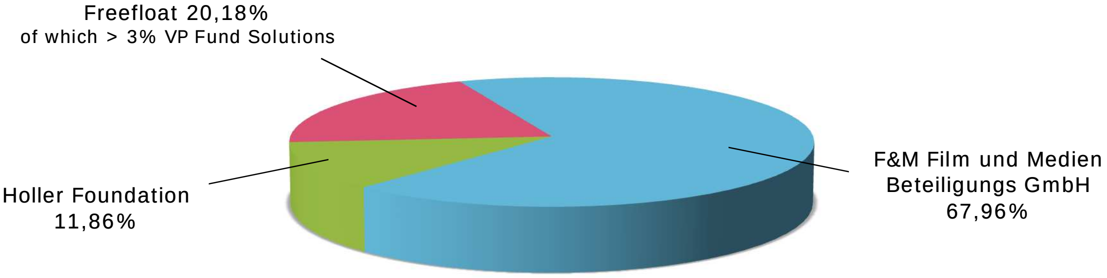
• Number of shares:	10,295,459 units
• Subscribed capital:	€ 10,295,459
• Initial listing:	8 June, 1999
• Business sectors:	Movies+Entertainment

4.2 Development of the share price in 2016

In the period January to December 2016, the price per share (in €) of Your Family Entertainment AG at the Frankfurt Stock Exchange was as follows:

Source: www.ariva.de

4.3 Shareholder structure (as of 31 December 2016)



5. Corporate Governance Report

Your Family Entertainment AG continued to develop its corporate governance in 2016 and largely follows the recommendations and suggestions of the German Corporate Governance Code as amended on 5 May 2015.

The Supervisory Board of Your Family Entertainment AG does not form committees due to its size of three members, but has an independent financial expert who meets the required criteria. He is independent and was not a member of the management (suggestions in section 5.3.2). The Supervisory Board of Your Family Entertainment AG, has in its current composition, very broad expert knowledge, which also takes into account the international orientation of the company (section 5.4.1). YFE will also be guided by this objective in the case of proposals for new elections in the Supervisory Board. Should Your Family Entertainment AG make use of the exemptions in section 5.4.4 of the Code when a member of the Management Board is transferred to the Supervisory Board, the company will give a report on this in the Annual General Meeting.

The compensation for the Management Board and the Supervisory Board is presented in the notes to the annual financial report 2016. Since the remuneration for ongoing contracts was not checked, an internal vertical comparison of the adequacy was not carried out (point 4.2.2 / 4.2.3). No conflicts of interest occurred in either the Management Board or the Supervisory Board in 2016. Possible conflicts of interest of the Supervisory Board member Dr. Sebastian Graf von Wallwitz was thereby promoted by the fact that a cooperation with the law firm Schwarz Kelwing Wicke Westphal, at which Graf von Wallwitz was at the same time a partner, was presented by the company to the Annual General Meeting in 2007 and a corresponding consent had been granted.

In 2016, the Management Board also held a supervisory board mandate at SOS Children's Villages worldwide and one from Seat, S.A. The Supervisory Board reviews the efficiency of its activities every year. The Supervisory Board is of the opinion that a sufficient number of independent members are members of the Supervisory Board.

A comparison of the previous declaration of conformity with the actually implemented corporate governance in the financial year 2016 showed no deviations. Your Family Entertainment AG follows the recommendations of the Government Commission on the German Corporate Governance Code as far as possible and differs only in the areas where this is appropriate for the size of the company, the appropriateness and also the financial framework of a medium-sized company.

The rules of procedure for the Management Board and Supervisory Board remained unchanged in 2016. At the Annual Shareholders' Meeting in 2016 approximately 33 shareholders and guests or 71.34% per cent of the voting capital were represented. All pending for approval items were approved.

Munich, April 2017

Dr. Hans-Sebastian Graf von Wallwitz

(Chairman of the supervisory board)

Dr. Stefan Piëch

(Board of Management)

Declaration of Conformity of the Board of Management and the Supervisory Board of Your Family Entertainment AG regarding the German Corporate Governance Code in accordance with § 161 AktG (German Companies Act)

Pursuant to Section 161 AktG (German Companies Act), the Board of Management and Supervisory Board of a stock exchange listed have to annually declare that the recommendations of the "Government Commission on the German Corporate Governance Code" published by the Federal Ministry of Justice have been respected, which recommendation where not respected, if not, why not.

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

Your Family Entertainment AG will follow the recommendations of the German Corporate Governance Code of 5 May 2015 and will comply with the following exceptions:

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

There is a D & O insurance policy for members of the Supervisory Board, which does not provide for a deductible. The Company does not consider it possible to agree on a deductible to improve the working attitude and the sense of responsibility with which the members of the Supervisory Board perform the assigned tasks and functions. The legal requirements are met for the Executive Board.

Composition of the Management Board (section 4.2.1 sentence 1)

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

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

Insofar as the Code recommends in section 4.2.2 para. 2, sentence 3, in the case of Management Board remuneration, taking into consideration the relationship between the upper management group and workforce as a temporal development, a deviation is declared. In the review of the vertical adequacy, the Supervisory Board did not distinguish itself from the comparison groups of the Code recommendations and also it did not carry out any surveys on temporal development of wages and salary structures. At the conclusion of the current Management Agreement, the Supervisory Board ensured, in accordance with the provisions of the German Stock Corporation Act, that the total remuneration is proportionate to the tasks and performance of the Management Board and does not exceed the usual remuneration.

The Supervisory Board intends, however, to review the vertical appropriateness of the remuneration of the Management Board in the event of a future revision of a Management Board contract on the basis of the criteria of content and timing prescribed by the above-mentioned Code Recommendation.

The recommendation in section 4.2.3 para. 2 sentence 6 of the Code, which provides for the remuneration for members of the Management Board as a whole and also provides the variable remuneration to be subject to maximum amounts, is not complied with. The currently applicable Management Agreement, which has already been concluded prior to the entry into force of the above recommendation, does not provide for a maximum limit for the remuneration as a whole and for the variable remuneration components. However, due to the variable remuneration linked to the performance, the Supervisory Board considers the appropriateness to be assured.

**Diversity in the Board
(Section 5.1.2 para. 1 sentence 2)**

Regarding the composition of the Management Board, the Supervisory Board can not pay attention to diversity, since the company has a sole director. In view of the number of members of the Management Board currently considered to be sufficient for the Company and whose position will be occupied in the foreseeable future, the governmental commissions recommendation for a diversity in the composition of the Board of Management may not be feasible in the near future.

**Formation of committees
(Paragraphs 5.3.1, 5.3.2, 5.3.3)**

With regard to the size of the Supervisory Board (three members), the formation of committees is considered not to be necessary.

Definition of specific objectives 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 specify specific targets for its composition. The Supervisory Board has so far only been guided by the suitability of the candidates for its election proposals for the Supervisory Board with the aim of setting up the Supervisory Board in such a way that its members as a whole have the necessary knowledge, skills and professional experience to perform their duties properly. The Supervisory Board is convinced that this approach has proved successful. Therefore, there is no need to change this practice. Consequently, the recommendations based on this clause 5.4.1 para. 3 are not followed.

**Accounting date
(Section 7.1.2 sentence 4)**

The annual financial statements shall not be made public within 90 days of the end of the financial year, interim reports shall not be made publicly available within 45 days after the end of the reporting period. The resulting workload for timely publication would require unreasonably high costs. The statutory requirements from the perspective of the Management Board and the Supervisory Board are also sufficient for timely information to the shareholders and the capital market.

Your Family Entertainment AG will follow the recommendations of the German Corporate Governance Code of 5 May 2015 since the last Declaration of Conformity of December 2014. The recommendations of section 3.8 (3), 4.2.1 sentence 1, 4.2.2 (2) sentence 3, 4.2.3 paragraph 2 sentence 6, 5.1.2 paragraph 1 sentence 2, 5.3.1, 5.3.2, 5.3.3, 5.4.1 paragraph 2 and paragraph 3, 7.1.2 sentence 4. are not applied.

For the reasons of the deviation from the aforementioned figures, see explanations under no. 1.

Munich, in December 2016

Dr. Hans-Sebastian Graf von Wallwitz
(Chairman of the supervisory board)

Dr. Stefan Piëch
(Board of Management)

6. Annual Financial Statements and Management Report

6.1 Balance sheet as at 31 December 2016

ASSETS		31.12.2016		31.12.2015
	EUR	EUR	EUR	EUR
A. Fixed assets				
I. Intangible assets				
1. Franchises and similar rights acquired for a consideration	103.331,21			118.375,21
2. Film assets and other rights aquired for a consideration	22.073.554,36			25.139.044,59
3. Deposits paid	5.000,00			12.006,13
		22.181.885,57		25.269.425,93
II. Tangible assets				
Other equipment, operational and office equipment		68.287,00		111.230,00
			22.250.172,57	25.380.655,93
B. Current assets				
I. Accounts receivable and other assets				
1. Accounts receivable, trade	980.117,02			631.933,54
2. Other assets	97.658,35			71.517,94
		1.077.775,37		703.451,48
II. Cash on hand and balances with bank		829.184,46		242.526,65
			1.906.959,83	945.978,13
C. Accruals and deferrals			148.386,97	120.109,67
Total assets			**24.305.519,37**	**26.446.743,73**

LIABILITIES

			31.12.2016		31.12.2015
		EUR	EUR	EUR	EUR
A.	**Shareholders' equity**				
I.	**Subscribed capital**	10.295.459,00			9.662.999,00
	Nominal value of treasury shares	-8.758,00			-3.834,00
	Issued capital		10.286.701,00		9.659.165,00
II.	**Capital reserve**		2.788.264,29		2.537.003,73
III.	**Accumulated profit**		653.189,94		3.512.221,53
				13.728.155,23	15.708.390,26
B.	**Provisions & accrued liabilities**				
1.	Pension provisions		314.502,00		320.890,00
2.	Other provisions and accrued liabilities		538.775,64		920.101,00
				853.277,64	1.240.991,00
C.	**Accounts payable**				
1.	Convertible bonds		3.494.760,00		3.494.760,00
2.	Loans from credit institutions		3.406.026,84		3.012.892,83
3.	Advance payments received on account of orders		1.893.417,92		1.846.979,27
4.	Accounts payable, trade		839.849,56		974.736,22
5.	Other liabilities		29.187,36		51.311,16
				9.663.241,68	9.380.679,48
D.	**Accruals and deferrals**			60.844,82	116.682,99
Total liabilities				**24.305.519,37**	**26.446.743,73**

6.2 Profit and Loss Statement for 2016

	2016		2015
	EUR	EUR	EUR
1. Revenues	3.700.227,81		2.534.334,95
2. Other operating income	3.491.829,11		3.206.623,53
		7.192.056,92	5.740.958,48
3. Cost of materials			
a) Costs for licenses, commissions and materials	215.867,10		164.060,63
b) Cost of purchased services	848.768,80		942.784,11
		1.064.635,90	1.106.844,74
		6.127.421,02	4.634.113,74
4. Personnel costs			
a) Salaries	1.017.093,44		1.408.479,13
b) Social security expenses and expenses for pensions schemes and support thereof pensions € 2,464,64 (prev. year € 22,223.76)	153.540,01		238.711,57
	1.170.633,45		1.647.190,70
5. Depreciation on intangible assets and property, plant and equipment	6.363.698,25		719.427,89
6. Other operating expenses	1.151.585,08		1.620.932,29
		8.685.916,78	
		-2.558.495,76	646.562,86
7. Other interest and similar income	0,00		3,04
8. Interest and similar expenses	284.724,34		259.784,72
		-284.724,34	-259.781,68
9. Taxes on income and earnings		15.503,49	3.444,69
10. Earnings after taxes		-2.858.723,59	383.336,49
11. Other taxes		308,00	2.479,60
12. Net loss (prev. year net profit)		-2.859.031,59	380.856,89
13. Profits brought forward from previous year		3.512.221,53	3.131.364,64
14. Balance sheet profit		653.189,94	3.512.221,53

