SENATOR
Entertainment AG

ANNUAL REPORT 2013

COMPANY PROFILE

Berlin-based Senator Entertainment AG has ranked as one of Germany‘s leading independent media companies for more than 30 years. The company produces TV and film productions itself, or co-produces them, as well as acquiring distribution rights to finished films that it then distributes, as independently as possible, across all utilisation channels such as cinema, DVD and TV, and across all the various types of Internet utilisation forms.

Film distribution represents the core of the company‘s operating activities. The founding of Senator Filmproduktion in 1987, of Senator Home Entertainment in 2006, and of Senator Köln Filmproduktion in 2009, represented complementary decisions to further improve Senator film distribution‘s economic position within the value chain. Senator currently holds the rights to around 385 film and the series titles of very different genres and subjects, mainly from Europe and the USA.

SENATOR
Entertainment AG

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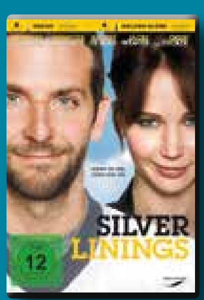
BRADLEY COOPER
JENNIFER LAWRENCE
ROBERT DE NIRO
JACKI WEAVER
UND TUCKER
WENN DU MIR,
DANN ICH DIR.
SILVER
LININGS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1 TO OUR SHAREHOLDERS

LETTER FROM THE CEO

Dear shareholders
and business partners,

Unfortunately, film distribution developments fell significantly short of our expectations during the 2013 financial year elapsed. In particular, impairment charges incurred in the 2013 annual financial statements fed through to a high loss of € 27.4 million at Senator Entertainment AG. The balance sheet overindebtedness that has arisen as a consequence prompts us to make extensive changes to our capital and financing structure. My Management Board colleague Max Sturm and I will focus our entire capabilities and efforts on achieving a rapid and sustainable return to financial health for Senator. We fully assure you of this.

In the future, Senator will continue to focus on its core competences in the production, purchasing and distribution of feature films. In this context, over the past 30 years, we have become a brand that is recognised for productions that are sophisticated and high-end, as well as commercially attractive. Our future success nevertheless depends on a decisive and fundamental further development and realignment of our business model. The weighting given to our individual segments will undergo a considerable shift in this context. In many areas, we must, and will, orientate ourselves even better to the exceptional dynamics of our market. In consequence, this further development extends well beyond a short-term response to the currently difficult financial situation of the Senator Group.

Over the past weeks and months, we have developed a concept for the planned financial restructuring and the new corporate strategy, and have already discussed it with important external partners and parties. Significant and productive support from our anchor investors and main creditors represents both a confirmation and an encouragement for us. At the same time, we know that we as the Management Board can rely at all times on our highly motivated staff. We would like to thank you for your commitment, and look forward to further developing our company, Senator Entertainment together.

Below, I would like to present a summarised explanation of the steps towards the financial and strategic reorientation that we envisage and plan as of today, at the end of April.

Initially, interim financing in the form of short-term loan for up to nine months is to expand the financial scope for manoeuvre for Senator Entertainment. We primarily plan two combined capital measures to provide our company with the recapitalisation that it requires and for its longer-term financial repositioning. In this connection, we are proposing to the forthcoming Shareholders' General Meeting that a capital reduction with subsequent capital increase be implemented. Firstly, this capital increase is to be realised in the form of a non-cash capital increase where our bond with warrants is contributed as a non-cash capital contribution by way of a debt-for-equity swap. This step will significantly relieve the parent company of future interest and redemption payments. In a subsequent cash capital increase (rights issue), all shareholders will be entitled to subscribe for new shares. This should provide our company with the additional funds that it requires for its operating activities and its strategic further development.

We are engaged in very promising discussions with our shareholder Sapinda with the objective of ensuring that this rights issue is implemented in its entirety in the instance that shareholders do not take up their subscription rights. In addition, Sapinda would ensure a high conversion ratio for the debt-for-equity swap.

Accompanying these measures to restore financial health, we are pursuing our operating business and consistently developing it further. The main objective is to improve the opportunities and risk profile of our entire activities. We aim to operate more profitably, while at the same time even better managing the fluctuations that are to some extent typical of the film sector – we experienced this volatility in a positive sense two years ago with ZIEMLICH BESTE FREUNDE. Our share of proprietary and co-productions will rise sustainably as the result of extensive investments in this area. This has already allowed us to become significantly less dependent on the intensely competitive and highly volatile licence markets during the course of the current financial year. With regard to buying in third-party productions, we are proceeding on an even more systematic, transparent and disciplined basis. In this context, an adapted criteria catalogue sets out clear business operating and artistic standards that reflect the change to the market environment. In terms of marketing and distributing films, irrespective of whether they are produced by us or bought in, we will exploit all expedient channels – especially in the social media area – more creatively and consistently than in the past.

Senator Entertainment is making significant progress with our concept of an academy in Berlin for young, up-and-coming talent and newcomers – both in front of and behind the camera – with whose implementation we are beginning this year. We have already made a start in this context, having joined the FIRST STEPS award for up-and-coming talent, and the establishment of a masterclass in distribution. The establishing and supporting of areas of potential in various genres that open up new sources of revenue for our company, and a balanced relationship between proprietary and third-party productions, characterise the “new Senator”. In this way, we will combine exciting films and commercial success on a long-term basis. A further part of our strategy concept is to expand international sales, especially through acquisitions – also with regard to our own productions.

With the new corporate strategy, Senator is deciding on a radical change of direction that focuses on its own developments – whether German or international. I would kindly ask for your support on this path.

Kind regards from Berlin

Helge Sasse

INTERVIEW WITH CFO MARKUS MAXIMILIAN STURM

Mr. Sturm, despite successes over the past years with films such as THE KINGS SPEECH and ZIEMLICH BESTE FREUNDE, Senator has entered a crisis that jeopardises the further existence of the company. Is the film business unpredictable?

Our films in 2013 fell significantly short of our expectations. We also had to postpone some planned launches into 2014 for various reasons. This alone meant that we had to end the last financial year in the red in operating terms. Given this, we have also developed new, binding criteria, especially for film buying. The aim is to avoid negative returns in the future, even if viewer interest is moderate. Individual films should, and will, continue to deliver disproportionately high earnings contributions in the future. The double-digit loss in millions of euros that necessitates the significant capital measures is nevertheless especially attributable to the extraordinary impairment losses.

How did this happen?

Most of the losses, around € 10 million, are due to extraordinary write-downs to our film portfolio. Film rights generally lose value over time, depending on how far the down the distribution chain they have already advanced. After a certain time, they are written down to a pro memoria value accordingly. Above and beyond this, last year we also needed to apply these extraordinary write-downs that I‘ve referred to due to lower distribution expectations. Of course, this is a bitter pill to swallow whichever way you look at it. But we‘ve nevertheless taken this opportunity to clean up our balance sheet for the long-term so that this level of extraordinary charges is not expected in the future. Besides this, charges in the following years will fall due to the impairment losses that have been taken in the 2013 financial year.

The Senator 2013 balance sheet was also hit by valuation adjustments applied to receivables. And effects arise from our success with THE KINGS SPEECH and ZIEMLICH BESTE FREUNDE. Here, we formed provisions for retroactive claims from the licensor. Both of these effects that I‘ve mentioned impact our 2013 earnings by a high single-digit amount in millions of euros.

To what extent can such situations be excluded for the future?

As I‘ve already indicated, with the December 31, 2013 financial statements we are assuming that the valuations of our rights catalogue have been written down to a conservative level. We see ourselves in a secure position in this context, and the same also applies for the other balance sheet items. But opportunities and risks in our business generally arise from current film projects, whether our own productions or newly purchased distribution rights. We are absolutely confident that we are consistently avoiding going concern risks with our adapted business model, especially in combination with the planned capital measures. We as the Management Board share this conviction and, as I know from discussions, this is also the case for our shareholder Sapinda and other important shareholders. Great volatility in terms of purchase prices and viewer demand was given in the past, and volatility will always exist. Today, however, we are already capable of managing this significantly better.

What does this mean specifically?

Since 2012, we have been working consistently and very successfully on expanding the share of proprietary and co-productions in our distribution portfolio. Already by 2014, almost half of our planned 26 cinema launches will be produced or co-produced by us, compared with just two films in 2013. As a medium-sized player on the distribution market, our own productions offer us significant advantages. They are easier to plan, can be distributed better and more widely, and have better prospects of generating income. Among other contributing factors, this is also supported by marketing selected successes internationally. By contrast, the risks are not higher, as we mostly need to purchase third-party film rights on a performance-related basis. What matters is a balanced relationship, free of the pressure to have to buy in productions externally. Both models are nevertheless connected with considerably high investments – I can‘t deny this.

Does the current situation permit such investments?

We are currently still going through difficult times, there is no question about that. But at the same time we are also receiving a lot of support from our business partners and especially our financing partners, so that we are able to maintain and existing business operations, including production and the purchasing of rights, without restrictions. But as far as the medium- and long-term aspects are concerned, we still need the new funds from the planned capital increase. Together with the other planned measures, these will allow us to make the necessary investments in our core business. In particular, the planned conversion of debt – in the form of a bond with warrants – into equity will relieve us of interest and redemption payments. My request is that all shareholders support the Shareholders‘ General Meeting resolutions that are required for these measures.

Why should shareholders believe in the future of Senator Entertainment AG?

We are responding to this crisis by making a fresh start. Unfortunately, the shift in strategy that had already been partly implemented over the last years came too late to avert this crisis, but it was, and is, absolutely correct as far as orientation is concerned. What matters is to continue, and to develop further, along this path with an orderly balance sheet and sufficient liquidity. At its Berlin headquarters, Senator will develop into a meeting point for creative film professionals from across the whole of Europe. In every respect, we have what is needed to foster and promote creative talents, and to turn them into commercial successes. This is also an important aspect of our international strategy as part of planned cooperation ventures and acquisitions that we are pursuing both on our own and together with renowned partners.

SUPERVISORY BOARD REPORT

Below, the Supervisory Board reports on its activities in the 2013 financial year, especially concerning the type and scope of the auditing of the management of the company, as well as consultations within the Supervisory Board, compliance with the German Corporate Governance Code, the auditing of the financial statements of Senator Entertainment AG and the Group, as well as personnel changes to the company's boards.

The Supervisory Board comprises a sufficient number of independent members in line with the recommendation of the German Corporate Governance Code.

Collaboration between the Supervisory and Management boards

In 2013, the Supervisory Board fulfilled its tasks and duties pursuant to the law and the company's bylaws. It constantly monitored the management of the company as realised by the Management Board, and consulted with it regularly concerning the management and strategic orientation of the company.

Written and verbal reports from the Management Board informed the Supervisory Board on a regular, prompt and comprehensive basis. These reports contain all relevant information about business trends and the Group's position, including its risk position and risk management. Differences between business progress and the approved plans were presented, explained and discussed. The Management Board coordinated the Group's strategic orientation with the Supervisory Board, and discussed with it all business transactions of significance for the company – especially the Group's further strategic orientation. The Supervisory Board was included in all decisions of fundamental significance for the company.