6.3 Cash flow statement for 2016

	2016 €k	2015 €k
1. Cash flow from operating activities		
Annual result	-2.859	381
Depreciation of value of assets and other similar rights	6.264	628
Depreciation on remaining items of fixed assets	100	91
Write-ups for value of film assets and other rights	-3.178	-2.997
Change in long-term provisions and accrued liabilities	-7	15
Other non-cash income	-158	-207
Interest payable	285	260
Tax expenses	3	3
Increase (prev. year decrease) in trade receivables	-383	61
Increase (prev. year decrease) in other assets	-55	219
Decrease in trade payables	-135	-26
Decrease (prev. year Increase) in other liabilities	-366	127
Cash from ongoing business activities before interest and taxes	**-499**	**-1.445**
Interest payments	-133	-107
Tax expenses	-3	-3
Cash flow from operating activities	**-635**	**-1.555**
2. Cash flow from investment activities		
Payments for investments in property, plant and equipment	-11	-81
Payments for other investments in other intangible assets (including advance payments)	-29	-79
Payments for investments in film assets and in other rights	-21	-302
Cash flow from investment activities	**-61**	**-462**
3. Cash flow from financing activities		
Payments for the purchase of treasury shares	-7	-41
Proceeds from the sale of treasury shares	0	138
Proceeds from the issue of bonds	886	0
Proceeds from borrowing via financial loans	610	1.322
Repayments of financial loans	-217	-433
Cash flow from financing activities	**1.272**	**986**
4. Cash funds at the end of the period		
Net change in cash and cash equivalents	586	-1.031
Cash and cash equivalents at beginning of the period	243	1.274
Cash and cash equivalents at end of the period	829	243
5. Composition of cash and equivalents		
Liquid funds	829	243

6.4 Equity analysis 2016

	Subscribed capital	Less nominal value of treasury shares	Issued capital	Capital reserve	Accumulated profit	**Equity**
	EUR	EUR	EUR	EUR	EUR	EUR
1.1.2014	9,662,999.00	-13,000.00	9,649,999.00	2,527,457.81	2,400,777.40	14,578,234.21
Purchase of own shares	0.00	-209,000.00	-209,000.00	-47,757.39	0.00	-256,757.39
Sale of own shares	0.00	140,000.00	140,000.00	39,040.00	0.00	179,040.00
Net profit	0.00	0.00	0.00	0.00	730,587.24	730,587.24
31.12.2014	9,662,999.00	-82,000.00	9,580,999.00	2,518,740.42	3,131,364.64	15,231,104.06
1.1.2015	9,662,999.00	-82,000.00	9,580,999.00	2,518,740.42	3,131,364.64	15,231,104.06
Purchase of own shares	0.00	-31,834.00	-31,834.00	-9,236.69	0.00	-41,070.69
Sale of own shares	0.00	110,000.00	110,000.00	27,500.00	0.00	137,500.00
Net profit	0.00	0.00	0.00	0.00	380,856.89	380,856.89
31.12.2015	9,662,999.00	-3,834.00	9,659,165.00	2,537,003.73	3,512,221.53	15,708,390.26
1.1.2016	9,662,999.00	-3,834.00	9,659,165.00	2,537,003.73	3,512,221.53	15,708,390.26
Purchase of own shares	0.00	-4,924.00	-4,924.00	-1,723.44	0.00	-6,647.44
Sale of own shares	0.00	0.00	0.00	0.00	0.00	0.00
Capital increase	632,460.00	0.00	632,460.00	252,984.00	0.00	885,444.00
Net loss	0.00	0.00	0.00	0.00	-2,859,031.59	-2,859,031.59
31.12.2016	10,295,459.00	-8,758.00	10,286,701.00	2,788,264.29	653,189.94	13,728,155.23

6.5 Notes to the financial statements for 2016

I. General Information

The Annual Financial Statements of Your Family Entertainment AG (Amtsgericht Munich, HRB 164922), for financial year 2016, were prepared in accordance with §§ 242 ff., 264 ff of the German Commercial Code (HGB) and the relevant provisions of the German Stock Corporation Act (AktG). The regulations apply to large corporations, since the corporation is capital-market-oriented within the meaning of § 264 d HGB.

Your Family Entertainment AG is based in Munich, Nordendstraße 64, Germany.

Scope of business:

Design, editing and production of films, picture and sound recordings, merchandising articles, purchase and sale of rights, participation in broadcasting companies and the operation of radio and television stations, trade in films, picture and sound carriers, merchandising articles on national and international level, as well as event marketing. The company is also a full-service provider agency for the marketing of own and foreign merchandising rights at home and abroad. In addition, the operation of a music-publishing house and all related or business-promoting businesses, including the production of music, in particular film music, by the company itself or by a third party, is the subject of the company.

The business activities are divided into the segments "Productions" and "License Sales".

II. Accounting and valuation methods

Accounting and valuation are carried out according to the following principles:

Balance sheet

The acquired film assets and other rights are stated at amortized cost. Scheduled depreciation is based on the utilization of film rights. In accordance with the pro rata sales realized in the financial year in relation to the overall planned utilization of the individual film rights, including the sales realized in the financial year, the periodic pro rata utilization-related depreciation is carried out.

In the course of the review of the procedure for the determination of the fair value of the individual film rights as well as the greater concentration on the broadcasting business, it was decided for the financial year 2016 to change the procedure for determining the fair value of the individual film rights.

According to the method used in 2016, the individual film rights are assessed on the basis of the method of the immediate cash flow forecast. The starting point in this case is the financial surplus, which is given for each film right. The specific cash flows are determined separately for each individual film right based on the various areas of licensing revenues, television revenues (separately from pay TV and free TV), exploitation proceeds, merchandising proceeds and other revenues. For the planning period of the cash flows to be used, the economic lifetime or the remaining useful life is taken into account separately for each individual film right.

The cash flows generated in this way are discounted using a risk-adjusted capitalization rate in order to determine the corresponding present value on the valuation date. The calculation of the capitalization rate or the weighted average cost of capital (WACC) is based in particular on the corresponding parameter values of a group of listed peer group companies (peer group), which are used to calculate capital costs, borrowing costs and capital structure. In line with the capital asset pricing model (CAPM), capital-specific capital costs are composed of a risk-free base rate and a market risk premium.

On the basis of the procedure for determining the value per film right, the corresponding fair values are determined, which are compared with the respective book values per film right within the framework of the lowest value test (so-called impairment test).

If a lower value is determined for fair value compared to the carrying value of the individual film right on the valuation date, an impairment loss is recognized. In the financial year 2016, extraordinary write-downs totalling €5,728k were recognized on the basis of the valuation method applied and on the basis of this comparison.

Similarly, at fair value, which is higher than the book value as of the valuation date, an amortization is made under the amortized cost of the respective film right if an impairment no longer exists or has been diminished.

This means that an increase or decrease in the value of an asset is recognized only to the extent that it does not exceed the carrying amount that would have resulted, taking into account depreciation effects if no impairment loss had been recognized in previous years (amortized cost). In the financial year 2016, write-ups of €3,178k were recorded on the basis of the valuation method used and the corresponding calculation. This is shown in the item "other operating income".

In the case of a continuation of the procedure applied up to and including the year 2015, which was essentially based on the derivation of market prices from an external reference source per territory in conjunction with the application of different influencing factors (detailed descriptions can be taken from the annual accounts of previous years), this would result in a very limited impact on the net assets, financial position and results of operations.

The purchased computer software, as well as the fixed assets are valued at the acquisition cost minus the accumulated depreciation. Depreciation on computer software is carried out according to the linear depreciation method pro rata temporis. Movable fixed assets are also amortized on a straight-line pro rata temporis basis. The depreciation period corresponds to the usual operating times of the assets. It amounts to three years for software and for two to ten years for other equipment and business equipment.

Receivables and other assets are stated at their nominal value. All risk-taking items are taken into account by the formation of appropriate specific value adjustments. There is also a general allowance for the general credit risk of 1%.

Provisions for pensions are calculated using the projected unit credit method of Reference Guidelines 2005G by Dr. Klaus Heubeck. The average market interest rate for the past ten years (previous seven years) for a remaining term of 15 years of 4.01% (previous year 0.39%) was used as a basis for the discount rate according to the provisions of German Regulation on the Discounting of Provisions from 18 November 2009. Expected salary and pension increases were not to be taken into account. The difference resulting from the comparison of the 10-year period to the 7-year period is €22k.

Other provisions cover all identifiable risks and uncertain liabilities. They are equal to the amount of the performance (that is, including future cost and price increases) Other provisions with a maturity of more than one year are discounted using the maturity-appropriate interest rate according to the provisions for accrued interest.

Liabilities are stated at the fulfilment amount.

Foreign currency amounts are valued at the exchange rate at the date of the balance sheet. For a term of more than one year, the realization and acquisition cost principle is taken into account.

Economic relationships are reflected in the balance sheet as a result of the formation of valuation units. When applying the "freezing method" compensatory changes from risk are not recognized. The positive and negative changes in the value of both the hedged item and the hedging instrument are recognized without affecting the profit and loss account.

For the purpose of determining deferred taxes due to temporary or quasi-permanent differences between the commercial values of assets, liabilities and deferred revenue items and their tax values or tax loss carry-forwards, the amounts of the resulting tax relief are compared with the company-specific tax rates (32.98%) at the time of the reduction and are not discounted.

Deferred tax assets on the balance sheet date essentially result from pension provisions, other provisions and foreign currency gains.

The option to activate deferred taxes is not utilized.

Profit and Loss Statement

The Profit and Loss Statement is organized according to the total cost method.

This structure is compared with the previous year by the first-time application of the HGB, as amended by the Accounting Directive Implementation Act (BilRUG), in the following respects:

Deletion of the previous items "Extraordinary income" and "Extraordinary expenses" as well as "Profit from ordinary activities" and "Extraordinary result". Insertion of the item "Profit after tax" between the items "Income taxes" and "Other taxes".

Revenue is realized as a function of the respective license agreement, in particular according to the following criteria:

- A bilateral signed license agreement exists;
- The contractual obligations regarding the delivery / provision of the material have been fulfilled;
- The licensing period has begun;
- The contractual remuneration is determinable, for example by the periodic reports of the video-on-demand (VoD) platforms.

Whether the rights are only used by the licensee at a later date is irrelevant for the time of realization of the transaction.

In the case of merchandising sales (division "License Sales"), the guaranteed revenues are recorded at the conclusion of the contract or the beginning of the respective license period. In the case of merchandising sales (division "License Sales"), the guaranteed revenues are recorded at the end of the contract.

Sales in the "Production" division are realized after completion and acceptance.