The Management Board continued to inform the Supervisory Board about the most important financial performance indicators, submitting business transactions which required Supervisory Board approval to it in good time, or which were of particular significance. Between meetings as well, the Management Board informed the Supervisory Board in detail about particular intentions and projects of urgency for the company, with the Supervisory Board issuing written approval where required. Also outside the scope of Supervisory Board meetings, the Supervisory Board Chairman was informed regularly about the current business situation and significant business transactions within the company.

Unless described otherwise in this report, the Supervisory Board fulfilled its auditing activity by receiving and discussing reports from the Management Board, employees and external auditors.

Supervisory Board meetings

A total of seven Supervisory Board meetings were held in 2013. All Supervisory Board members participated at more than half of the Supervisory Board meetings in 2013.

Committees

The Supervisory Board has formed the following committees in order to ensure that its tasks are conducted efficiently: Auditing and Accounting Committee.

One meeting of the Auditing and Accounting Committee was held in 2013.

Supervisory Board consultations

Topics of regular reporting by the Management Board and discussions at the Supervisory Board meetings included trends in the sales revenues and earnings of the company and the Group, as well as the Group's financial and liquidity positions, and its strategic orientation. Meetings focused on further securing liquidity, as well as on extending strategic partnerships and on expanding the company.

A focal point in this context included consultations concerning the company's overall financing. Negotiations about entering international licence trading through acquiring the US sales agent Relativity Foreign, LLC formed a further focal point of consultations. The opportunities and risks entailed in such an agreement were discussed in detail. The Supervisory Board consulted extensively with the Management Board in this context, especially given this matter's business impact. At the meeting on November 28, 2013, the Supervisory and Management boards agreed to negotiate further the terms of a potential sales agency agreement to benefit Senator.

Besides these topics, the following other thematic areas of Supervisory Board meetings deserve particular mention:

- The Group's strategic orientation until 2016, including the expansion of the company's distribution and sales activities in Switzerland; considerations concerning the founding of a Senator Global Productions Ltd. with headquarters in London to acquire, finance and produce international cinema materials, as well as the entering into new business partnerships and cooperation ventures.
- Potential founding of a joint-venture ("Senator Asia Ltd.") with a major Chinese player
- Corporate financing and business planning for 2013 as well as annual planning for 2014; from Q3 and Q4 2013, particularly also the liquidity position and results of operations
- Extension of the Universum sales agreement
- Measurement and expansion of financing lines, especially LEUMI closing, bond financing in Switzerland
- Consultations concerning an output agreement with Silver Reel

Supervisory Board resolutions

Outside the scope of its meeting, the Supervisory Board passed seven resolutions, including concerning the appointment of Mr. Maximillian Sturm as a Management Board member, the proposal to appoint Mr. Paolo Barbieri as a Supervisory Board member, as well as relating to amendments to the rules of business procedure for the Management and Supervisory boards, corporate governance/compliance statement, and the Annual General Meeting agenda.

Corporate governance

The Supervisory Board concerned itself several times at its meetings with corporate governance questions within the company. The Management and Supervisory boards reached agreement concerning updating the declaration of compliance with the German Corporate Governance Code, and issued their joint compliance statement pursuant to Section 161 of the German Stock Corporation Act (AktG) in March 2013. Together with previous compliance statements, it is permanently available on the website of Senator Entertainment AG. In it, the Management and Supervisory boards declared that the recommendations of the German Corporate Governance Code in its version of May 26, 2010 and of May 15, 2012 have been, and are, complied with since the last compliance statement of April 27, 2012, with the exceptions described in the compliance statement.

The compliance statement dated April 27, 2012 provides information about compliance with the German Corporate Governance Code in the period before March 2013. The Management and Supervisory boards report separately on corporate governance in the Corporate Governance Report.

Explanations pursuant to the German Takeover Guidelines Implementation Act

The Supervisory Board has concerned itself with the disclosures in the management report of Senator Entertainment AG and in the Group management report pursuant to Sections 289 (4) and 315 (4) of the German Commercial Code (HGB), and the Management Board‘s related explanations. Reference is made to the corresponding remarks in the separate management report/Group management report. The Supervisory Board has examined the disclosures and explanations, and has adopted them. From the Supervisory Board‘s perspective, they are complete.

Composition of the Supervisory Board

The following personnel changes occurred to the company‘s Supervisory Board in the 2013 financial year. On June 7, 2013, Mr. Walther F. Kalthoff relinquished his office as a Supervisory Board member. At the company‘s application, Mr. Paolo Barbieri was then appointed to be the representative of the largest shareholder on the appointment date, Pacific Capital S.A., by ruling of the Charlottenburg District Court of June 12, 2013 as successor to Supervisory Board member Mr. Walter F. Kalthoff.

Composition of the Management Board

In the 2013 financial year, the Management Board was expanded to include Mr. Markus Maximilian Sturm, with particular responsibility for finance. Along with the Management Board Chairman (CEO), Mr. Helge Sasse, the Management Board now consists of a total of two individuals following its expansion to include Mr. Markus Maximilian Sturm.

Auditing of the financial statements of Senator Entertainment AG and of the Group as of December 31, 2013

Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Berlin, was appointed by the AGM on July 23, 2013 as the auditor for the financial year from January 1, 2013 until December 31, 2013, and as the auditor of the consolidated financial statements, and as the auditor of any auditor‘s reviews of interim financial reports for this financial year, and was mandated accordingly by the Supervisory Board. Audited items included the separate annual financial statements of Senator Entertainment AG, as submitted by the Management Board, and prepared according to German Commercial Code (HGB) accounting regulations, and the management report for the 2013 financial year, as well as the consolidated financial statements and Group management report for the 2013 financial year, which were prepared according to the regulations of the International Accounting Standards Board (IASB) and supplemented by German commercial law regulations applicable pursuant to Section 315a (1) of the German Commercial Code (HGB). The separate annual financial statements of Senator Entertainment AG and the consolidated financial statements were issued with unqualified audit opinions.

The separate annual financial statements of Senator Entertainment AG and the management report, as well as the consolidated financial statements and the Group management report for the 2013 financial year were made available to all Supervisory Board members. They formed the subject of the Supervisory Board meeting on April 16, 2014, at which representatives of the auditor also participated and were available to reply to questions, and they form the subject of a subsequent resolution passed at a telephone Supervisory Board meeting conducted on April 30, 2014. The Supervisory Board noted the audit result with approval. No objections were to be raised following the conclusive result of its own review. The Supervisory Board has approved the separate annual financial statements and management report, as well as the consolidated financial statements and Group management report, as prepared by the Management Board. The separate annual financial statements for the 2013 financial year are adopted as a consequence.

Following a successful 2012 with positive prospects, 2013 took a surprisingly negative turn, characterised by many one-off effects. In particular, the valuation adjustments relating to the film library of Senator Entertainment AG are considerable. The 2013 net result for the year and the resultant decrease to below the threshold prescribed in Section 92 (1) of the German Stock Corporation Act (AktG) necessitate that the company be reorganised and realigned. At the same time, it was necessary to secure short-term liquidity. The Supervisory Board has concerned itself intensively with the changed situation, immediately requesting the Management Board to launch reorganisation measures. With a large number of measures, especially in the financing area, the Management Board has successfully secured the financing, and developed a reorganisation plan. The Shareholders' General Meeting will need to reach decisions concerning the equity capital measures in this connection that provide long-term stability for the Group. The Supervisory Board will closely accompany the requisite reorganisation path.

The Supervisory Board would like to thank the Management Board, the management team and staff for their great performance and commitment in a difficult environment.

The Supervisory Board

Berlin, April 30, 2014

Dr. Andreas Pres

Chairman

CORPORATE GOVERNANCE REPORT

The Management and Supervisory boards of Senator Entertainment AG jointly submit the following report pursuant to section 3.10 of the German Corporate Governance Code.

Senator Entertainment AG, which has its headquarters in Berlin, is subject to the provisions of German stock corporation and capital market law, as well as the provisions of its own bylaws. The company operates a dual management and supervisory structure with its two boards: its Management Board and its Supervisory Board. In addition, there is the Shareholders' General Meeting, in which the company shareholders are involved in fundamental decisions relating to the company. Together, these three bodies are obligated to the interests of the shareholders and the benefit of the company.

1. The Management Board

The Management Board manages the company and its business. In this context, it is obligated to pursue the company's interest, and obligated to grow the company's value on a sustainable basis. The Supervisory Board appoints the Management Board. The Supervisory Board has set the age limit for Management Board members at 75. Selection is based on the knowledge, capabilities and specialist experience that are required to carry out Management Board tasks.

Since March 1, 2013, the Management Board has consisted of two members, Mr. Helge Sasse as Management Board Chairman (CEO), and Mr. Markus Maximilian Sturm as Management Board member with responsibility for finance (CFO).

Further information is available at:

http://www.senator.de/companygroup/der-konzern#management

The Management Board develops the company's strategic orientation, coordinates it with the Management Board, and ensures that it is implemented. It also ensures appropriate risk management and controlling, as well as compliance within the company, and that regular, prompt and comprehensive reporting to the Supervisory Board occurs. The business plans and potential divergences from it are explained in detail regularly to the Supervisory Board. Certain Management Board transactions and measures require Supervisory Board approval.

The Management Board immediately notifies the Supervisory Board of any conflicts of interest that might arise. Significant transactions realised with the company by Management Board members and by individuals related to them also require Supervisory Board approval, such as taking on outside interests.

A directors & officers insurance policy with a deductible was concluded for the Management Board.

2. The Supervisory Board

Until March 5, 2014, the Supervisory Board consisted of six members.

Mr. Paolo Barbieri relinquished his mandate as of March 5, 2014. As a consequence, the Supervisory Board currently consists of five members and one representative (further information: http://www.senator.de/companygroup/der-konzern#board).

All members are elected by the Shareholders' General Meeting according to the provisions of the German Stock Corporation Act (AktG).

The age limit for existing Supervisory Board members is set at 75. The individuals are selected based on the knowledge, capabilities and specialist experience that are required to carry out their tasks.

Given the company's operating activities and its international orientation, and given that the Supervisory Board consists of six members, the Supervisory Board has set itself the objective

- of having at least two Supervisory Board members who have professional experience from the media sector, ideally the film industry,
- of having at least one member whose main business activity occurs abroad,

- of having at least two members who are independent in the meaning of section 5.4.2 of the German Corporate Governance Code,
- of having at least one female member by the end of 2016, and
- of having no member above the 75 year age limit.

With the exception of having one woman member on the Supervisory Board, all of these objectives have been fulfilled. The Supervisory Board intends to propose one woman to the Shareholders' General Meeting for election to the Supervisory Board by the end of 2016.

The Supervisory Board consults with the Management Board concerning the management of the company, and monitors its management within the framework prescribed by the law, the company's bylaws and its rules of business procedure. It works closely together with the Management Board for the company's benefit, and is included in decisions of fundamental importance. It appoints and dismisses the Management Board members, approves the Management Board compensation scheme and determines its respective compensation.

The Supervisory Board has formed an Audit Committee and an Investment Committee. The rules of business procedure for the Supervisory Board include a catalogue of transactions for which the Management Board requires Supervisory Board approval.

The Supervisory Board constantly reviews efficiency and performance relating to both itself as a body, and in relation to its individual members, as well as the Management Board. The Supervisory Board is convinced that (a) the organisation and processes are structured efficiently and ensure the greatest degree of performance, and (b) the composition of the Supervisory Board is structured so that the experience, know-how and specialist knowledge of its members meet the requisite efficiency criteria.

3. The Shareholders' General Meeting

Shareholders exercise their rights and voting rights at the Shareholders' General Meeting. Each share grants one vote.

The Annual General Meeting is generally held during the first eight months of the financial year. The agenda for the AGM, including management resolution proposals and the reports and documents required for the AGM, are published on the company's website. They can be sent by post on request.

The company offers its shareholders the opportunity to be represented at the AGM by a company proxy.

Further information about corporate governance at Senator

More detailed information about the Supervisory Board's activities and about collaboration between the Supervisory and Management Board can be found in the Supervisory Board Report.

Berlin, April 2014

SENATOR Entertainment AG

The Management Board

The Supervisory Board

THE SHARE

Share price performance (January 2, 2013 – April 22, 2014)

Key data

Wertpapierkennnummer (German Securities Code)	A0BVUC
ISIN	DE000A0BVUC6
Ticker symbol	SMN1
Trading segment	Regulated Market (General Standard)
Type of shares	No par value ordinary bearer shares
Share capital	29,945,424
Initial listing	February 25, 2008
Share price at the start of the reporting period (January 2, 2013)*	€ 0.96
Share price at the end of the reporting period (December 30, 2013)*	€ 0.82
Share price on April 22, 2014	€ 0.81
Percentage change over the reporting period	-14.6 %
52-week high**	€ 1.19
52-week low**	€ 0.71

* Closing price basis, XETRA trading system of Deutsche Börse AG

** Intraday

As in the previous year, European equity markets continued to benefit from the European Central Bank's expansive monetary policy in the 2013 financial year. The share of Senator Entertainment AG proved unable to follow this trend on a sustainable basis.

After a decline in the share price in the second quarter of the reporting period to its low for the year of € 0.71, the shares of Senator Entertainment AG re-appreciated significantly during the third quarter of 2013, reaching their high for the year of € 1.16 at the end of August 2013. The share nevertheless weakened in price in the subsequent months, quoting at € 0.82 on December 30, 2013, the last trading day of the financial year. This corresponds to a market capitalisation of € 24.47 million, with the share of Senator Entertainment AG depreciating by 14.6 % in total over the full reporting period.

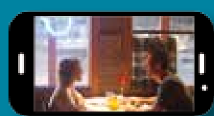
Senator Entertainment AG is listed in the General Standard of Deutsche Börse AG, a segment with high transparency standards.

2014 financial calendar

May	Q1 interim report
July	Annual General Meeting
August	H1 interim report
November	Q3 interim report


VOM BESTSELLERAUTOR VON
WIE EIN EINZIGER TAG UND MESSAGE IN A BOTTLE
JOSH DUHAMEL
JULIANNE HOUGH
SAFE HAVEN
WIE EIN LICHT IN DER NACHT
DAS BUCH ZUM FILM
HEYNE
SENATOR
WWW.SAFEHAVEN.SENATOR.DE
/SAFEHAVEN.DERFILM
RELATIVITY
JUNGHANS


SAFE
HAVEN
12



2 GROUP MANAGEMENT REPORT

COMBINED MANAGEMENT REPORT FOR THE COMPANY AND THE GROUP FOR THE 2013 FINANCIAL YEAR

This is a combined management report for Senator Entertainment AG (Senator AG) and the Group. Unless explicit reference is made to Senator AG or the Group, statements relate equally to Senator AG and the Group. The comments made below about the Group's progression of business as well as its results of operations, net assets and financial position are based on the consolidated financial statements prepared on the basis of IFRS, as applicable in the EU. The comments about the business progression and results of operations, net assets and financial position of Senator AG relate to the company's annual financial statements prepared on the basis of German Commercial Code (HGB) accounting standards.

Totals and percentages are calculated on the basis of rounded euro amounts, and can differ from a calculation based on amounts reported in thousands and millions of euros.

1. BASIS OF THE GROUP

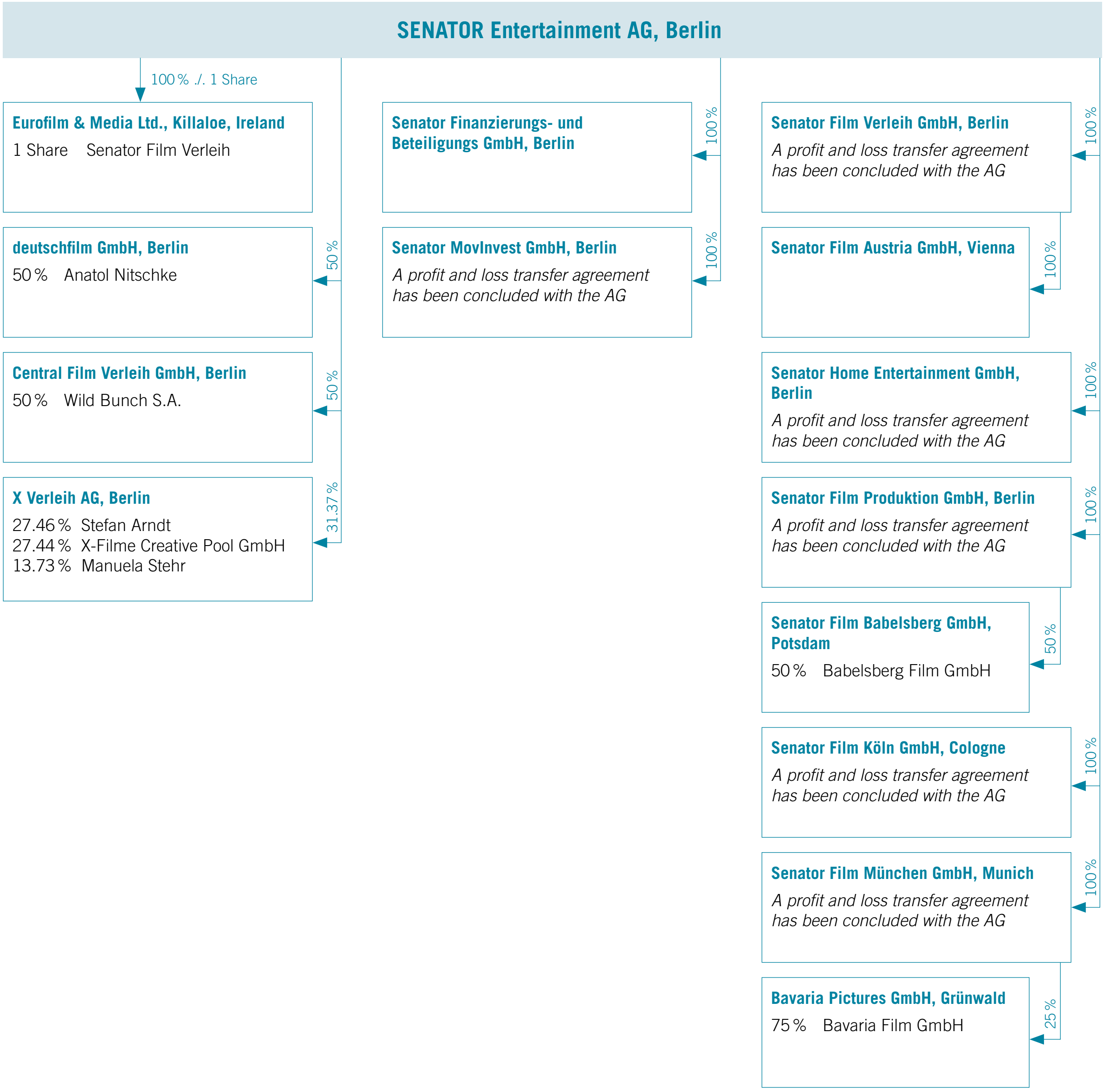
1.1. Group business model

1.1.1. Operating activities

Berlin-based Senator Entertainment AG has ranked as one of Germany's leading independent media companies for more than 30 years. "Distribution" and "Film production" comprise the core business segments of the Senator Group. Along with cinema distribution, rental also includes downstream distribution steps, especially in the home entertainment ("video") and TV area.

The primary core businesses are supplied not only by the development and implementation of projects realised by Senator film productions, but also by the acquisition of film rights from Europe and the USA. The special aspect of the Senator Group lies in its dedicated selection approach to film projects that not only aspires to high film standards but also consistent commercial appeal.

Moreover, Senator has a rights library that currently comprises around 385 film and series titles covering highly varied genres and subjects. At the end of the distribution chain, film distribution rights transfer to the constantly growing library allowing further income to be generated from rights distribution in the medium and long term.



1.1.2. Group structure and segment

The Senator Group is composed of various subsidiaries, primarily in the two main operating segments of "Distribution" and "Film production". Within the Senator Group, several subsidiaries are profiled on the market as independent producers and co-producers of feature films. Further Group companies acquire licences and extensively market their own film productions, co-productions and third-party productions.

As the Group parent company, Senator Entertainment AG performs a holding company function, among other activities, being responsible for Group financing, for example. The diagram above presents the Group structure in detail. The company deutschfilm GmbH was consolidated for the first time in the 2013 financial year.

1.1.3. Employees

The Senator Group employed an average of 49 staff in the year under review, excluding trainees and interns. This represents growth of 17.0 % compared with the previous year (42 staff). On average, the Group employed 32 women (previous year: 27) and 17 men (previous year: 15). As of December 31, 2013, Group staff had been employed for an average of 4.7 years (previous year: 4.6 years) at Senator.

1.1.4. Research and development

The Senator Group does not operate any research and development activities in the narrow sense of the term. No allocable research and development expenses exist as a consequence.

Along with film projects, Senator also continuously develops – in the broader sense of the term – its own business model. This entails identifying global market trends, and assessing them in relation to new business opportunities and their effects on existing business areas.

In addition, the gathering and analysis of market data in the areas of viewers, users and customer research is of great significance for Senator (please also refer to the comments on market research and development in the business report).

2. BUSINESS REPORT

2.1. Macroeconomic and sector-specific conditions

2.1.1. Economic conditions

The operating activities of the Senator Group occur largely in Germany and other European countries, thereby making economic trends in this region relevant for Senator. Although the Eurozone managed to stem the negative trend in 2012, when its economy contracted by 0.7 %[1] , economic output across all member states was down by 0.4 % in 2013, however. The European Commission nevertheless again anticipates economic output growth in the Eurozone in 2014 of 1.2 %[2] .

Following a weak start to 2013, the macroeconomic trend in Germany has become increasingly positive over the course of the year. Price-adjusted gross domestic product (GDP) was 0.4 % higher year-on-year. Private household consumption grew by 0.9 % on a price-adjusted basis. Domestic capital spending decreased by 2.2 % in real terms, by contrast. Although Germany exported 0.6 % more goods and services in total on a price-adjusted basis than a year previously, imports were up by 1.3 %[3]. For 2014, the German government anticipates a marked acceleration in the economy: in its most recent forecast for 2014, it forecasts 1.8 % year-on-year economic growth[4].