III. Explanatory notes to the balance sheet

Fixed assets

The development of the individual items of the fixed assets is shown in the notes to the consolidated financial statements, including the depreciation of the financial year.

Receivables and other assets

Items with a maturity of more than a year in the case of receivables from trade in amount of €7k (previous year €21k) and in case of other assets in amount of €0k (previous year €7k).

Equity

Registered capital

The share capital of Your Family Entertainment AG as of the balance sheet date was divided into 10,295,459 shares with a pro-rata share of € 1.00 As of December 31, 2016, the share capital amounts to € 10,295,459.00. The shares are named. They are fully paid.

As of 31 December 2016, F & M Film and Media Beteiligungs GmbH, Vienna, Austria, owns 67.96% of the share capital.

Capital reserve

In order to offset the purchase price exceeding the nominal amount for 4,924 treasury shares, the freely available capital reserve was taken out of €1,723.44 in 2016.

An agio of €252,984.00 was received as part of the cash capital increase and transferred to the capital reserve.

Authorized Capital 2016

On June 22, 2016 the General Assembly has resolved to cancel the 2012 authorized capital and at the same time approved a new Authorized Capital (Authorized Capital 2016).

The following resolution was adopted:

a) the authorization of the Board of Management, with the approval of the Supervisory Board shall increase the company’s capital on one or more occasions by a total of up to €4,831,499 (authorized capital 2012) by June 26, 2017, and if not yet utilized, it will create a new authorized capital under b) to d) with effect from the date of entry of the new authorized capital.

b) The Board of management is authorized, with the approval of the Supervisory Board, to increase the company's capital by one or more times up to €4,831,499 at the latest by June 21, 2021, by issuing up to 4,831,499 new registered shares with the right to profit from the beginning of the current financial year at the time of issue, against cash and / or contributions (Authorized Capital 2016). Shareholders must, be granted a subscription right; the statutory subscription right may also be granted in such a way that the new shares are taken over by a credit institute or an institution equated with § 186 para. 5 sentence 1 AktG with the obligation to offer them to the shareholders of Your Family Entertainment AG for subscription. However, the Management Board is authorized, with the approval of the Supervisory Board, to exclude the statutory subscription rights of shareholders, if

- a capital increase for cash contributions does not exceed 10% of the share capital and the issue price of the new shares is not significantly lower than the exchange price (§ 186 para 3 sentence 4 AktG); In exercising this authorization under exclusion of subscription rights pursuant to section 186 (3) sentence 4 AktG, the exclusion of the subscription right is to be taken into account due to other authorizations pursuant to section 186 (3) sentence 4 AktG;

- the shares are issued against non-cash contributions for the purpose of acquiring companies or participations in companies or parts of companies or for the purpose of acquiring claims against the company;

- to the necessary extent to compensate for peak amounts.

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

The Supervisory Board is authorized to adjust the version of the Articles of Association in accordance with the respective utilization of Authorized Capital 2016.

d) § 4 para. (3) the Articles of Incorporation shall be amended in accordance with the following:

“(3) The Board of Management is authorized, with the approval of the Supervisory Board, to increase the company's capital by one or more times up to €4,831,499 at the latest by June 21, 2021, by issuing up to 4,831,499 new registered shares with the right to profit from the beginning of the current financial year at the time of issue, against cash and / or contributions (Authorized Capital 2016) Shareholders must, be granted a subscription right; the statutory subscription right may also be granted in such a way that the new shares are taken over by a credit institute or an institution equated with § 186 para. 5 sentence 1 AktG with the obligation to offer them to the shareholders of Your Family Entertainment AG for subscription. However, the Management Board is authorized, with the approval of the Supervisory Board, to exclude the statutory subscription rights of shareholders, if

- a capital increase for cash contributions does not exceed 10% of the share capital and the issue price of the new shares is not significantly lower than the exchange price (§ 186 para 3 sentence 4 AktG); In exercising this authorization under exclusion of subscription rights pursuant to section 186 (3) sentence 4 AktG, the exclusion of the subscription right is to be taken into account due to other authorizations pursuant to section 186 (3) sentence 4 AktG;

- the shares are issued against non-cash contributions for the purpose of acquiring companies or participations in companies or parts of companies or for the purpose of acquiring claims against the company;

- to the necessary extent to compensate for peak amounts.

c) The Management Board is authorized, subject to the approval of the Supervisory Board, to determine the further details of the capital increase and its implementation. The Supervisory Board is authorized to adjust the version of the Articles of Association in accordance with the respective utilization of Authorized Capital 2016.

Conditional Capital 2013

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

The following resolution was adopted:

a) The Management Board is authorized, subject to the approval of the Supervisory Board, to issue convertible bonds with a term of up to 20 years, once or several times, to the bearer of up to €10,000,000.00 until 6 November 2018 and to the holders of the convertible bonds, conversion rights to new shares of the Company with a pro-rata amount of the share capital of up to a total of €2,300,000.00 according to the terms of the convertible bond terms. The convertible bonds may be issued once or several times, in whole or in part, as well as simultaneously in different tranches.

Shareholders generally have a subscription right to convertible bonds. The statutory subscription right may also be granted in such a way that the convertible bonds are taken over by one or more credit institutions with the obligation to offer them to the shareholders for subscription. However, subject to the approval of the Supervisory Board, the Management Board is authorized, with the approval of the Supervisory Board, to completely or partially exclude the subscription right of the company's shareholders to the convertible bonds with conversion rights to shares of the company in order to exclude fractional rights arising from the subscription right of the shareholders.

In the case of the issuance of convertible bonds, the holders of the convertible bonds are entitled to convert their convertible bonds into shares of Your Family Entertainment AG according to the terms of the convertible bond conditions. The pro rata amount of the share capital of the shares to be issued upon conversion may not exceed the nominal value of the convertible bonds. The conversion ratio results from the division of the nominal value of a convertible bond by the nominal value for one share of Your Family Entertainment AG. It may be envisaged that the conversion ratio shall be variable and the conversion price determined within a fixed bandwidth depending on the performance of the share price during the term or during a specific period within the term. The conversion ratio may in any case be rounded up or rounded down to an integer number; an additional payment shall be made in cash. Moreover, it may be provided that peaks are aggregated and / or compensated for in cash.

The respective convertible bond terms may also provide that in the case of the conversion exercise, the company does not grant shares to the convertor but instead pays the equivalent in cash. In addition, the respective convertible bond conditions may stipulate that, in the event of conversion, treasury shares are also granted.

The conversion price for a share to be determined must be at least 80% of the average closing price of the shares of the company in the trading income of the Frankfurt Stock Exchange or, if the shares are included in XETRA trading, or a corresponding successor system on the last ten trading days before the date of the adoption by the Management Board of the issue of the convertible bonds. Sections 9 (1), 199 (2) AktG shall remain unaffected.

The Management Board is authorized, subject to the approval of the Supervisory Board, to determine the further details of the issue and furnishing of the convertible bonds, in particular interest rate, issue price, maturity and denomination, conversion price and conversion period.

b) The share capital is conditionally increased by up to €2,300,000.00 by issuing up to 2,300,000 new bearer shares (Conditional Capital 2013). The contingent capital increase serves to grant shares to the holders of convertible bonds issued pursuant to the above authorization. The Conditional Capital Increase is only implemented to the extent that the holders of convertible bonds issued by the Company on the basis of the authorization of the General Meeting of Shareholders on November 7, 2013 until November 6, 2018 make use of their conversion right and not operate any other form of performance. The new shares will participate in the profits from the beginning of the financial year in which they arise through the exercise of conversion rights. The Management Board is authorized, subject to the approval of the Supervisory Board, to determine the further details of the capital increase and its implementation. The Supervisory Board is authorized to adjust the version of the Articles of Association in accordance with the respective utilization of Authorized Capital. § 4 of the Articles of Association shall be added to the above resolutions.

Resolution on the conversion of bearer shares to registered shares and related amendments to the Articles of Association as well as the adjustment of authorizations

The Extraordinary General Meeting of June 24, 2015 decided the following:

a) The provisions applicable under b) regarding the changes in the Articles of Incorporation are converted into registered shares.

b) The Articles of Incorporation shall be amended and reworded as follows in Section 5 (1) and (2):

"(1) All shares are nominal shares (registered shares).

(2) If, in the event of a capital increase, the resolution does not specify whether the new

shares are to be issued to the bearer or nominally, they shall be named/nominal. "

c) The Articles of Incorporation shall be amended and reworded as follows in Section 4 (3) and (1):

"The Management Board is authorized, with the approval of the Supervisory Board, to to increase the company's capital by one or more times up to €4,831,499 at the latest by June 26, 2017, by issuing up to 4,831,499 new registered shares with the right to profit from the beginning of the current financial year at the time of issue, against cash and / or contributions (Authorized Capital 2012)."

d) aa) The authorization to issue bearer shares is decided by the Extraordinary General Meeting of Shareholders on November 7, 2013. The authorization instead of granting convertible bonds to bearer shares, grants convertible bonds on the registered shares.

bb) The contingent capital increase for the servicing of convertible bonds, resolved by the Extraordinary General Meeting of Shareholders on November 7, 2013, is amended in such a way that the contingent capital increase takes place by issuing shares on the registered shares instead of by issue of bearer shares.

cc) In the case of already issued convertible bonds, holders of conversion rights instead of the right to receive bearer shares have now the right to purchase registered shares. The terms of the convertible bonds remain unaffected.

dd) The Articles of Incorporation of the Company shall be amended and reworded as follows in § 4 (4) sentence 1:

The registered capital is conditionally increased by up to €2,300,000.00 by issuing up to 2,300,000 new bearer shares (Conditional Capital 2013).

Share buyback

In 2016, the authorization to acquire shares was renewed at the Annual General Meeting on June 27, 2012 and at the Annual General Meeting on June 22, 2016, it was exercised and a total of 4,924 (0.05% of the share capital) shares with a nominal value of €4,924 at a total price of €7k were bought.

As a result, the shares amounted to 8,758 shares on the balance sheet. This corresponds to 0.09% of the share capital.

Accruals

Other accruals mainly relate to personnel costs of €81k (previous year €145k), Accruals for outstanding invoices €123k (previous year €228k) as well as accruals for final cost and audit costs T€ 47 (previous year €43k) and remuneration of the Supervisory Board €49k (previous year €46k). In addition, a provision for impending losses from derivative financial instruments in the amount of €42k (previous year €59k) was formed.

Convertibles

In 2014, convertible bonds with a total value of €3,494,760.00 were issued. The holders of the convertible bonds were granted conversion rights to new shares of the company with a pro-rata share capital of €1,456,150.

Liabilities

Liabilities as of 31.12.2016 in € k	up to 1 year	1 - 5 years	> 5 years	Total
Convertible bonds	0	3,495	0	3,495
Loans from credit institutions	3,406	0	0	3,406
Advance payments received on account of orders	1,893	0	0	1,893
Accounts payable, trade	549	291	0	840
Other liabilities - of which are taxes - of which are social security	29 (19) (0)	0 (0) (0)	0 (0) (0)	29 (19) (0)
Total Accounts payable	**5,877**	**3,786**	**0**	**9,663**

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

In order to secure the liabilities against credit institutions, collateral was granted in the form of rights and claims from film licensing agreements. In addition, the liabilities to credit institutions are subject to unauthorized disclosure and blank change.

Other financial obligations

The other financial obligations due within one-year amount to €622k and are mainly divided into rental (€60k), leasing (€13k), and consulting service obligations (€549k).