[1] Eurostat, Real GDP growth rate, as of: February 4, 2014
[2] European Commission, Winter Forecast 2014, February 25, 2014
[3] German Federal Statistical Office (DESTATIS), press release, “Moderate growth of the German economy in 2013”, January 15, 2014
[4] German Federal Ministry for Economic Affairs of Energy, 2014 Annual Economic Report, February 13, 2014

The average number of unemployed individuals in 2013 increased to around 3 million – 1.8 % year-on-year increase – according to the Federal Employment Agency. The unemployment rate was 6.9 %, 0.1 percentage points above the 2012 level[5].

The consumer climate index surveyed by GfK consumer research rose over the period under review, standing at 7.4 points in December 2013. This index had appreciated further to 8.5 points by April 2014[6]. Mainly as a consequence of higher food prices, the inflation rate rose to 1.5 % in 2013 and was below the 2012 level of +2.0 %, according to data from the German Federal Statistical Office[7].

2.1.2. Sector-specific conditions

MARKET ENVIRONMENT FOR THE MEDIA AND ENTERTAINMENT SECTOR IN GERMANY

General economic trends also exert a significant impact on the German media and entertainment sector. In this context, advertising spend generally reacts faster to fluctuations in economic growth than consumer spending, for instance in the cinema or home entertainment area.

In line with last year's economic recovery in Germany, auditors PwC calculated that the entertainment and media sector generated sales of around € 65 billion, according to a recently published market study for 2013. The experts anticipate that the sector will continue to report growing sales, seeing average annual growth rates of 2.3 % up to 2017. Online advertising is expected to report even faster growth, with annual average sales growing 7.2 % over the next three years. Whereas the share of sales from digital media comprised 32 % of the total market in 2012, it is set to amount to 42 % by as early as 2017. The Senator Group aims to benefit from this growth through expanding marketing via video-on-demand (VoD) channels that are comprising an ever larger share of sales within the home entertainment sector. PwC forecasts that sales with classic media will weaken slightly over the coming years, by contrast[8].

The Senator Group distributes its own productions and acquired rights and licenses in the areas of cinema, home entertainment and TV. The following provides a summary of trends on these sub-markets.

CINEMA

In 2013, sales generated by the German cinema sector exceeded the one billion euro level for the second consecutive time. Although a total of around € 10 million less was turned over with cinema ticket sales compared with the previous year, sales revenues of € 1.023 billion represented the second best result ever. The number of cinema visits in 2013 was down by 4 % year-on-year to 129.7 million, according to the German Federal Film Board (FFA). The broader dissemination of 3D films and the related increase in average cinema ticket prices ensured that the dip in sales of 1 % was significantly more moderate.

German films reported strong growth, by contrast. Their share of 33.6 million visitors was significantly above the previous year (24.0 million visitors). Given a 26.2 % market share (previous year: 18.1 %), more than one in four box office tickets were sold for a German film in the period under review.

The first three places in the German cinema charts in 2013 were occupied by the films FACK JU GÖHTE (5.6 million visitors), THE HOBBIT: THE DESOLATION OF SMAUG (4.6 million visitors) und DJANGO UNCHAINED (4.5 million visitors). As last year, the increasing digitalisation of German cinemas and the success of 3D cinema catered for a further increase in

[5] Federal Employment Agency, "The employment market in 2013", January 7, 2014
[6] GfK, press release, "German consumer climate takes a breather", March 26, 2014
[7] German Federal Statistical Office (DESTATIS), press release, "Consumer prices in 2013: +1.5 % on 2012", January 16, 2014
[8] PwC, press release, "Umsätze mit digitalen Medien legen bis 2017 um 8,4 Prozent pro Jahr zu", October 16, 2013

the average ticket price in the year under review from € 7.65 to € 7.89. The market share of 3D films rose to 24.4 % (31.3 million visitors), compared with 21.8 % in the previous year (28.9 million visitors).

The total number of cinema companies continues to decrease, while the rate of decline is slowing compared with previous years. Although the number of locations was down further in the period under review (from 909 to 890), the total number of cinema screens stayed relatively constant, decreasing by just seven to currently 4,610[9].

HOME ENTERTAINMENT

With sales of € 1.757 billion, the German video buying market achieved its best result in the history of the German home entertainment, according to the latest data from GfK Panel Services Deutschland. Both revenue from the sale of film content (€ 1.445 billion, +2.6 % year-on-year) and revenue from the distribution business (€ 312 million, +4.0 % year-on-year) registered growth, resulting in overall year-on-year growth of around 3 %.

The Blu-ray format and digital sales revenues continue to become more important, according to data from GfK. Almost two thirds of sales are nevertheless still attributable to DVD, despite the 4.1 % drop in sales revenue (from € 1.191 billion in 2012 to currently € 1.142 billion). Revenues from Blu-ray sales were up by 17.6 % in the period under review, increasing from € 392 million to € 461 million. Digital sales increased from € 124 million to € 154 million (+24.2 %).

Especially the increases in the VoD distribution business catered for overall market growth in 2013. Video-on-demand services meanwhile account for around one third of sales revenues. Registering 32.5 % growth, VoD distribution revenues advanced to € 102 million (previous year: € 77 million). The physical distribution business continues to decline, by contrast. Revenues from distribution transactions in DVD rental stores and libraries, and from automated dispensers, were down by 7 % to € 177 million in the period under review (previous year: € 191 million). Growth in the Internet ordering service with subsequent postal dispatch accounted for a low level of 3 % (sales of € 31 million compared with € 30 million in 2012) – as is the case with physical distribution, this is presumably an accompanying phenomenon to the growing VoD business[10].

TV

Despite the high level of competition, the attractiveness of the TV market lies in the overall high level of television viewing: in 2013, the average daily viewing period per person in Germany amounted to 221 minutes[11]. The marketing of TV film licences nevertheless remains challenging. There are many TV stations offering programs of all types – whether for free or charged, via cable or satellite, or as IPTV via the Internet – and the opportunities to distribute film productions are growing as a consequence. This has nevertheless also been accompanied by a considerable drop in prices over recent years. In the case of major customers of feature film production – especially the large, freely available TV station groups ARD, ZDF, RTL and ProSieben/SAT.1 – the best-yielding slots between 8:00 p.m. and 10:00 p.m. have for some years been occupied mainly by (reality) TV show formats, series and propriety productions. Demand for feature films has weakened accordingly. A further factor is that high-end productions comprising a focus of the Senator portfolio are unsuitable for all TV station formats. The market environment in the TV area is to be regarded as challenging as a consequence.

[9] German Federal Film Board (FFA), Zahlen aus der Filmwirtschaft, 1/2014
[10] GfK Panel Services Deutschland, Der Videomarkt 2013, February 14, 2014
[11] AGF in collaboration with GfK, TV Scope

2.2. Business progress

2.2.1. Financial and non-financial performance indicators

FINANCIAL PERFORMANCE INDICATORS

The primary aim of the Senator Group is to sustainably enhance its corporate value. Sales metrics and shareholders' share of earnings comprise the significant management quantities within the Senator Group in this context. The key indicators of operating profit (EBIT), earnings before interest, tax, depreciation, amortisation and impairment losses (EBITDA) and net debt (cash and cash equivalents less debt) are also regularly calculated for the controlling and steering of the operating segments.

Key indicator	Value in T€ as of December 31, 2013
Revenue	27,072
Shareholders' share of profit/loss	-27,381
EBIT	-25,693
EBITDA	-4,948
Net debt	-13,193

NON-FINANCIAL PERFORMANCE INDICATORS AND FACTORS

Above and beyond financial performance indicators, non-financial performance indicators and success factors are of central importance for the company's performance. These are derived from the specific requirements of the respective business model.

Viewer numbers

In the Senator Group's "Distribution" segment, the number of viewers that a film generates comprises one of the decisive factors, as cinema success generally also affects the subsequent distribution steps – especially in the home entertainment area. Despite intensive previous market observation in the target groups, the taste of the cinema-going public can be gauged to only a limited extent. In addition, cinema films released by the Senator Group are always competing with concurrently-running films of other distributors, so that a marketing campaign that has been outstandingly coordinated in relation to the respective film does not always result in the expected viewer numbers. In the financial year under review, this planning uncertainty was reflected in a realised number of cinema visitors to Senator films of 2.5 million, compared with an expected 4 million.

Access to rights

The Senator Group is exposed to strong competition when acquiring rights to literary works and screenplays, as well as when entering into agreements with successful directors, actors and film studios. For this reason, the Senator Group has already been working very closely for decades with renowned and experience screenplay writers, directors and producers both in Germany and abroad who command major expertise in the production of cinema films and TV formats.

Specialist expertise and contact network

Both technical and content-related expertise is critical, not only with regard to increasingly digital and convergent media utilisation behaviour, and the shift towards the utilisation of cross-platform offerings. The recruitment, promotion and securing of well-trained, expert, committed and creative staff is correspondingly important. An extensive and established network of contacts, as well as close and trusting relationships with business partners, also comprise important factors for the success of the Group. Especially in the film area, collaboration with screenplay writers, directors and producers both in Germany and abroad is of great significance.

Legal factors

Senator Entertainment AG must comply with a large number of stock market law and statutory regulations. As a public stock corporation listed on the Regulated Market (General Standard) of the Frankfurt Stock Exchange under German law, it is especially subject to German stock corporation and capital market law, and must comply with the recommendations of the German Corporate Governance Code. The operating activities of the individual segments‘ companies comply with many media, data protection, copyright law and regulatory requirements.

The Senator Group is also subject to sector-specific legal regulations – including the German Youth Protection Act. In the case of cinema and video films, this includes an obligation to designate age limits as regulated by the Freiwillige Selbstkontrolle Fernsehen e.V. (FSF – German Voluntary Self-Regulation of Television Association). The Senator Group is also required to comply with regulations of the German Copyright Protection Act.

When producing films, the Senator Group utilises various national and international public subsidies. The German government supports the production of cinema films in Germany in order to improve the German film sector‘s financial circumstances, to support film finance companies and their international competitiveness, and to sustainably expand Germany as a film production location. In 2012, the German government provided around € 30 million for the production of German films through subsidy programs and awards. It also provided € 70 million for the German Federal Film Fund (DFFF), which reimburses up to 20 % of producers‘ film production costs. Germany‘s individual states also provide considerable financial resources every year. In addition, the European Union makes film subsidy funds available.

Film subsidies are sometimes subject to conditions such as limiting periods for the appraisal of subsidised films according to the German Film Subsidy Act (12 months after cinema launches for pay-TV, 18 months on free-to-view TV).

The revised version of the German Film Subsidy Act (FFG) that has been valid since January 1, 2014, was approved by the Lower House of the German Parliament on June 12, 2013, and by the Upper House on July 5, 2013. The new version of this act is valid for three years, instead of the previously normal five years, in order to reflect rapid technological change within the sector. The significant changes included in this new version include more flexible limiting periods and the inclusion of the digitalisation of older films in the list of tasks of the German Federal Film Board (FFA).

On January 28, 2014, the German Federal Constitutional Court rejected a constitutional appeal from major cinema operators against the German Film Subsidy Act. Firstly, the plaintiffs had drawn attention to a lack of coherence in the distribution of tasks pursuant to the German Film Subsidy Act. Secondly, they argued that subsidising films comprises a cultural matter, and must consequently be regulated by individual German states. With its ruling, the German Federal Constitutional Court confirmed both the German Federal government‘s legislative powers and the legal proprietary of German film subsidies in their current form and structure.

The “EU Commission Cinema Communication” that was awaited by the European film sector was approved with the result that no significant changes will occur to the subsidy capacities of the German Federal Film Board and the German Federal Film Fund. One of the points that was much discussed and contentious to the last related to the permissibility of tying subsidies to specific territories. Previously, producers of subsidised films could be required to spend up to 80 % of the total film budget in the country in which the subsidy was granted. The new regulation makes provision whereby up to 160 % of the subsidised amount must be spent in the region in which the subsidies were approved. In addition, the scope of application of the Cinema Communication was extended beyond production to upstream and downstream from production areas.

Market research and development

The surveying and analysis of market data in the viewer, user and customer research areas is important for the development and further development of business areas in which the Group operates, in order to thereby respond early to trends in respective sectors segments and to changes in customer behaviour, or to anticipate them. Such data and information also serves the Senator Group companies to provide their customers, business partners and the advertising industry with expert and relevant information to assess their investment decisions.

For this purpose, the Group works together with various relevantly specialised companies. In the market research area, these comprise MediaConsult, Rentrak and the German Federal Film Board (FFA). In the home entertainment area, it comprises the GfK Group. In the online and mobile area, target group analyses and campaign assessments are prepared with the help of Google Universal Analytics and YouTube Analytics, among other tools.

In the “Film production” segment, in-house productions are subject to public testing in the context of screenings. Awareness figures are also surveyed for current cinema launches in order to assess the impact of marketing activities for the respective film, and to optimise them where required.

Along with these purely quantitative performance indicators, qualitative information such as research on the impact of advertising also forms an important basis for the assessment, allocation and orientation of corporate strategy and operational production, distribution and marketing activities within the various segments. For this purpose, recourse is also made to broadly based studies and research relating to the development of the media sector, surveys, screenings and public tests on in-house products.

2.2.2. 2013 business trends

FILM PRODUCTION

To secure the supply of its distribution pipeline, the Senator Group is focusing to a greater extent on the in-house development and production of new feature films, frequently also in co-production with other German and foreign film producers. An important business step in this context was the founding of Senator Film München GmbH in 2011, which particularly focuses on children‘s films. Senator Film Köln GmbH and production operations at the Berlin headquarters also develop and produce feature films. The company deutschfilm GmbH, which was founded in 2009, and which has been fully consolidated since the 2013 financial year, also operates in film production and acquisition.

In June and July of last year, the bestseller DER KOCH by Martin Suter was completed to schedule, followed by post-production. The prospective cinema launch of the film, which includes Jessica Schwarz in one of the main roles, is planned for August 28, 2014.

DIE GELIEBTEN SCHWESTERN by Dominik Graf and MISS SIXTY with Iris Berben and Edgar Selge have also been in production and post-production since 2013, and will be in cinemas during the course of the current 2014 financial year.

The Film Production segment generated T€ 225 of revenue in 2013, down slightly on the previous year‘s T€ 235.

DISTRIBUTION

The Distribution segment, an important area for the Senator Group, fell short of both the previous year‘s high results and its 2013 forecast.

Cinema

With around 2.5 million viewers, the company fell significantly short of its originally planned target for 2013 of attracting almost four million cinema visitors to a total of 22 films. This was mainly due to an over-optimistic expectation of the viewer potential for the 2013 film portfolio. In addition, with a total of 19 film premieres, not all of the premieres that were planned for 2013 occurred, with three films being postponed to the current 2014 financial year.

The most-viewed Senator Group films in 2013 included the productions SAFE HAVEN with around 400,000 cinema visitors as well as SILVER LININGS and the French comedy DE L'AUTRE CÔTÉ DU PÉRIPH with around 300,000 cinema visitors each. In the third quarter, MR. MORGAN'S LAST LOVE met the management's expectations with around 200,000 cinema visitors.

In 2013, the Senator Group generated a total of T€ 7,323 from cinema releases, compared with T€ 26,558 in 2012.

TV

Sales of TV licences for cinema films reported a generally positive trend in 2013. With revenue of T€ 5,521, this distribution channel almost tripled compared with the previous year (2012: T€ 2,140). Despite this growth, however, TV sales revenue fell short of the company's own expectations, particularly as sales that were planned for this area for 2013 have been delayed until the current financial year.

Home Entertainment (Video)

In its Home Entertainment area, the Senator Group published around 40 titles, 25 of which were published during the first half of the year. A total of T€ 13,579 was generated from distribution in this segment, reflecting an almost one third decline compared with the previous year (2012: T€ 21,830). While the first of the 2013 was up significantly year-on-year, the second half of the year failed to match the high revenue level of the 2012 comparative period.

Overall, viewer interest fell significantly short of forecasts in the Distribution segment. With T€ 26,746 of revenue during the financial year elapsed, the segment underperformed the T€ 30,000 to T€ 33,000 revenue target that it specified in November 2013 (in the 2012 annual report: T€ 30,000 to T€ 50,000). In the fourth quarter, too, the films that were launched failed to reach their estimated potential overall. Following on from the exceptional performance in 2012 with the outstanding box office success of ZIEMLICH BESTE FREUNDE, revenue in the Distribution segment consequently almost halved.

2.3. Group results of operations, net assets and financial position

2.3.1. Group results of operations

The comparative figures for the 2012 financial year provided in the following sections differ slightly from the originally published results, as new information in 2013 showed that two further companies should have been included in the consolidated financial statements by way of full consolidation. For more information on this topic, please refer to Section 5 of the notes to the consolidated financial statements, "Restatement of previous year's financial statements under IAS 8.41".

In the 2013 financial year, the Senator Group generated T€ 27,072 of revenue on the basis of IFRS accounting. This represents a marked decline 47.1 % compared with the previous year's T€ 51,164, with revenue returning to approximately the level of the 2011 financial year. This fall in revenue was mainly due to the previous year's box office hit ZIEMLICH BESTE FREUNDE, which significantly impacted profitability in the 2012 financial year. As the film projects' sales revenues continued to perform worse than expected in the fourth quarter of 2013, the company failed to achieve its T€ 30,000 to T€ 33,000 revenue forecast that it had reduced over the course of 2013.

An examination of the individual segments shows that the decline in Group revenue is chiefly attributable to the largest segment, “Distribution”, to which T€ 26,746 of revenue was attributable (previous year: T€ 50,803).

Revenue for the two other segments of “Film production”, with revenue of T€ 225 (previous year: T€ 235), and “Other”, with T€ 101 of revenue (previous year: T€ 126), was stable. Within the “Distribution” segment, revenue was attributable to the three largest segments as follows: cinema T€ 7,323 (previous year: T€ 26,558), television T€ 5,521 (previous year: T€ 2,140), and video T€ 13,579 (previous year: T€ 21,830). The strong growth in the TV area especially reflects TV revenues for SAFE HAVEN, SILVER LININGS and SIDE EFFECTS.

Other operating income grew from T€ 610 to T€ 1,116 in the period under review. This mainly arises from the release of provisions, income from a settlement, and from the sale of securities. Work performed by the company and capitalised reduced slightly from T€ 2,536 to T€ 2,457, and reflects the Senator Group‘s greater focus on its own productions during the last years.

Partially performance-related expenses for procured services amounted to T€ 23,965 in the 2013 financial year, compared with T€ 34,535 in the previous year. These especially comprise film production costs, expenses for marketing and production DVD/Blu-ray, as well as licensor transfers and expenses for other revenue participations. Despite lower costs overall, the cost of materials ratio rose to 88.5 %, compared with 67.5 % in the prior-year period. Due to the higher number of employees, staff costs grew from T€ 3,045 to T€ 3,165. This represents a 11.7 % staff cost ratio, compared with 6.0 % in the previous year.

Depreciation, amortisation and impairment charges reported a significant increase. Especially due to the impairment testing of intangible film rights, the company incurred an impairment charge of T€ 8,365, as well as a further T€ 2,439 applied to advance payments. Total (non-cash) impairment charges amounted to T€ 10,804. Including depreciation and amortisation, expenses relating to film rights totalling T€ 20,645 were necessitated as of the financial year-end (previous year: T€ 7,304). Other operating expenses rose from T€ 3,216 to T€ 8,464. This increase reflects T€ 2,362 of newly-formed provisions for pending losses arising from onerous agreements, which were formed due to lower expectations of future achievable cash flows for films that have already been bought. Receivables of T€ 3,659 were also written off.

Due to falling revenue and mostly one-off expenses for valuation adjustments and provisions, the company incurred a considerable loss in the 2013 financial year, with the result before interest and tax (EBIT) changing from a profit of T€ 6,121 into a loss of T€ -25,693. When adjusted to reflect one-off charges, the company incurred an operating loss of T€ -4,751 in the 2013 financial year. The net financial result amounted to T€ -1,680 (previous year: T€ -791). Among other items, this includes impairment charges applied to the equity accounted Bavaria Pictures GmbH. Interest expenses rose from T€ 1,119 to T€ 1,327 due to a slight increase in overall finance debt. Accordingly, the pre-tax result fell from a profit of T€ 5,330 to a loss of T€ -27,373. Little tax was incurred due to the loss-making situation, with a consolidated net loss of T€ -27,381 being reported (previous year: profit of T€ 4,883). Given a total of 29,935,765 shares in issue, this corresponds to a loss per share (basic / diluted) of € -0.91 (previous year: € 0.19).

Key Group financials

In T€	**2013**	2012	Change
Revenue	27,072	51,164	-47.1 %
EBITDA	-4,948	13,514	-120.3 %
EBIT	-25,693	6,121	-483.7 %
EBIT (adjusted)	-4,751	6,304	-175.36 %
EBT	-27,373	5,330	-592.2 %
Consolidated net profit/loss	-27,381	4,883	-638.2 %
EPS	-0.91	0.19	–

2.3.2. Segment results of operations

The following table shows the segments' results of operations:

	Production		Distribution		Other		Total	
In T€	**2013**	2012	**2013**	2012	**2013**	2012	**2013**	2012
Segment revenue	941	327	29,863	50,803	101	126	30,905	51,256
Internal revenue	-716	-92	3,117	0	0	0	-3,833	-92
Revenue = attributable income	225	235	26,746	50,803	101	126	27,072	51,164
Work performed by the company and capitalised	2,457	2,536	0	0	0	0	2,457	2,536
Attributable expenses								
Depreciation, amortisation and impairment charges	-1,219	-506	-19.258	-6.614	-146	0	-20.623	-7.120
Of which: impairment charges	*-782*	*-269*	*-10.022*	*-1.152*	*0*	*0*	*-10.804*	*-1.421*
Expenses for distribution and production	-2,303	-2,586	-21,661	-31,945	0	-4	-23,964	-34,535
Staff costs	-267	-284	-1,243	-1,260	0	0	-1,510	-1,544
Total	-3,789	-3.376	-42,162	-39,819	-146	-4	-46,097	-43,199
Gross profit/loss	-1,107	-605	-15,416	10,984	-45	122	-16,568	10,501
Unattributable income and expenses								
Other operating income							1,116	610
Staff costs							-1,654	-1,501
Depreciation, amortisation and impairment charges							-123	-273
Other operating expenses							-8,464	-3,216
							-25,693	6,121
Other interest and similar income							139	131
Interest and similar expenses							-1,327	-1,119
Earnings from equity accounted investments							332	460
Amortisation and impairment charges applied to financial investments and securities held as current assets							-912	-200
Foreign currency result							88	-63
Result on ordinary activities							-27,373	5,330

2.3.3. Group net assets

The negative earnings situation is reflected in key balance sheet figures. Total assets were down from T€ 44,835 to T€ 27,821 as of the December 31, 2013 balance sheet date. On the assets side of the balance sheet, non-current assets were down from T€ 24,019 to T€ 14,666. This is particularly due to the impairment losses applied to intangible assets which amounted to T€ 10,771 as of the balance sheet date (previous year: T€ 18,814). These primarily comprise acquired film distribution rights that are to be utilised over the coming years, consequently contributing to sales revenue. This item also includes advance payments for film rights that have not yet been delivered and projects that are still in the production stage, which are capitalised in their entirety until they are utilised. While property, plant and equipment of T€ 306 reflected only a slight reduction, financial investments fell from T€ 4,813 to T€ 3,589 due to impairment charges applied to associated companies.