Within a period of 2 to 5 years, a total of €470k is due, primarily for leasing and consulting service expenses.

Derivative financial instruments

The company has concluded to secure interest rate and uses hedging instruments. These financial instruments will be effective from 1 June 2012.

Type/Category in € k	Nominal amount	Fair value Current market value	Book value
Interest swap	500	-51	n/a
Interest swap	300	-31	n/a
Cap	700	-25	-25
Cap	500	-17	-17
Total	**2,000**	**-124**	**-42**

Regarding the closed position of the underlying transactions, no provisions were made.

For the Caps, other provision in the amount of €42k (previous year €59k) was formed.

The following assessment methods were used:

The values given are present values. Any past payment flows (e.g. interest or premium payments) are not taken into account. Future payment flows from variable payments as well as discount rates are determined on the basis of generally accepted financial mathematical models. Interbank rates are used for the valuation.

Assessment units

The following valuation units were formed:

Hedged item/ hedging tool	Risk/ type of hedging relationship Valuation unit	Amount involved (€ k)	Hedged risk (€ k)
Loan liabilities/ interest swaps	Interest rate risk/ micro hedge	800	-82

The underlying transaction is a floating-rate credit line, which is highly likely to be used at least to the amount of the hedging instrument during the hedging period (1 June 2012 to 3 June 2019). The countervailing cash flows from hedged transactions are likely to be almost fully offset during the hedging period, as payments from the interest rate swaps are offset by a basic transaction in the same amount. The effectiveness of hedging relationships is determined on the basis of the "hypothetical derivative method". As of the balance sheet, no provision was made for this.

IV. Explanatory notes to the Profit and Loss Statement

Revenues

Sales revenues were generated abroad with €1,724k (previous year €876k resp. €866k before BilRUG reclassification) in Germany and €1,976k (previous year €1,670k and €1,668k before BilRUG reclassification).

Revenue in the amount of €3,700k was fully realized in the "License Sales" area (previous year €2,546k and €2,534k before reclassification according to BilRUG).

Other operating income

This item includes, in particular, income from write-ups on film assets in the amount of €3,178k (previous year €2,996k).

In addition, income from currency translation in the amount of €16k (previous year €43k) is reported.

Cost of materials

The figure relates to revenue-related expenses for licenses, commissions, materials and purchased services. This mainly contains the cost of purchased services of €849k (previous year €943k), for Licenses (authors' shares) with €128k (previous year €118k) and provisions €86k (previous year €41k).

Personnel costs

The average number of employees including apprentices and trainees, but without the members of the management board, was 18, (previous year 28, 2 of them (previous year 8) part-time employees.

Write-downs

On the basis of the impairment test carried out (impairment tests), extraordinary depreciation on film assets amounted to €5,728k (previous year €484k). In addition, depreciation-related amortization on film assets totalled €536k (previous year €144k).

Other operating expenses

Under this collection, maintenance costs, administrative costs (in particular investor relations, legal, court, examination and consulting costs), lease and leasing costs as well as press, advertising and measuring costs are recorded.

In addition, a currency translation cost in the amount of €24k (previous year €52k) is reported.

Interest and similar expenses

Expenses from the discounting of provisions amount to €12k (previous year €13k).

Taxes on income and profit

This item of €16k relates solely to foreign withholding tax.

Significant transactions with related parties

In accordance with a credit agreement of €1.3 million with UniCredit Bank Austria AG, Vienna, the F&M Film und Medienbeteiligungs GmbH has given a letter of comfort for Your Family Entertainment AG. In so doing, F & M Film and Media Beteiligungs GmbH has undertaken to maintain its stake unchanged and to ensure that Your Family Entertainment AG is managed and financed in the same way as long as the loan, including interest and incidental expenses, is not repaid in full and that it is always in a position to meet its current and future obligations vis-à-vis the lender in due time.

In the context of a credit agreement of more than €1.1 million with UniCredit Bank Austria AG, Vienna, F & M Film and Media Beteiligungs GmbH, Vienna, broadened the scope of the above-mentioned patronage agreement to €1.1 million.

There were no transactions in non-market conditions.

V. Information on the company's statutory bodies

Supervisory Board

Members of the supervisory board are:

- Dr. Hans-Sebastian Graf von Wallwitz, Munich, Germany
  Lawyer
  (Chairman)
- Dr. Andreas Aufschnaiter, Munich, Germany

  Management Consultant, Member of the Board of Management MS Industrie AG (Deputy Chairman)
- Mag. Johannes Thun-Hohenstein, Vienna, Austria
  Media consultant, coach and civil rights mediator

The total remuneration (without expenses) of the Supervisory Board amounted to €45k in financial year 2016. Pursuant to Article 16 of the Articles of Incorporation, the Chairman is reported with €20k, the Deputy Chairman with €15k and the remaining members €10k. As at 31 December 2016, the members of the Supervisory Board held 100 shares.

Further mandates of the Supervisory Board members in supervisory boards and other control bodies within the meaning of section 125 (1) sentence 3 AktG are:

- Dr. Hans-Sebastian Graf von Wallwitz: Member of the Board of at Fenix Outdoor International AG, Zug, Switzerland
- Dr. Andreas Aufschnaiter:
  Regular member of the Supervisory Board
  - MEA AG, Aichach
  - STEMAS AG, Munich
  - Beno Holding AG, Starnberg
  - Wolftank-Adisa Holding AG, Innsbruck

Board of Management

The sole director of Your Family Entertainment AG is:

Dr. Stefan Piëch, Vienna, Austria
Film industry businessman

Further mandates of the Supervisory Board members in supervisory boards and other control bodies within the meaning of section 125 (1) sentence 3 AktG are:

- SOS-Childrens' Villages, worldwide, Munich

- SEAT, S.A., Martorell

The total earnings of the board in the financial year 2016 were 201,000 Euro and contained fixed earnings and insurance contributions. Because of the falling below the agreed target, no variable remuneration occurred.

On the reporting date, the board held 121,251-unit shares.

The total earnings for the former members of the board were €17k. The pension provisions for former members of the board and their surviving dependants are formed in full value and were €286k on December 31, 2016.

VI. Audit and consultancy fees

The total fee for the business year of the audit checker is €57k, from which €57k are for the final audit services.

VII. Report on post-balance sheet date events

No special processes occurred for the financial and income situation after the end of the business year 2016.

VIII. Declaration in accordance with § 161 AktG (German Companies Act) relating to the Corporate Governance Codex

Die Your Family Entertainment AG, Munich, has presented the statement provided by § 161 AktG for the year 2016 and has made it available to the shareholder in December 2016 on the internet page of the company (www.yfe.tv) under the heading Investor Relations.

Munich, April 28, 2017

The Board of Management

Dr. Stefan Piëch

IX. Development of the fixed assets 2016

Development of fixed assets 2016

	1.1.2016 EUR	Acquisition cost Acquisitions EUR	Disposals EUR	Exits EUR	31.12.2016 EUR	Cumulative depreciation & amortisation EUR	Balance sheet value 31.12.2016 EUR	Annual depreciation EUR	Write-ups 2016 EUR	Balance sheet value 31.12.2015 EUR
I. Intangible assets										
1. Franchises and similar rights acquired for a consideration	241,167.04	23,560.31	12,006.13	0.00	276,733.48	173,402.27	103,331.21	50,610.44	0.00	118,375.21
2. Film assets and other rights acquired for a consideration	125,479,657.94	20,520.77		1,471,742.46	124,028,436.25	105,132,826.50	22,073,554.36	6,263,955.61 [1)]	3,177,944.61	25,139,044.59
3. Deposits paid	12,006.13	5,000.00	-12,006.13	0.00	5,000.00	0.00	5,000.00	0.00	0.00	12,006.13
	125,732,831.11	49,081.08	0.00	1,471,742.46	124,310,169.73	105,306,228.77	22,181,885.57	6,314,566.05	3,177,944.61	25,269,425.93
II. Tangible assets										
Other equipment, operational and office equipment	429,978.87	10,638.20	0.00	31,247.70	409,369.37	341,082.37	68,287.00	49,132.20	0.00	111,230.00
	126,162,809.98	59,719.28	0.00	1,502,990.16	124,719,539.10	105,647,311.14	22,250,172.57	6,363,698.25	3,177,944.61	25,380,655.93

1) Thereof unscheduled amortization totalling EUR 5,728,176.57

6.6 Status report for 2016

A. General

Your Family Entertainment AG (YFE), Munich, is in Germany one of the most established company in the production fields as well as in the license trade of entertainment programs for children, young people and families.

YFE, which used to act under the name of RTV Family Entertainment AG (RTV) and has its origins in Ravensburger AG, focuses mostly on educational and violence-free programs for the whole family.

The high-quality program library comprises over 3,500 half-hour programs and is therefore one of the largest of its type in Europe. The structure of the library was started by the Ravensburger concern more than 35 years ago and is further developed by YFE in this values tradition.

The business fields of the company are divided into the fields „License Sales“ and „Productions“.

The movie library with its complex exploitation rights is exploited complexly and regionally from economical point of view.

An exploitation type is the international licensing of individual series of characters of free and Pay-TV stations, home entertainment companies, video-on demand platforms (VoD) and providers in the field “New media”, like e.g. Mobile TV channels as well as the whole value chain in the marketing ancillary rights.

Among these there is also the manufacturing and the own and external distribution of DVD and audio products in the field Home Entertainment. The direct sales is carried out under the DVD label "yourfamilyentertainment".

Furthermore, the YFE has been successfully operating in the market since the end of 2007 with its own Pay-TV station “yourfamily”, where own series are offered as program. The channel broadcasts 24 hours program over satellite, cable and DSL (IPTV). In 2010 and 2016 „yourfamily” resp. „Fix&Foxi“ was awarded with the BirdTM TV Award in the category Children’s and in 2011, 2013 and 2014 it was nominated for the finale of the three best children channels in the world. The Pay-TV channel offer was extended in May 2014 by sending and trade of the “yourfamily” channel in the Sub-Saharan region of Africa. In December 2014 “yourfamily” was replaced with the “Fix&Foxi” channel. The range of “Fix&Foxi” has been extended ever since. At the moment “Fix&Foxi” can be received via eight satellites on the following four continents: South and North America, Europe and Africa.

Since 2012 YFE has been active in the Free-TV with the children channel “RiC”. RiC can be received via satellite (Astra) all over Europe, via cable networks and in live stream in the German language region. Economically speaking RiC contributes through the sales of advertising on the channel, resp. through the sales of airtime.

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

B. Economic Review

1. Economical frame conditions

1.1 General economic climate

„The upturn in Germany and in the European space continues. For Germany, the expert council expects increase rates of the real gross domestic product (GDP) of 1.9% in 2016 and 1.3% in 2017.

The forecast decrease of the increase rate is caused mostly by a calendar effect. The basic increase dynamic is mostly maintained. This way the German economy is exposed to an excessive workload.

For the European space the expert council forecasts a real increase of 1.6% in 2016 and 1.4% in 2017.

The world economy increases moderately. The further development is, however, exposed to numerous risks. Among these risks there are geopolitical risks and the political insecurity in Europe, determined based on the population survey of Brexit. To these, possible turbulence on the international financial markets and the hard transformation process in China are added, which is reflected in the reduced German exports to China.