Current assets amounted to T€ 13,155 as of the balance sheet date (previous year: T€ 20,816). The reduction was mainly due to the sale of T€ 3,680 of securities held as current assets, and valuation allowances applied to receivables. Trade receivables amounted to T€ 6,666 as of the balance sheet date (previous year: T€ 7,996). Cash and cash equivalents reduced from T€ 3,690 to T€ 2,450 due to the loss that was incurred as well as investments in new film distribution rights.

The consolidated net loss for the year that was incurred exerted a significantly negative impact on reported equity, with the loss for the period included in retained earnings widening from T€ -60,317 to T€ -87,698. Compared with balance sheet equity of T€ 15,942 as of the previous year's reporting date, the company reported negative consolidated balance sheet equity of T€ -11,439 as of December 31, 2013. This represents an equity ratio of -41.1 % (previous year: 35.6 %). Due to this balance sheet position, a corporate reorganisation concept was prepared for the Group and the parent company, and a reorganisation survey was mandated, the significant results of which are described in the report on events after the balance sheet date.

Compared with the previous year's reporting date, liabilities rose from T€ 28,893 to T€ 39,260. Total non-current liabilities of T€ 10,169 reflected a decline as non-current bank borrowings fell to T€ 112 as a result of their re-categorisation as current bank borrowings. Most of the non-current liabilities are attributable to the bond with warrants that falls due in 2016, with a carrying amount of T€ 9,666 as of the balance sheet date. Current liabilities rose from T€ 17,026 to T€ 29,091. Among other factors, this is due to an increase in other provisions for returns, licensor transfers and litigation risks, which increase to T€ 11,534. Current finance debt rose to T€ 5,867 due to the utilisation of overdrafts and short-term loans (previous year: T€ 1,626). The rise in advance payments to T€ 4,431 is partly attributable to the prepayment received from sales partner Universum Film GmbH in the DVD area. Other balance sheet items such as trade payables reported only a slight change compared with the previous year.

2.3.4. Group financial position

In the 2013 financial year, the Senator Group generated positive operating cash flow of T€ 4,460 (previous year: T€ 8,352). This chiefly reflects non-cash depreciation, amortisation and impairment losses, and newly-formed provisions, so that operating cash flow was positive despite the consolidated net loss that was incurred for the year. A reduction in working capital also positively affected operating cash flow.

Cash flow from investing activities stood at T€ -8,169 in the period under review (previous year: T€ -13,106). In this context, the company invested a total of T€ 12,602, principally in film distribution rights that are to be distributed across the individual value-creation steps over the coming years. Of this amount, a total of T€ 12,057 was invested in the “Distribution” segment, with the remaining T€ 570 being attributable to the “Production” and “Other” segments.

Cash flow from financing activities was positive in an amount of T€ 2,468 (previous year: T€ 8,034), with existing overdraft facilities being utilised.

Unutilised credit lines of T€ 5,765 existed as of December 31, 2013.

Overall, Group cash and cash equivalents fell from T€ 3,690 in the previous year to T€ 2,450 as of December 31, 2013.

2.4. Results of operations, net assets and financial position of the separate company Senator Entertainment AG

2.4.1. Results of operations of Senator Entertainment AG

Senator Entertainment AG grew its sales revenue from T€ 126 to T€ 2,802 in the 2013 financial year. This was due to the purchase and distribution of the film rights for the film SIDE EFFECTS, which was shown at the Berlinale, among other screenings. Other operating income rose to T€ 1,749 (previous year: T€ 1,466), and particularly contains Group cost transfers that are attributable to Senator Entertainment AG for its holdings services and company services in the administration and finance area.

Significant sales revenue growth arising from the SIDE EFFECTS film production was offset by corresponding cost of materials, with this expense item totalling T€ 1,172 in the period under review (previous year: T€ 4). At the same time, depreciation, amortisation and impairment charges increased from T€ 273 to T€ 2,004, particularly due to amortisation and impairment charges applied to the film SIDE EFFECTS, and also as a consequence of straight-line amortisation applied to music rights.

Excluding Management Board members, Senator Entertainment AG employed an average of 16 staff (previous year: 13). In addition, a new CFO with media sector experience was recruited, Mr. Markus Maximilian Sturm. Staff costs were up from T€ 1,492 to T€ 1,646 as a result of the expanded staff base.

Other operating expenses were down by T€ 1,611 year-on-year. The previous year included costs for the capital increase in an amount of T€ 1,441. In 2013, other operating expenses included costs for the operating business such as rent expenses, selling and marketing costs, and consultancy expenses.

Write-downs applied to current assets rose considerably compared with the previous year. This is mainly due to the valuation allowance applied to a receivable of T€ 2,421 due from participating interest deutschfilm GmbH, Berlin, and a valuation allowance of T€ 5,097 applied to receivables due from Irish subsidiary Eurofilm & Media Ltd., Killaloe (Ireland).

Income from participating interests of T€ 657 was significantly positive, arising from a dividend paid by associated company Central Film Verleih GmbH, Berlin. Senator Entertainment AG has entered into profit transfer agreements with various subsidiaries, although they also obligate the company to settle any losses that they incur. Due to various impairment charges applied to subsidiaries, these generated expenses of T€ 11,603 arising from loss assumption (previous year: T€ 2,838). The largest items included in this context comprise T€ 8,283 for Senator Film Verleih GmbH, Berlin, T€ 1,487 for Senator Film München GmbH, Munich, and T€ 1,153 for Senator Film Produktion GmbH, Berlin.

As the parent company, Senator Entertainment AG is responsible for Group financing, providing liquidity to the Group companies. To this end, it raises loans from banks as the main borrower, or obtains refinancing on the capital market. Receivables and liabilities between Group companies carry interest. Accordingly, other interest and similar income amounted to T€ 787 in the 2013 financial year (previous year: T€ 1,048). This was offset by interest and similar income of T€ 1,342 (previous year: T€ 1,205).

Especially due to the one-off expenses for the parent company and its participating interests, a result on ordinary activities (EBT) and a net loss of T€ -24,526 was incurred in the 2013 financial year (previous year: T€ -7,686).

2.4.2. Net assets and financial position of Senator Entertainment AG

The total assets of Senator Entertainment AG decreased as of the December 31, 2013 balance sheet date due to the loss that was incurred, amounting to T€ 18,897 (previous year: T€ 30,233). Non-current assets of T€ 13,878 fell significantly compared with the previous year's balance sheet date (T€ 17,285) due to an impairment charge applied to the Irish subsidiary and to a long-term loan that had been extended to the subsidiary. The fixed assets are composed of intangible assets – primarily music and film rights – of T€ 712 (previous year: T€ 743), tangible assets of T€ 241 (previous year: T€ 319), and financial assets, which comprise mainly shares in affiliated and associated companies in an amount of T€ 12,925 (previous year: T€ 16,223).

Current assets also registered a marked decline from T€ 12,574 to T€ 4,757. While receivables due from affiliated and associated companies rose over the course of the year, as planned, the aforementioned extraordinary write-downs applied as of the balance sheet date to receivables due from subsidiaries fed through to an overall reduction in receivables and other assets. These totalled T€ 3,434 (previous year: T€ 7,803). Securities held as current assets were sold over the course of the year to finance the operating business. Cash and cash equivalents amounted to T€ 1,306 as of the financial year-end (previous year: T€ 2,515).

Balance sheet equity reported a markedly negative trend. Due to the net loss of T€ -24,526 incurred for the year, equity changed from a positive amount of previously T€ 17,187 to a deficit of T€ -7,338. The company share capital has been completely consumed as consequence. The related fall to below the 50 % limit of equity obligates the Management Board to immediately convene a Shareholders' General Meeting pursuant to Section 92 of the German Stock Corporation Act (AktG). The Management Board will fulfil this requirement after the annual financial statements have been published, and present a reorganisation concept to the Shareholders' General Meeting to allow the company to be continued successfully. Please refer to the report on events after the balance sheet date in this context. This explains the capital measures which are currently planned, and which are to be approved by the Shareholders' General Meeting.

A special item for investment grants, under which grants arising from the "Improvements of the Regional Economic Structure" program are accounted for, was lower than the previous year's T€ 415, standing at T€ 348, due to a corresponding utilisation. Provisions stood at T€ 574 at the financial year-end (previous year: T€ 670), especially comprising provisions for outstanding invoices and vacation provisions.

As of the balance sheet date, the liabilities of Senator Entertainment AG reported a significant increase from T€ 11,961 to T€ 25,312. While the bond continues to be recognised at an amount of T€ 10,118, liabilities due to affiliated companies, in particular, increased from T€ 1,462 to T€ 14,683. This is mainly attributable to the existing profit transfer agreements and the related obligation to offset losses.

2.5. Overall statement on the business and financial position of the Group and of Senator Entertainment AG

Given the background of the emerging loss and the complete consumption of the share capital of Senator Entertainment AG, the Management Board has prepared a reorganisation plan that is explained in section 3 "Report on events after the balance sheet date".

If the aforementioned reorganisation measures were to fail, or if the need for liquidity were to rise, the business model in its planned extent would be jeopardised by insufficient capitalisation and restrictions to the company's ability to finance itself, and, on the basis of the financing opportunities available from today's perspective, the Management Board would be forced to implement considerable reductions to its planned investments in new rights, with the consequence that the market position of the Senator Group could not be maintained or expanded as planned. Including in the instance of a reduced level of investments, should the operating business fail to achieve its planned development, the company's continued existence from mid-2015 would depend on the successful implementation of further capital measures.

3. REPORT ON EVENTS AFTER THE BALANCE SHEET DATE

Information about and effects of transactions of particular significance after the balance sheet date

Given the background of the emerging loss and the complete consumption of the share capital of Senator Entertainment AG, the Management Board has prepared a reorganisation plan, and has obtained an external expert opinion for this purpose. This expert opinion was prepared on the basis of the reorganisation concept, the audited annual financial statements for 2011 and 2012 as well as the unaudited 2013 annual financial statements, assessments of the controlling function, liquidity planning and corporate planning for the 2014 to 2016 years, and the management's financing concept. The expert opinion arrives at the conclusion that the Senator Entertainment Group is in need of reorganisation, and that, on the basis of objective assessment, serious and well-founded prospects of a successful reorganisation exist on the basis of the present reorganisation plan, as well as the measures that have already been launched and those that are still planned. A positive going concern forecast exists to this extent.

The reorganisation concept comprises the following main points for the restructuring of the financial position: In order to secure short-term liquidity, an underwriting agreement was concluded with Quirin Bank on April 30, 2014, for up to € 10 million of bonds with a term of up to 9 months.

The decrease to below the 50% limit of equity connected with the deficit incurred for the year obligates the Management Board to immediately convene a Shareholders' General Meeting pursuant to Section 92 of the German Stock Corporation Act (AktG). The Management Board will fulfil these requirements after the annual financial statements have been published.

In the next step, a simplified capital reduction with subsequent capital increase is to be proposed to the Annual General Meeting that is to be held prospectively in mid-July 2014. A 2:1 capital reduction is initially planned, reducing the number of shares to around 14.972 million. In a non-cash capital increase, outstanding bearer bonds are to be contributed as non-cash capital contributions in the form of a debt-for-equity swap. Anchor shareholder Sapinda is to support this measure in order to achieve the highest possible conversion rate. The publication of the exchange offer is planned for August 8, 2014. In an additional cash capital increase (rights issue), around € 16 million of funds are to accrue to the company. All shareholders will be entitled to subscribe for new shares in a nominal value of € 1.00. As part of a backstop agreement, shareholder Sapinda aims to support this measure by acquiring unsubscribed shares from the cash capital increase. In this context, the company is currently in promising discussions with shareholder Sapinda.

An unsecured, subordinated loan from the H.E.A.T. Mezzanine Programme in an amount of T€ 993 was repaid on schedule in February 2014 by Senator Film Verleih GmbH.

The German Financial Reporting Enforcement Panel (DPR) is currently examining the 2012 IFRS consolidated financial statements and Group management report in the context of a random check. The DPR has made preliminary findings relating to the 2012 IFRS consolidated financial statements. Also to the extent that the DPR should maintain these findings, the Management Board is of the opinion that this will create no significant effects for the level of equity as of December 31, 2013.

A ruling has meanwhile been made in the case that was pending in 2013 in connection with the obligation to make an ad hoc announcement. With a ruling dated March 13, 2014, the Frankfurt am Main District Court required Senator to pay a fine of € 45,000 due to the late publication of an ad hoc announcement concerning the conclusion of an output agreement with Relativity Media, LLC, in November 2011.

With effect as of January 24, 2014, Senator Entertainment AG increase its interest in the associated company Bavaria Pictures from 25 % to 50 %. This company will continue to be included in the consolidated financial statements on the basis of equity accounting.

No further events that significantly affect the results of operations, net assets and financial position of the Senator Group occurred after the balance sheet date.

4. REPORT ON OUTLOOK, OPPORTUNITIES AND RISKS

4.1. Outlook

4.1.1. Trends in the market environment

The film market in Germany will remain on a constant growth path over the coming years, driven especially by the greater digital distribution of self-produced or acquired contents and licenses, according to consultants PricewaterhouseCoopers. Cinema tickets and video sales will continue to generate the greatest proportion of turnover on the distribution market in Germany. Overall, PwC sees this segment growing at annual growth rates of around 3.9 %, boosting the 2013 market volume of € 2.78 billion to € 3.38 billion by 2017[12]. This growth is to derive mainly from gradual growth in cinema revenues, including through higher average ticket prices, reflecting, for instance, an increasing number of 3D cinemas.

Both PwC and the GfK market research institute see even stronger growth rates in the home entertainment sub-segment. Here, revenues from the sale and distribution of physical and digital videos are forecast to grow by an average 4.1 % per year between 2010 and 2017. In this context, the decline in physical sales and lending is to be offset by above-average growth in the sale and distribution of digital videos via Internet platforms (VoD)[13].

In the free TV area, the sale of film licences remains challenging, as, in particular, the attractive broadcasting slots between 8 p.m. and 10 p.m. are increasingly occupied by (reality) TV show formats, series or productions made by the major TV stations themselves. According to estimates produced by PWC, TV revenues in Germany will increase by an annual 1.2 %, from around € 8.84 billion in 2013 to approximately € 9.44 billion in 2017, with television fees continuing to slightly exceed advertising revenues in the future. TV series remain the most sought-after format in Germany, and high-quality television series and viewer participation (social TV) are enjoying growing popularity among the TV public[14].

4.1.2. Group orientation in FY 2014

Changes to viewers‘ consumption habits are affecting the future strategic orientation of the Senator Group. Both proprietary and co-productions as well as the purchase of third-party production licenses continue to comprise the company‘s portfolio. The share of proprietary and co-productions is nevertheless to rise, creating an approximately balanced relationship between these contents at the Group. Purchasing risks – especially relating to a sufficient availability of film titles with beneficial opportunity and risk profiles – are to be reduced as a consequence, while at the same time opportunities arising from proprietary and co-productions are to be exploited to a greater extent.

[12] PricewaterhouseCoopers (PwC), German Entertainment and Media Outlook: 2013–2017, October 2013
[13] GfK, Consumer Panel Video Entertainment 2013, November 2013
[14] PricewaterhouseCoopers (PwC), German Entertainment and Media Outlook: 2013–2017, October 2013

Overall, a greater bandwidth of genres is to be covered in the future, which the multi-brand distribution strategy that was implemented in the 2013 financial year also takes into consideration. Besides the Senator Film Verleih distribution label, Edition Senator is now also involved in cinema distribution, focusing on German cinema and Senator Films for Kids, with an orientation to films for children, young people and families. Senator also plans to establish and expand a market position for high-quality TV series for international marketing. These activities are to be bundled within a new business area, with distribution via both classic channels and, to a greater degree, VoD services.

The strategic changes also include promoting young talent to a greater extent than in the past, and ensuring close cooperation through appropriate structures. Related measures include a strategic partnership with the FIRST STEPS award aimed at young, up-and-coming German talent. In addition, Senator has held a first masterclass on the film distribution topic in cooperation with FIRST STEPS and the German Film Academy. This should bolster the pipeline of proprietary and co-productions, form the basis for new formats, and finally tap new revenue sources for the Senator Group. In addition, marketing strength is to be improved and international sales are to be expanded, especially through targeted marketing measures such as in the social media area.

4.1.3. Expected development of the Senator Group

EXPECTED BUSINESS POSITION AS WELL AS EXPECTED NET ASSETS, FINANCIAL POSITION AND RESULTS OF OPERATIONS OF THE SENATOR GROUP

The targeted higher share of proprietary and co-productions is already evident from the films that have been launched and are planned in 2014. The most important film premieres in the current year include MANDELA (cinema premiere January 31, 2014), FREE BIRDS (cinema launch February 1, 2014), PETTERSSON UND FINDUS (cinema premiere March 13, 2014), MISS SIXTY (cinema launch April 24, 2014), BELOVED SISTERS (prospective cinema premiere July 31, 2014), DER KOCH (prospective cinema August 28, 2014), A MOST WANTED MAN (prospective cinema launch date September 11, 2014), DER KLEINE MEDICUS (prospective cinema launch October 30, 2014) and THE BEST OF ME (prospective cinema premieres December 25, 2014). A total of 26 cinema premieres are planned for the 2014 financial year, including 12 proprietary or co-productions. Investments in acquiring licences for third-party productions, and in proprietary and co-productions, are to amount to between € 15 million and € 17 million.

Overall, the Senator Group anticipates around 4.6 million cinema visitors in 2014, compared with around € 2.5 million in the previous year. Reasons for the expected significant growth include, firstly, the postponement to 2014 of film launches, and, secondly, higher production and purchasing volumes compared with the previous year. Due to the 18 to 24 month lead time between purchasing and the start of distribution, revenue and liquidity risks – as reported in more detail in the risk report – continue to exist in relation to distribution revenues and viewer numbers, including after the already-adjusted strategic orientation.

Given the film launches currently planned, the Senator Group calculates distribution costs in a volume of around € 13 million. To offset this, the Management Board anticipates revenue in the range of between € 25 million and € 30 million for the Senator Group, in other words, at approximately the previous year‘s level. In the current financial year, too, revenue will depend critically on whether the planned number of film starts and cinema visitors will be reached. As in previous years, both revenues and the significant cost items will be generated in the by-far most important segment, “Distribution”. In terms of earnings, a loss before interest and tax (EBIT) in a low single-digit amount in millions of euros is anticipated. Reasons for this include restructuring costs that have yet to be incurred in a low to mid single-digit range in millions of euros, the level of which depend on the scope and timing of the realisation of the planned restructuring measures. In addition, these do not yet include any expenses for potential strategic investments.

The aim is to improve the expense ratios through operating measures within the Group. This serves to boost the profitability of the Senator Group in the medium term. A further contributing factor in this context is that, due to the impairment charges that were applied at the end of 2013, the carrying amounts have in part been reduced considerably, thereby allowing the amortisation rates to decline in the coming years with the distribution of the license rights, which show planning losses as of the balance sheet date. The figures mentioned here are also based on the assumption that the composition of the Group scope of consolidation is unchanged.

The scheduled and successful implementation of the targeted reorganisation measures, including the capital measures described in the report on events after the balance sheet date, will exert a general impact on future business activities. Especially the conclusion of interim financing at the start of the second quarter 2014 forms a critical precondition to secure the liquidity required for new proprietary and co-productions, as well as the purchasing and marketing of film licences, as the basis for future revenue (please see 4.2.4. Risk report, section about liquidity risk). Overall, and despite the current restructuring, the Senator Group plans to slightly increase its investments in proprietary and co-productions compared with the previous year, and also not to reduce its investments in license rights. It does not plan to increase the number of its staff in 2014. Instead, any staff turnover is to be offset by new employees.

4.1.4. Overall statement by the Management Board about the Group's development

Overall, the Management Board is confident that it can successfully manage the current challenging financial situation through the gradual implementation of the planned strategic and operational measures. In the medium term, the Management Board sees good opportunities to transform the Senator Group into a sustainably profitable company following the conclusion of the restructuring measures.

4.2. Risk report

The success and profitability of the Senator Group depends on various risks whose event probability and effects on the net assets, financial position and results of operations can be gauged only with difficulty, and which the Senator Group can influence to only a certain degree, or which it cannot influence at all.

4.2.1. Regulatory risks

STATUTORY FRAMEWORK, LEGAL PRECEDENT AND PUBLIC-SECTOR REGULATORY INTERVENTION

A lawsuit against the German Film Subsidy Act (FFG) was pending at the German Federal Constitutional Court as of the December 31, 2013 balance sheet date. Among other matters, the German Film Subsidy Act regulates that film subsidies are to be rendered as levies by cinema film distributors according to certain criteria. The plaintiffs argue that not all sub-sectors are charged equally in the case of such levies (e.g. that cinema operators incur excessively high charges compared with TV stations and download/video-on-demand portals). If the German Federal Constitutional Court were to rule that the German Film Subsidy Act is impermissible, this would effectively call into question German film subsidies in their entirety. This risk factor was eliminated with the confirmation of the constitutional propriety of the German Film Subsidy Act on January 28, 2014.

To reduce such risk, the Senator Group monitors relevant rulings and legal precedent, maintains contacts with decision-making regulators and policymakers.