The worldwide loose monetary policy indicates a false tasks distribution:

The permanently higher increase is possible only with monetary political measures. In the European space the extraordinary loose monetary policy of the European Central Bank has significantly contributed to the upturn, but the extent of the loosening is not appropriate anymore considering the economic recovery. Since significant structural problems persist, the upturn is not self-supporting anymore.

The reform impetus has grown weary and some member states lack the needed budget discipline. The monetary policy covers these problems and endangers the financial market stability more and more. The withdrawal from the expansive monetary policy becomes more and more complicated.

The delay of problems endangers the European project. The crisis in the European space has increased the scepticism towards Europe. The result of the population survey in the United Kingdom about the Brexit and the inflow of Europe-critical parties signalize an increasing turning away from Europe. Without the availability for basic reforms the durable performance of the European Union (EU) cannot be assured. This could lead to further setbacks for the European integration."

(Source: The expert's council in the statistic federal office, Wiesbaden brief version of the annual certification 2016/17 in November 2016)

1.2 Entertainment and media industry

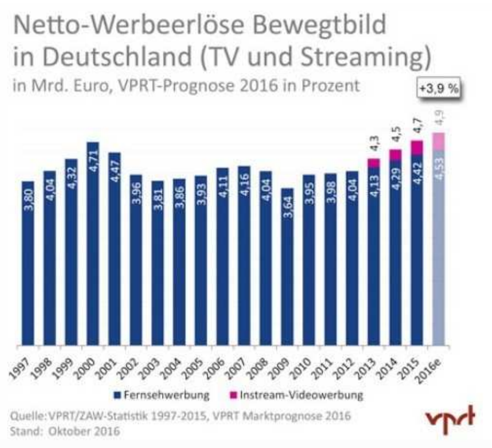
The forecast for the media market of the Verband Privater Rundfunk und Telemedien e.V.(VPRT) from October 24, 2016 announced for the year 2016 that the turnover of audio-visual media companies in Germany will break the limit of 11 billion Euro for the first time, which would mean an increase of 6.2% resp. 650 billion Euro as compared to the previous year. In 2015 the turnovers of the audio-visual media increased by 730 billion Euro (+7.5 %) to 10.4 billion Euro. This way, in 2015 they exceeded for the first time the 10 billion Euro turnover and were again over the last estimated increase of +5.5% from the last VPRT autumn forecast of 2015.

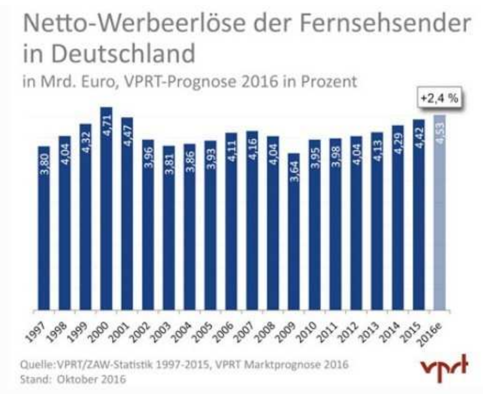
Hans Demmel, general manager n-tv and chairman of VPRT: „The audio-visual (AV) media are one of the most important increase and innovation drivers of the German economy and for the following years we foresee very good market perspectives in the AV industry. The extent to which the connected value creation

potentials can be implemented in Germany mostly depends on the creation of fair conditions for internal market participants in the international competition field."

TV advertising

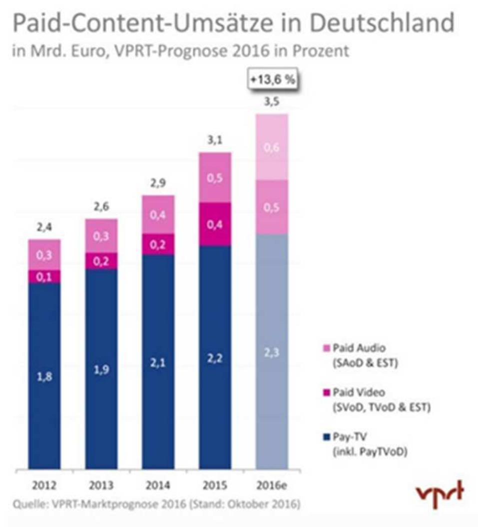
For the TV advertising the VPRT expects for 2016 a net increase of approx. 2.4% to 4.5 billion Euro. The TV remains the strongest





revenue driver on the German advertising market. For the field of the online video advertising integrated in streaming (instream video advertising) the VPRT foresees an increase by 24% to about 400 million Euro. According to the VPRT forecast, the revenues from linear and non-linear video advertising will increase by 3.9% to approx. 4.9 billion Euro.

Paid-Content



For Paid-Content revenues in the field of the audio-visual media, the VPRT foresees for year 2016 an increase of 13.6% to about 3.5 billion Euro. Pay-TV is the highest turnover segment with a revenue increase of approx. 6% to 2.3 billion Euro. Paid Video increases by 25% to about 0.5 billion Euro, Paid Audio by 32% to about 0.6 billion Euro.

VPRT trend forecast 2017–2021

„For the years 2017 to 2021 the questioned experts foresee positive market perspectives with increasing investments despite the increasing competition intensity. Especially the further extension of non-linear offers, increased investments in interactive offer forms (e.g. Smart TV, Smart radio), the introduction of new offer forms (e.g. Virtual Reality, 360° Videos) and the progressive digitalization and automation on more and more levels (e.g. Addressable TV, intelligent user surfaces, recommendation systems, meta data, automated booking systems and programmatic advertising models)." (Source: VPRT forecast for the media market 2016, October 24, 2016)

2. Important events in the business year 2016

Purchase right capital increase from the approved capital

During the capital increase 632,460 shares have been signed, from which 99,875 shares for the purchase right and 532,584 shares during a private placement.

The share capital of the company increased from EUR 9,662,999 by EUR 632,460 to EUR 10,295,459.00, divided into 10,295,459-unit shares with a value for the share capital of EUR 1.00 per share.

The capital increase was registered in the trade registry on June 17, 2016.

3. Business development

The board controls the company also based on a monthly reporting. The numbers used for the control of the company concern especially the revenue, the EBITDA as well as the state of liquidities.

In the business year 2016 both in the license trade and in the field free and Pay TV a clear revenue increase could be booked, which exceeded the average of the market.

3.1 Sales trend

The revenues in the license business, including TV channels, had a value of €3,700k in business year 2016, About 46% over the level of the previous year of €2,546k (according to the BilRUG reclassifications) resp. €2,534k (before the BilRUG reclassifications). The increase refers to all core fields of the company.

Basically, the project businesses and/or so-called "package" deals can create oscillations in the revenues trend. Furthermore, based on the rules of the invoicing shifting of revenues can occur, since revenues are realized only after the beginning of the license run time. This effect can create revenue shifts in later periods.

3.2 Revenue by regions

The revenue of the company was divided by regions in the reporting period as follows:

Region	2016		2015	
	in € k	in %	in € k	in %
Internal	1,724	47	876 (866)	34 (34)
Abroad	1,976	53	1,670 (1,668)	66 (66)
Total	**3,700**	**100**	**2,546 (2,534)**	**100**

(Values in brackets = before the BilRUG reclassifications)

4. Profit situation

The annual net loss for 2016 is €-2,859k as compared to an annual report in value of €381k in the previous year and resulted from the unscheduled depreciations from the movie profit during the evaluation as of December 31, 2016.

The result before the depreciations, appreciations, interest rates, taxes and non-scheduled result (EBITDA) is €627k (previous year €-1,637k).

The other operational incomes were €3,492k in the reporting year (previous year €3,207k). This contains the appreciations for the movie assets in value of €3,178k (previous year €2,997k).

The depreciations have increased from €719k to €6,364k. Besides the scheduled depreciations of €636k (previous year €235k) they contain non-scheduled depreciations for movie rights in value of €5,728k (previous year €484k), which have been carried out basically because of the impairment test carried out on the reporting date (lowest value test).

In the course of the review of the procedure for the determination of the fair value of the individual film rights as well as the greater concentration on the broadcasting business, it was decided for the financial year 2016 to change the procedure for determining the fair value of the individual film rights.

According to the method used in 2016, the individual film rights are assessed on the basis of the method of the immediate cash flow forecast. The starting point in this case is the financial surplus, which is given for each film right. The specific cash flows are determined separately for each individual film right based on the various areas of licensing revenues, television revenues (separately from pay TV and free TV), exploitation proceeds, merchandising proceeds and other revenues. For the planning period of the cash flows to be used, the economic lifetime or the remaining useful life is taken into account separately for each individual film right.

The cash flows generated in this way are discounted using a risk-adjusted capitalization rate in order to determine the corresponding present value on the valuation date. The calculation of the capitalization rate or the weighted average cost of capital (WACC) is based in particular on the corresponding parameter values of a group of listed peer group companies (peer group), which are used to calculate capital costs, borrowing costs and capital structure. In line with the capital asset pricing model (CAPM), capital-specific capital costs are composed of a risk-free base rate and a market risk premium.

On the basis of the procedure for determining the value per film right, the corresponding fair values are determined, which are compared with the respective book values per film right within the framework of the lowest value test (so-called impairment test).

Movie rights, which are depreciated once completely, are not considered in the movie assets anymore. Appreciations for the movie assets concern only those movie rights, which have been depreciated through non-scheduled depreciations, mainly during the reconstruction phase of the older Ravensburger TV family AG between 1999 and 2006.

The material costs concern licenses, provisions and materials. They are directly connected to the revenues. In the first place it is about revenue-dependant license fees, which must be paid to the licenser of the company. The increase occurs in the field of TV channels.

5. Assets and financial position

The balance sum is reduced by €2,141k to €24,306k (previous year € 26,447k).

The movie assets was reduced by €3,065k. This regress results from depreciations in value of €5,728k according to the impairment test presented above. The regress was compensated by appreciations in value of €3,178k as well as by investments in the movie assets in value of €21k.

The claims and other assets objects increased by €375k to €1.078k (previous year €703k).

The own capital is reduced by €1,980k from €15,708k to €13,728k. This way the share capital quota per December 31, 2016 is about 56 % (previous year 59 %). The reduction of the own capital rate resulted in the reduction of the balance revenue by €2,859k as a consequence of the annual deficit.

On December 31, 2016 the company had a subscribed capital in value of €10,295k, a capital reserve of €2,788k and a balance revenue of €653k.

The other reserves are reduced to €539k (previous year €920k).

The cash flow statement on the balance day mainly consists of bank deposits and was €829k (previous year €243k) and mainly results from the cash capital increase.

At UniCredit Bank Austria AG, Vienna, Austria, there is a credit line in value of €2,500k, which is granted for an unlimited period of time.

For the assurance of interest rate risks the company has concluded interest rate insurance tools, which assure the credit line to the value of the expected average claims.

For the financing of a purchase of a larger movie package, in September 2013 the Austria Bank guaranteed a credit frame of more than €1,100k with a runtime until March 31, 2017. This serves for the assurance of the business and for the financing of installments. As of December 31, 2016, the balance is €1,087k. In March 2017 the planned payback of the credit was carried out. At the end of April 2017, the company has credit lines at the Austria Bank of more than 3.1 million € from which 2.6 million € have been claimed, as well as a credit, which has not been claimed yet, in value of 1 million €.

For the convertible bonds placed by the company in 2014, the company received in 2014 € 3.5 million in cash. This credit with an interest rate of 4.0 % p.a. can be converted by the company until February 9, 2018 in a share per credit, if the share price has exceeded EUR 2.40 per piece for more than 20 trading days. If the rate is not over EUR 2.40 per piece after the end of the runtime, the nominal value shall be retained.

With the agreement from July 11, 2010 the company was provided by the UniCredit Bank Austria AG Vienna a separate frame for the bonds/guarantee in value of €140k. The frame is still available.

On the balance day the company has obligations to credit institutions in value of €3,406k (previous year €3,013k) with a free credit line of €213k. The company has enough liquidity at any time.

Via a rolling financial planning the liquidity need of the company is monitored. The most important instruments are short-term investments besides the frame credit. Further targets of the financial management are the optimization of interest rate costs and revenues as well as the assurance of needed devises. The company also has an USD account.

The credit interest rates that increase with the risks is counteracted with derivative financial means.

6. Investments

During the report period investments in value of €60k have been activated (previous year €462k). From these €21k were invested in the movie asset

7. Key figures

Key figures in € k	2016	2015
Turnover[1]	3,700	2,534
EBITDA[2]	627	-1,637
EBIT[3]	-2,559	644
Net loss (prior year net income)	-2,859	381
Balance sheet total	24,306	26,447
Film assets	22,074	25,139
Equity	13,728	15,708

[1] Figures after Accounting Directive Implementation Act reclassification (€ 764.16 from other operating income to revenues)
[2] EBITDA = Profit + interest expenses and income taxes + interest and similar expenses ./. Other interest and similar income write-down ./. Write-ups
[3] EBIT = EBITDA + Write-ups ./. Write-downs

8. Employees

The personnel costs for the business year 2016 were €1,171k, clearly below the previous year value of €1,647k.

The average number of employees including apprentices and trainees, but without the members of the management board, was 18, (prev. year 28, 2 of them (prev. year 8) part-time employees.

On the balance day, including two apprentices and 1 employee, 17 employees were active in the company.

9. Summary

The board extended for the year 2016 a turnover and result development that is strongly above the level of the previous year.

With a turnover increase of 46% and an increase of the EBITDA in value of EUR 2.3 million this has occurred.

The new operation installed in 2014 could use the time and establish on the market as planned. Successes have been registered especially in the sales of the free TV channel “RiC” and of the pay TV channel „Fix&Foxi“ and both became more and more popular.

Furthermore, especially internal investment operations have been made in the processing a qualitative improvement of the very large movie stock and this way the future sales ability of the movie assets has been consolidated. The company expects a durable increase of the turnover and profits, both in the field pay TV and in the licenses field.

C. Risk management

All general and operational risks are registered regularly as well as evaluated and measured for the risk minimization.

We understand risk management as a central task of the board, of the managers and all employees.

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

1. Risk identification
2. Risk evaluation
3. Risk control
4. Risk monitoring

For each of these steps we have developed appropriate tools, adjusted to the company size, which, depending on the content, have time horizons shorter than one year and up to several years.

A central instrument of the risk management of the company are regular discussions between the board and the 2nd management level. These discussions serve to identify, evaluate and counteract risks in time, as well as for the monitoring of the taken measures. Furthermore the 2nd Management level informs the board about unexpectedly occurred risks also outside these regular meetings.

Special situations are discussed in time between the board and the supervisory board.

For the continuous risk monitoring we use three tools: Liquidity management, sales controlling and balance controlling. By assuring a regular and systematic control of these themes areas all important operational and structural risks of the business activity of the company are monitored. The whole responsibility for the monitoring of these risks belongs to the board of the company.

The purpose of the liquidity management is the continuous check and assurance of the payment ability of the company. The liquidity management is based on three reports, the annual liquidity planning within the budget creation, the rolling liquidity forecast and the daily liquidity status.

The purpose of the sales controlling is to identify, quantity and open the turnover potential of the company through the planning and control of sales activities. This way it is assured that turnover potential, which can be realized on medium term, is known, that the costs and investments are covered on medium term through executable revenues and that realistic cash flow planning can be created. Furthermore, based on the turnover planning, the sales activities of the company are planned. These numbers are plausibilized with a rights-based approach.

The purpose of the balance controlling is the monitoring of the balance positions for the early identification of needed corrections, especially of a shortfall of the share capital. The balance controlling consists of three columns, the checked annual audit, the semi-annual financial report and the continuous balance controlling.

Besides that, a monthly report is created, which also contains a contribution margin accounting. In completion, the market and company development is updated in an internally rolling plan. The short-term budget planning serves as important early warning system and as a base for deviation analysis and the planning control.

Since a part of the risks are outside the influence area of the board, also a functioning risk management cannot guarantee that all risks are switched off. Developments can result which deviate from the plan of the board.

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

As capital market oriented stock corporation in the sense of art. 264d HGB, according to art. 289 par. 5 HGB we are obliged to describe the important features of the internal control and risk management system with regard to the invoicing process.

The internal control and risk management system with regard to the invoicing process is not legally defined.

Under an internal control system, we understand the principles, procedures and measures implemented by the board and the management into the company, which are oriented towards the organizational implementation of decisions of the management;

- For the assurance of the efficiency and efficiency of the business activity (among which there is the protection of the assets, including the prevention and identification of assets damages),
- For the correctness and reliability of internal and external invoicing as well as
- For the meeting of legal provisions applicable for the company.

The risk management system contains the totality of all organizational regulations and measures for the risk identification and for the handling of risks of company related actuation.

With regard to the invoicing process, Your Family Entertainment AG has implemented the following structures and processes:

The board is responsible for the internal control and risk management system with regard to the invoicing process. Based on the size of the company, financial and sales managers are directly implicated into the process of the creation of the annual account.

With regard to the invoicing process we consider such features of the internal control and risk management system as being important, which can significantly influence the balancing and the total statement of the annual account including the situation report. These are, especially, the following elements:

- Identification of important risk fields and control areas that are relevant for the invoicing process;
- Running balance controlling for the monitoring of the invoicing process and its results;
- Preventive control measures in the financing and accounting as well as in operational company processes, which generate important information for the creation of the annual account including the situation report, including a functional separation and approval processes in relevant areas;
- Measures, which assure the appropriate EDV supported processing of invoicing related situations and data;
- Measures for the monitoring of the invoicing related internal control and risk management system

E. Forecast, opportunity and risk report

1. Business risk

Oscillations of future business results

During a business year and from year to year YFE could suffer - as any company in the movie and TV production - oscillations of the turnovers and operation results. These oscillations have different causes, like e.g. the volume and moment of the ending of new productions, volume and moment of the sales of movie and TV rights as well as market and competition influences on the product demand and on the sales prices.

2. External risks / market risks

Competition related risks

Even if the first signs of an increasing demand can be observed, the movie and TV market that is relevant for YFE is marked by the influence of consolidation and concentration process, both at the producers and at the buyers. These developments may have effects on the demand for programs. Especially the target group TV channels resp. TV channel groups have a much more stronger contribution margin accounting than in the past through their channels. In combination with the increasing multiple evaluations of individual productions in the field, this leads to a more efficient use of the own program resources and to reduced new investments. Especially with regard to children programs this procedure has more stronger effects. Besides this, external factors like the current consumption and free time behaviour, as well as basic changes of the advertising market influence the program design and the purchase policy.

3. Performance related Risk / process risk

a) Risks of the production of programs

The production of programs - both in the form of own and co-production - hides a series of operational risks. Basically, the development and production of formats, resp. TV shows is basically connected to very cost intensive and a high financial risk. If, for example, time delays of the finalization occur in spite of the careful selection of co-production partners, period shifts regarding the turnover targeted by the company may result. Moreover, it cannot be excluded that YFE does not have enough financial means for the development of programs and their production, which is a basic condition for the business of the company.

Co-production

The finalization of co-productions was established by YFE through the careful selection of reliable co-production partners and service providers, but also through assurance tools, like insurances or completion bonds. Besides that, YFE carries out a financial and content related control during the production to be carried out. Despite that, time delays of the finalization can occur during the individual projects, which may lead to period shifts for turnover and results.

Custom production

If the company as producer is responsible for a contractual production execution in the frame of a custom production, it receives a fixed price from the beneficiary. If the producer has incorrectly evaluated the costs of the production or if non-scheduled costs occur, then the producer is liable for the risk of possible budget exceeding. During a license production the producer is liable for the whole financial risk until the delivery of the final product. In case of a contract-conforming delivery, as a rule, the production costs and the profit are covered by license revenues. Should the budget not be covered or covered completely by license sales, the producer is liable for the loss risk.

b) Risks for the purchase and exploitation of programs

YFE tries to identify in time trends in programs and, if needed, in channels and to design its offer appropriately. The company must consider the restrictive purchase policy of the channels and the own restrictions with regard to the investment possibilities and insurance of productions. The company has concluded a large number of contracts for the licensing of programs with licensors. One the one hand there are general contractual risks for the company, like the contract fulfilment risk. Moreover, during agreements a series of copyright and service protection rights must be transferred to the beneficiaries. Therefore, the company must make sure that within contracts with the persons implicated in the production of the concerned program the needed copyright and service protection rights are transferred to the company, in order to counteract to a protection right violation (e.g. Copyright, license and personal rights). Although the company uses internal and external legal counselling, it cannot be excluded that an assertion of the claims of third parties with regard to the protection rights mentioned before can occur, which may have negative effects on the assets, financial and profit situation of the company.

The depreciation for the movie assets (the use and exploitation rights mentioned before) and the other rights are executed depending on the exploitation of movie rights. According to the relation of the realized turnovers in the business year for the revenues to the planned from the exploitation of movie rights including the turnovers obtained in the business year, the exploitation conditioned depreciations are carried out. Furthermore, on each balance deadline a lowest value test (a so-called impairment test) is carried out. It cannot be excluded completely, that in the future the value of the evaluation of the movie library Changes significantly through the execution of impairment tests. The movie rights catalogue of the company that consists at this time from 170 titles consists to two thirds from licenses from third parties, while a third part of the titles is obtained in own production or co-production. YFE has licenses from third parties not for unlimited time, but, as a rule, for a limited period of time. If expired licenses cannot be re-licensed to the predominantly extent, YFE can not exploit this title anymore. As a consequence, the company would lack an important part of the library and therefore the business base. This may have negative effects on the assets, financial and profit situation of the company.

Basically, there is the risk that claims from the exploitation of programs fall out. The board assumes that the fall-out risks are covered sufficiently.

c) Risks from running procedures

„*Robinson* Sucroe"

In the legal action of Mr. Claude Robinson and of Les Production Nilem Inc. running since 1996, on December 9, 2011 the appeal sentence and on December 23, 2013 a sentence was given by the Canadian court in last instance. Afterwards the Ravensburger Film + TV GmbH, besides the further accused, was sentenced to pay damages and further payments in value of CAN$ 2.8 million. The liability of the company is limited, according to the agreement, between the debtors to 15% of the liability sum.

The Canadian lawyers of the plaintiff revealed that they will address a further debtor that is resident in Canada for the sums for which there is a joint liability. Furthermore, an existing E&O insurance policy, which covers demands against France Animation and the company, covers a whole sum in value of CAN$ 1 million plus interest rates and costs. For this sum a direct payment obligation of the company has remained in value of CAN$ 388,000.00 plus interest rates for lost profits of the plaintiff. The company has formed a reserve in the annual balance 2014 to the value of this amount. During the continuous debates, based on the Canadian final sentence, the parties concluded an amicable process agreement. This agreement was signed on December 9, 2015 and has a value of CAN$ 414,393.81 including interest rates, payable in four rates. The first payment was carried out in December 2015, and the remaining payments were due during the business year 2016. The reserve as of December 21, 2015 was €204k. In August 2016 the last installment was paid. This way the processing agreement was met completely by YFE.

4. Financial and economical risks

a) Access to external financing means, interest rate risks, interest rate hedge

During the agreement for a credit frame with the Bank Austria AG, Vienna, Austria, YFE has transferred securities in the form of rights and claims from the movie license contracts. The possibility of YFE to take over further credits could be hardened significantly, if intrinsic value securities would not be free again. If the company cannot take over further credits in case of need, this could have significant negative effects on the assets, financial and profit situation of the company.

There are risks from the agreement for variable interest rates. These risks were counteracted by the conclusion of derivative financial instruments. Although there is an economic hedging relationship, no evaluation unit was formed for caps, since not all criteria are met completely. Other reserves in value of €42k (previous year €59k) was formed. For the interest rate swaps no reserve need resulted, since the basic businesses were closed positions (compare „Derivative financial instruments“ in the annex to the annual balance 2016).

b) Exchange rate fluctuations, exchange rate security businesses

The current and future activities of the company outside the region of the European currency union are processed partially by YFE itself or by its sales partners into other currencies than Euro. The exchange rates applicable to these are exposed to fluctuations, which cannot be foreseen and based on which the company can obtain no stable profits. There is basically the risk of losses by such exchange rate fluctuations.

Unfavourable exchange rate fluctuations or future costs for businesses for exchange rate security could have negative effects on the turnover development and on the assets, financial and profit situation of the company.

At the moment the company did not conclude exchange rate security businesses.

5. Chances

As strengths of Your Family Entertainment AG, besides the high quality and large program library with more than 3,500 half-hour programs the long-term experience in the production of TV channels and the large cooperation networks with purchasing TV institutions can be considered.

A significant potential for the development of the company is hidden in the extension of the Pay TV channel “Fix&Foxi” by winning further subscribers and of the free TV channel “RiC”, through the option of advertising time marketing.

Furthermore, the chances of the company lie in a better evaluation of the rights stock through new distribution paths, supported by the development of the exploitation and product concepts. The value oriented approach differentiates the company clearly from its competitors.

The progressing digitalization and the changed possibilities and/or habits of the media consumption develop into positive frame conditions.

6. Forecast report

The company continues to focus on the extension of the international and national channel activities. Both in the free TV field with “RiC” and in the pay TV field with “Fix&Foxi” a further opening of the markets is desired.

Thereby, in the free Tv segment especially the intensification of the advertising time sales and the sales of the channel concepts are expected to positively contribute to turnover and results.

The turnover and the result development will be exposed to natural fluctuations depending on the projects, respectively on so-called “package deals”, however with the stronger concentration on the channel, besides the stabilized element of the continuity of turnovers further impulses should be set for a strong turnover growth.

For the business of the licensing of movies/series, rights and characters the board expects, especially because of the qualitative evaluation of many series, also a very high turnover increase, much over the one of the previous year.

On the costs side, the course set already at the end of 2015 is followed consequently. Together with the planned, significant turnover increase this should lead to a clear increase of EBITDA and EBIT during the business year 2017.

On this base the board expects for the year 2017 a turnover and result development that is clear beyond the one of the previous year, which exceeds the trend set already at the end of 2015.

The effect of this forecast turnover and result development is connected to an increase of liquidities from the operational business activity.

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

The statement for the company management (art. 289A HGB) contains the compliance statement, indications about the company management practices and the description of the work manner of the board and directorate. We want to maintain an overview over the representation of the company management and to keep it succinct.

Compliance statement of the board and directorate of Your Family Entertainment AG to the German Corporate Governance Codex according to art. 161 AktG

According to § 161 AktG the board and the directorate of a listed corporation must present annual statement that the recommendations of the "Government commission of German corporate governance codex" published by the federal ministry of justice in the official part of the electronic Federal gazette" are met or will be met or which recommendation have not been applied and why not.

The complete text of the compliance statement has been published on the internet page of the company (www.yfe.tv) under the column Investor Relations.

Indications about the company management practices and about the work manner of the board and the directorate

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

Shareholders and general meeting

Our shareholders recognize their rights in the general meeting.

The general meeting is summoned in the legally provided form and deadline, indicating the agenda.

The commission of the general meeting is presided by the president of the directorate.

The general meeting decides over all tasks assigned to it by the law (among which selection of the directorate members, change of the statute, profit use, capital measures).

Supervisory Board

The central tasks of the directorate consists of the counselling and monitoring of the board.

The directorate of Your Family Entertainment AG consists of three full members and a replacement member.

The directorate of Your Family Entertainment AG is completely occupied by three members, which are all men. The current members of the directorate are selected until the end of the general meeting, which decides over the discharge for the business year 2018. The implementation of a women rate would not be possible until the mentioned moment, without extending the directorate. Such an extension to six members is not considered appropriate by the directorate, especially considering the size of the company. The directorate shall consider women for future directorate vacancies during its candidate proposals.

The members of the directorate receive, besides the replacement of their expenses, for which also the profit taxes applicable to their purchases are to be calculated, a fixed remuneration, due after the end of the business year, which has a value of EUR 10,000 for each member, the double sum for the president and 1.5x the value for the representing president.

Board of Directors

The board - as management organ of the stock company - carries out businesses of the company as obliged to meet the interest and the business-political principles of the company based on the corporate law. It reports regularly, in time and complexly to the directorate about all important questions of the business development, the company strategy as well as all possible risks.

The remuneration of the board consists of success-dependent and fixed components.

The members of the board are named by the directorate.

The board of Your Family Entertainment AG consists of three male members. With regard to the provision of the target size for the share of women in the board, from the view of the directorate the board of the company is occupied with one member at this moment, especially considering the size of the company. With regard to the mandate of the current single board no personnel change is planned for the board. The implementation of a woman proportion in the board would not be implementable at the moment, without extending the board.

But with the decision from September 29, 2015 the board has decided that the target size for the proportion of women in the management level must be lower than the board by 20 %. Since the proportion of women in this management level is more than 20 % at this moment, the determination of deadlines for the meeting of the mentioned targets is unnecessary. Should the proportion of women in the management level fall below the target size of 20% the board will handle the theme again and especially a deadline for the reaching of this target size. Also, the board shall approach the theme as soon a further management level is implemented.

Shareholdings of the board and directorate

Members of the board and of the directorate have shares of Your Family Entertainment AG.

Transparency

A unitary, complex and in time information has a very high importance with Your Family Entertainment AG. The reporting about the business situation and the results of Your Family Entertainment AG is carried out in the annual financial report and in the semi-annual financial report.

Furthermore, information about the press releases, resp. ad-hoc messages are published. All notifications and messages are available on the internet.

The Your Family Entertainment AG has created the provided insider directory according to art. 15B value paper trade law. The concerned persons have been informed about the legal obligations and sanctions.

Invoicing and final check

The annual balance is created exclusively according to the provisions of the trade law book since the business year 2006. After the creation by the board, the annual balance is audited by the auditors and by the directory and then approved by the directorate.

The annual balance is published within four months after the business years end.

It was agreed with the auditors that the president of the directorate shall be informed immediately about any reasons of exclusion, resp. about faults of the compliance statement, which occur during the check. The auditor reports immediately to the directorate president about all the questions and events that are important for the tasks of the directorate, which result during the final audit.

Risk management

The business fields of Your Family Entertainment AG are exposed to a number of risks, which are connected with global actions.

We understand risk management as a central task of the board, of the managers and all employees. This way risks must be identified, limited in time and company chances must be used at the same time.

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

1. Risk identification
2. Risk evaluation
3. Risk control
4. Risk monitoring

For each of these steps we have developed appropriate tools, which are adjusted to the size of the company.

A central instrument of the risk management of the company are regular discussions between the board and the 2nd management level. These discussions serve to identify, evaluate and counteract risks in time, as well as for the monitoring of the taken measures. Furthermore the 2nd Management level informs the board about unexpectedly occurred risks also outside these regular meetings.

Special situations are discussed in time between the board and the supervisory board.

The controlling and the internal control systems are important parts of a continuous and efficient risk management.

Since a part of the risks are outside the influence area of the board, also a functioning risk management cannot guarantee that all risks are removed. Developments can result which deviate from the plan of the board.

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

The remuneration of the board meets the legal provisions of the share law. The board receives a fixed remuneration, which also contains con-cash benefits, especially insurance bonuses. The fixed components assure a basic remuneration which allows the board to orient the execution based on the well-understood interest of the company and on the obligations of an ordinary salesman, without being dependent on short-term success targets. Besides that, the service agreement contains a variable special remuneration, which depends on the economic success of the company, especially an increase of the annual result.

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

1. Composition of the subscribed capital

The basic capital as of the balance day is divided into 10,295,459 shares with a value for the basic capital of 1 EUR. On December 31, 2016 the basic capital is € 10,295,459. All shares are in the name (nominal shares). They have been fully paid.

2. Restrictions, which concern the vote rights or the transfer of shares

Within the limitation on disposal 93,000 shares were governed by a retention period until June 30, 2013 and could not be sold either on stock or outside the stock. After the expiration of this retention period shares sales from the inventory of the 93,000 pieces, which exceed the volume of 10,000, must be agreed with the company beforehand.

3. Direct or indirect participation to the capital

As of December 31, 2016, the F&F Film und Medien Beteiligungs GmbH, Vienna, Austria owns 67.96% of the share capital.

The Holler foundation, Munich, owns as of December 31, 2016 11.86 % of the share capital.

Furthermore Mr. Dr. Stefan Piëch, Vienna, has a direct participation to the capital of Your Family Entertainment AG with 1.18% and indirectly with 67.96%, over the mentioned F&M Film und Medien Beteiligungs GmbH, so that Mr. Dr. Piëch has directly and indirectly 69.14% of the share capital.

4. Owners of shares with special rights

On December 31, 2016 there are no shares with special rights.

5. Type of the voting right control in case of employee participation

On December 31, 2016 there is no voting right control.

6. Legal provisions and statute provisions for the nomination and recall of board members and for statute changes

The nomination and recall of board members is carried out according to articles 84 and 85 AktG. Statute changes are carried out according to articles 133 and 179 AktG.

7. Authorizations of the board for the sales and buyback of shares

Approved capital 2016

The general meeting from June 22, 2016 decided to cancel out the approved capital 2012 and it has decided at the same time over a new approved capital (approved capital 2016).

The following decision is made:

a) The authorization of the board, with the approval of the directorate to increase the share capital of the company once or several times until June 26, 2017 by EUR 4,831,499 (approved capital 2012), if not used already, is cancelled out with regard to the creation of a new approved capital under b) to d) with effect at the moment of the registration of the new approved capital.

b) The board is authorized, with the approval of the directorate to increase the share capital once or several times until the latest June 21, 2021 by up to Euro 4,831,499 by issuing up to 4,831,499 new nominal shares with profit right starting with the beginning of the business year that starts at the moment of the issuing in exchange for cash and/or cash contribution/ assets (approved capital 2016)." The shareholders shall be granted a purchase right; the legal purchase right can be granted also in the manner that new shares are taken over by a credit institution or by an institute that meets art. 186 par. 5 phrase 1 AktG with the obligation to offer them for sale to the shareholders of the Your Family Aktiengesellschaft. The board is authorized with the approval of the directorate to exclude the legal purchase right of shareholders,

- if a capital increase does not exceed against a contribution of 10% of the share capital and the initial value of new shares does not fall below the stock price (art. 186 par. 3 phrase 4 AktG); in case of the use of this authorization under the purchase right exclusion according to art. 186 par. 3 phrase

4 AktG the exclusion of the purchase right shall be considered based on other authorizations according to art. 186 par. 3 phrase 4 AktG;

- if the shares are spent for contributions for the purpose of the purchase of companies or participations to companies or part of companies or for the purpose of the purchase of demands against the company;

- if necessary, in order to compensate fractional amounts.

c) The board is authorized, with the approval of the directorate, to determine further details of the capital increase and its execution.

The directorate is empowered to adjust the statute according to the appropriate use of the approved capital for 2016.

d) § 4 par. (3) the statute is recreated according to the existing provisions as follows:

“(3) The board is authorized with the approval of the directorate to increase the share capital once or several times until the latest June 21, 2021 by up to Euro 4,831,499 by issuing up to 4,831,499 new nominal shares with profit right starting with the beginning of the business year that starts at the moment of the issuing in exchange for cash and/or cash contribution/ assets (approved capital 2016).“ The shareholders shall be granted a purchase right; the legal purchase right can be granted also in the manner that new shares are taken over by a credit institution or by an institute that meets art. 186 par. 5 phrase 1 AktG with the obligation to offer them for sale to the shareholders of the Your Family Aktiengesellschaft. The board is authorized with the approval of the directorate to exclude the legal purchase right of shareholders,

- if a capital increase does not exceed against a contribution of 10% of the share capital and the initial value of new shares does not fall below the stock price (art. 186 par. 3 phrase 4 AktG); in case of the use of this authorization under the purchase right exclusion according to art. 186 par. 3 phrase 4 AktG the exclusion of the purchase right shall be considered based on other authorizations according to art. 186 par. 3 phrase 4 AktG;

- if the shares are spent for contributions for the purpose of the purchase of companies or participations to companies or part of companies or for the purpose of the purchase of demands against the company;

- if necessary, in order to compensate fractional amounts.

The board is authorized, with the approval of the directorate, to determine further details of the capital increase and its execution. The directorate is empowered to adjust the statute according to the appropriate use of the approved capital for 2016.

Purchase of own shares

The general meeting from June 22, 2016 has authorized the company to purchase own shares.

The following decision is made:

a) The authorization assigned with the decision of the general meeting of the company from June 27, 2016 to purchase own shares until June 26, 2017 is cancelled with regard to the creation of a new authorization under b) to d) with effect at the moment of the coming into effect of the new authorization decision.

b) The company is authorized to purchase own shares of the company. The authorization is limited to the purchase of own shares with a calculated proportion of the share capital of up to 10%. The authorization can be exercised partially or completely in partial sums, once or several times, by the company or for the calculation of third parties. The authorization is valid until June 21, 2012.

c) The purchase is carried out via the stock or via a public purchase offer addressed to all shareholders of the company.

aa) If the purchase takes place via the stock, then the purchase price paid by the company for each share (without purchase secondary costs) must not exceed or fall under with more than 20% than the average end exchange rate for shares already listed, determined on the Frankfurt stock during the last stock trade days.

bb) If the purchase is done via a public purchase offer to all shareholders of the company, the offered purchase price per share (without purchase secondary costs) must not exceed or fall under the Frankfurt stock by more than 20%, which was valid during the ten stock trade days, before the day of the publication of the offer. The purchase offer cannot provide further conditions. As far as the purchase offer is overdrawn, the acceptance must be based on quotas. A preferential acceptance of lower pieces up to 100 pieces for the purchase of offered shares per shareholder of the company can be provided.

d) The board is empowered, with the approval of the directorate to sell shares of the Your Family Entertainment Aktiengesellschaft, which are purchased based on this authorization, besides the sales through offer to all shareholders or the sales via stock

aa) to offer to third parties in the context of company merges, during the purchase of companies, participation to companies or companies parts as well as during the purchase of claims against the company as counter-service;

bb) to sell shares to third parties the price for which the shares of the company can be sold to third parties must not significantly fall below the stock price of the shares at the moment of the sales. When using this authorization, the exclusion of the purchase right shall be considered based on other authorizations according to § 186 par. 3 sentence 4 AktG

cc) to retract them, without the retraction of their execution needing any further general meeting decision. The retraction leads to capital decreases. The shares can be traced also based on a simplified procedure without capital reduction through adjustment of the proportional calculated value of the residual shares at the share capital of the company. The retraction can be limited to a part of the purchased shares. The authorization for retraction can be used several times. If the retraction is carried out based on a simplified procedure, the board is authorized to adjust the number of the unit shares in the statute.

Existing power of attorneys concerning the use of purchase shares can be used once or several times, partially or completely, individually or commonly. The purchase right of shareholders for the purchased shares is excluded as these shares are used according to the existing power of attorneys under letter aa) and bb). The board shall inform the general meeting about the reasons and the purpose of the purchase of own shares, about the number of purchased shares and about the sum of the share capital as well as about the counter-value, which was paid for the shares.

Conditional capital 2013

In an extraordinary general meeting from November 7, 2013 the shareholder decided to empower the board, with the approval of the board, so that until November 6, 2018 to issue once or several times convertible bonds for the owner in a total value of up to € 10,000,000.00, with a runtime of not more than 20 years and to grant the owner of the convertible blonds conversion rights for new shares of the company with a value of the basic capital of up to € 2,300,000.00 according to a more detailed provision of the convertible bond conditions.

The share capital is increased up to € 2,300,000.00 by issuing up to 2,300,000 new shares, in the name of the owner (conditioned capital 2013). The conditioned capital increase serves for the granting of shares to the owner of convertible bonds.

On January 14, 2014 the board decided based on the existing empowerment and with the approval of the directorate to grant a convertible bond issue in a total value of up to € 4,999,200, divided into up to 2,083,000 pieces for the owner, all equal partial convertible bonds in a nominal value of € 2.40 each. The issue value for each partial convertible bond is 100% of the nominal value and therefore € 2.40. The partial convertible bonds are charged with an interest rate of 4% p.a. The convertible bond has a four-year expiration date. This starts on February 10, 2014 and ends on February 9, 2018.

Resolution about the conversion of owner shares into nominal shares and related changes of the statute as well as adjustment of empowerment.

The ordinary general meeting from June 24, 2015 decided the following:

a) The no-par-value shares issued for the owner after the statute change decided under letter b) are converted into shares for the name of the owner.

b) The statute of the company is changed and rewritten in § 5 number (1) and (2) as follows:

„(1) All shares are on the name (nominal shares).

(2) If in case of a capital increase the increase decision does not provide any guideline regarding whether new shares must be in the name or for the owner, then they become nominal shares.“

b) The statute of the company is changed and rewritten in § 4 number (3) phrase 1 as follows:

„The board is entitled, with the approval of the directorate, until the latest June 26, 2017 to increase the share capital once or several times by up to Euro 4,831,499 by issuing up to 4,831,499 new nominal shares with profit right starting with the beginning of the business year that starts at the moment of the issuing in exchange for cash and/or cash contribution/ assets (approved capital 2012).“

d) aa) The authorization decided by the extraordinary general meeting from November 7, 2013 for the agenda point 1 for the issue of unit shares on the names of owners is changed, so that instead for the granting of convertible bonds for the owner it entitles to unit shares for the granting of convertible bonds on the nominal unit shares.

bb) The capital increase decided by the extraordinary general meeting from

November 7, 2013 for the agenda point 1, which serves for the use of convertible bonds is changed, so that the conditioned capital increase is carried out through the issue of nominal unit shares instead of issue of unit shares in the name of the owner.

cc) With regard to already issued convertible bonds, the owners of conversion rights have the right to purchase nominal unit shares instead of purchasing unit shares in the name of the owner. The conditions of the convertible bonds remain untouched.

dd) The statute of the company is changed in § 4 number (4) phrase 1 and recreated as follows:

„The share capital is increased by up to € 2,300,000.00 by issuing up to 2,300,000 new nominal unit shares (conditioned capital 2013).“

8. Important agreement, which are governed by a condition of a control exchange as a consequence of an takeover offer

On the balance day there are no such agreements.

9. Compensation agreements

As of the date of the balance there are not agreement, which have been concluded for the case of a takeover offer with the members of the board or employees.

I. Dependent company report

The board has created the report about the relations of Your Family Entertainment AG with affiliated companies (dependency report) for the business year 2016 and presented it to the auditor. The board declares that depending on the circumstances known at that time at which the measure was taken, the company was not affected and that no transactions that must be reported were undertaken.

Munich, April 28, 2017

The board of Directors

Dr. Stefan Piëch

7. Auditor's Certificate Ernst & Young GmbH

For the annual balance and the situation report we have assigned the following audit certificate:

"We have checked the annual balance - consisting in balance, profit and loss calculation, capital flow calculation, own capital report as well as annex - considering the accounting and the situation report of Your Family Entertainment AG Munich, for the business year from January 1, 2016 until December 31, 2016. The accounting and the creation of the annual balance and situation report according to the German trade provisions are the liability of the legal representative of the company. Our task is to give an evaluation about the annual balance considering the accounting and about the situation report, based on the check executed by us.

We have carried out our balance check according to art. 317 HGB considering the German principles for audits determined by the institute of auditors (IDW). Afterwards the audit shall be planned and checked in such manner that faults and violations, which affect the representation of accounting represented through the image given by the annual balance according to the principles and by the situation report of the assets, financial and profit situation, can be identified for sure. During the determination of the check actions the knowledge about the business activity and about the economic and legal environment of the company as well as the expectations for possible errors are considered. During the check the efficiency of the invoicing related internal control system as well as certificate for the indications in the accounting, annual balance and situation report are evaluated based on samples. The audit comprises the evaluation of applied balance principles and the important estimation of legal representative as well as the assessing of the whole representation of the annual balance and of the situation report. We consider that our audit constitutes a sufficiently safe base for our evaluation.

Our audit did not lead to any claims.

According to our evaluation based on the knowledge gained during the check, the annual balance meets the legal provisions and presents - according to the principles of accounting - an image of the assets, financial and profit situation of the company, which corresponds with the actual situations. The situation report conforms with the annual balance, meets the legal provisions, offers an accurate image about the situation of the company and appropriately presents the chances and risks of the future development."

Munich, April 28, 2017

Ernst & Young GmbH
Auditing company

Bürkle Auditor	Christ Auditor

8. Assurance given by company's legal representative

"I hereby declare that to be best of my knowledge the applicable invoicing principles, the annual balance offers an image of the assets, financial and profit situation that meets the actual conditions of the Your Family Entertainment AG and that the situation report mirrors the business progress including the business result and the situation of the company in such manner that an image is offered, that accurately meets the situation, as well as the chances and risks of the expected development of the company."

Munich, April 2017

Dr. Stefan Piëch
Board

9. Financial Calendar

•	28.04.2017	Publication of the annual financial report 2016
•	Estimated for August 2017	General meeting
•	24.08.2017	Publication of the semi-annual financial report 2017

10. Copyright page/ How to contact us

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