4.2.2. Market and business risks

ATTRACTIVENESS OF OUR PRODUCTS, CHANGES IN USER BEHAVIOUR AND INFRINGEMENTS OF COPYRIGHT LAWS

Our business models depend on successfully gauging customer taste, serving consumers‘ utilisation behaviour, and responding quickly to changes. We monitor mainly the following factors in this context:

- Advancing digitalisation combined with growth in additional offerings and distribution spaces is feeding through to constant change in media utilisation behaviour.
- Due to the rising supply of nonlinear offerings (e.g. online mediatheques, video-on-demand offerings and Internet video channels), consumers are increasingly relinquishing the utilisation of linear TV stations with predetermined program contents in favour of the self-determined utilisation of media offerings.
- Cinema films are competing to an ever greater extent with media products such as video games, the rising consumption of content on mobile devices and social networks, as well as video-on-demand offerings.
- The technical capabilities to create illegal film copies can result in the infringement of copyright laws.

This shift in media consumption and utilisation behaviour could mean that consumers make less use of the Senator Group‘s product portfolio, resulting in it losing attractiveness or relevance, and a failure by the Group to no longer achieve correspondingly planned revenues.

We endeavour to anticipate future trends through targeted market research and utilisation analyses. In the film area, product attractiveness is boosted through developing programs and subjects in keeping with target groups. The impact of piracy is reduced through the consistent prosecution of infringements. In the cinema and home entertainment area, Internet piracy in combination with sophisticated technologies could result in losses unless appropriate countermeasures are put in place. Moreover, other leisure offerings could be preferred to films and the company‘s other products, thereby resulting in lower revenue.

COMPETITION ON THE FILM PRODUCTION AND DISTRIBUTION MARKET

The Senator Group subsidiaries are exposed to a number of market and competitive risks.

Important factors in the production of cinema films include access to, and purchase of, rights to literary sources, distribution rights and screenplays, as well as the conclusion of contracts with directors and actors. The Senator Group is exposed to strong competition when acquiring rights to literary works and screenplays, as well as when entering into agreements with successful directors, actors and film studios. For this reason, Senator Entertainment AG has already been working very closely for many years with renowned and experienced screenplay writers, directors and producers both in Germany and abroad who command major expertise in the production of cinema films and TV formats.

As a buyer of film rights, a distributor of rights, and a trader in licences, the Senator Group also operates in an intensive and dynamic competitive environment in terms of both purchasing and sales. In particular, the risk exists that multinationally operating studios attempt to occupy the product market served by the company. As these competitor companies command greater financial power, the risk exists that crowding-out competition proves disadvantageous to the Senator Group.

Firstly, such risks are monitored by staff commanding in-depth expertise of many years‘ standing in the rights and license purchasing area in the respective subsidiaries. Secondly, the development of the company‘s own productions and co-productions are being expanded in order to establish a given level of independence from third-party rights.

Competition for cinema visitors is becoming more intense as the number of weekly cinema film launches continues to grow, while the number of cinema visitors is essentially unchanged. Group planning imputes various market shares and visitor figures, as well as revenues from the other distribution steps that are of relevance for expected sales revenues. If such assumptions are not realised, it may also prove impossible to reach the budgeted sales revenue level. Greater competition to acquire cinema visitors, or for revenues from the cinema distribution area, could result in considerably higher costs, thereby negatively affecting the company‘s results of operations, net assets and financial position.

BUSINESS SEASONALITY AND OTHER FACTORS

Film distribution is a seasonal business as a result of the mostly temporally-limited distribution window and dependency on a limited number of products. In the past, economic crises have frequently negatively affected demand in individual distribution steps, and consequently represent a risk factor. Especially in the cinema area, revenues can also be considerably affected by unpredictable weather.

4.2.3. Operating risks

RISKS IN FILM PRODUCTIONS

Proprietary productions and co-productions of cinema and TV films are cost-intensive and connected with corresponding financial risk. The period between the initial idea until the final marketing step can last for several years. Production costs for an average German film have ranged between € 2.5 million and € 7.5 million in the past. Production costs of international productions amount to a multiple of this.

Especially in the international area, budget risks are covered by corresponding insurance. In the case of national projects, film subsidies mitigate such risk. Film subsidies are generally not granted to international projects. Instead, they have other facilities at their disposal, such as gap financing. Film success depends mainly on audience acceptance, and is consequently difficult to predict. Due to the large volume of funding required for international productions, a failure of just a few individual projects can incur considerable disadvantageous consequences for the producer‘s net assets, financial position and results of operations.

As a consequence, Senator has decided to only realise major international projects if significant sales successes can be achieved in advance, and/or a bank provides gap financing on a project basis.

The risk also exists of running over budget and the failure to complete a production on time, as well as the risk that co-production partners or investors fail to meet their obligations, or meet them only in part. To reduce such risk, Senator Entertainment AG endeavours to work together with renowned and experienced production partners that hold the corresponding expertise in cinema film production, and demonstrate the requisite reliability.

FILM PURCHASING RISKS

In the licence trading area, the Senator Group competes with other film distributors to purchase film rights for promising productions. Although the temporarily difficult situation on the purchasing market has meanwhile eased again, a high level of competition continues to exist for attractive cinema feature films. Both a quantitative (relating to the level of licence payment to be paid) and a qualitative risk (attractiveness of the film for distribution) also exist for film purchasing.

Especially the many years of experience and expertise of the staff who are responsible for this within the Senator Group exert a risk-mitigating effect in this context. Statistically-based purchasing calculations are also deployed in this context to help boost forecasting quality. The company also endeavours to additionally reduce the risk of film purchasing from as early as the time of purchasing through pre-sales of TV licences and DVD revenue advances.

In addition, the Senator Group endeavours to develop and realise a sufficient number of propriety productions through its subsidiaries in order to continue to meet demand for feature films, should it prove impossible, due to the market situation, to acquire the requisite number of licences of high-quality third-party productions that exhibit acceptable risk-return relationships.

RISKS CONNECTED WITH CONCLUDING OUTPUT AGREEMENT

The Relativity Media Output Agreement between Relativity and Eurofilm & Media Ltd., a wholly-owned subsidiary of Senator AG, comprises for Eurofilm a significantly greater risk compared with otherwise normal individual film rights purchase agreements. The risk lies in the nature of the agreement as an output agreement relating to a large number of previously unknown films, financial obligations extending over a long period, and these films‘ expected production costs. If these films‘ earnings contributions fail to meet expectations, significant differences could arise in the earnings forecasts, potentially necessitating the securing of additional financing.

DEPENDENCE ON SUBSIDIES

The Senator Group partially finances German proprietary productions and co-productions, as well as production costs, through subsidies granted by subsidising institutions. An unfavourable change in subsidy guidelines or the (partial) non-granting of planned subsidies could result in a financing shortfall for proprietary productions and co-production at the company that would need to be covered by other free funds, or through a modification to medium-term production planning, thereby negatively affecting individual films‘ earnings contributions.

The risk also exists that certain conditions for outgoing payments and distribution are not complied with. An infringement against such regulations can entail an obligation to repay the corresponding subsidies.

SUBSEQUENT COPYRIGHT CLAIMS BY AUTHORS

Pursuant to German copyright law, film authors are entitled to both appropriate compensation and additional compensation if the proceeds from the distribution of a film are regarded as extraordinarily high in relation to the original compensation. To this extent, Senator Entertainment AG and its subsidiaries could be exposed to retroactive demands from the respective film authors.

DEPENDENCE ON STAFF COMMITMENT AND EXPERTISE

The future success and profitability of the Senator Group depends to a considerable extent on the performance of its managers and staff. Competition exists for personnel with corresponding qualifications and sector knowledge. As a consequence, the Senator Group cannot ensure that it will be able to retain its well trained and committed personnel in the future, and that it will be able to recruit new staff with corresponding qualifications.

The loss of qualified staff could feed through to a loss of know-how, and unplanned costs for the recruitment and training of new personnel, and consequently negative effects on earnings.

In order to mitigate such risk, the Senator Group endeavours to offer an attractive working environment, compensation in line with performance, and further development possibilities.

DEPENDENCE ON A FUNCTIONING IT INFRASTRUCTURE

The Senator Group requires that its IT systems function smoothly in order to ensure seamless business operations. Despite security measures such as access control systems and backup systems, it cannot be excluded that insufficient protection exists from losses or IT system failure.

The shutdown of IT systems, the appropriation of corporate data or the manipulation of the IT infrastructure could negatively affect business operations and consequently earnings.

Risks relating to unentitled access to corporate data are largely addressed by deploying virus scanners and firewall systems. Measures are also taken within the Senator Group to keep the existing IT systems up-to-date technologically, and to offset obsolescence processes.

INSURANCE COVER

The Senator Group decides on the type and scope of its insurance cover on the basis of a commercial cost-benefit analysis in order to thereby cover risks that it identifies as significant. The Senator Group can nevertheless not ensure that it does not incur any losses, or that no claims are brought, that extend beyond the scope of existing insurance cover.

Were the Senator Group to incur material losses against which there is no, or only insufficient, insurance cover, it could negatively affect the results of operations.

4.2.4. Financial, accounting and tax risks

LIQUIDITY RISK

Liquidity risks arise if the Group‘s outgoing payment obligations cannot be covered by existing liquidity or corresponding credit lines.

No liquidity problems exist for the Senator Group on a reporting-date-related basis. The company nevertheless endeavours to maintain and expand its market position, for which considerable financial obligations have already been entered into, especially for the acquisition of further film rights. If, in addition, expected earnings contributions from acquired film rights fail to develop as planned, and the subsidiaries‘ operating businesses were to significantly lag expectations, the continuation of the company from mid-2015 would depend significantly on the extent to which the drawing down of further funds in the requisite scope occurs.

If the planned future capital measures mentioned in the report on events after the balance sheet date were to fail, or if an unforeseen need for liquidity were to emerge, a liquidity bottleneck could arise for the Senator Group, forcing the Management Board to implement significant cuts to its planned investments in new rights, with the consequence that the market position of the Senator Group could not be maintained or expanded as planned. As a consequence, the successful implementation of the additional financing measures is indispensable to securely financing the Group from mid-2015. The current business model, which assumes growth, would otherwise be jeopardised in terms of content purchasing as a result of a lack of capital and liquidity backing.

ASSET IMPAIRMENT

As of the balance sheet date, the Senator Group holds significant financial and non-financial assets such as film assets. Impairment tests are conducted annually for the film assets and other financial assets of the Senator Group, and during the course of year if indications of impairment exist. If market values are unavailable, such asset valuations include management estimates and assumptions. Such estimates and assumptions are based on the respectively current available information.

Actual developments that are frequently outside the scope of the company‘s influence can differ from the assumptions that are made, thereby requiring that impairment losses also be applied to assets in the future, and necessitating adjustments to carrying amounts. This can negatively affect earnings.

FOREIGN CURRENCY RISKS

Foreign currency risks exist particularly in relation to the US dollar. Most of the film rights purchased on international film market are paid for in US dollars. The distribution revenues that are generated arise mostly in euros, by contrast. Fluctuations in the euro to US dollar exchange rate can affect the results of operations, resulting in both exchange-rate gains and exchange-rate losses. The Senator Group endeavours to reduce currency risks through deploying appropriate derivative financial instruments such as currency options and forward currency transactions.

It cannot be ensured, however, that the Senator Group's currency hedging measures prove sufficient, and the Senator Group cannot guarantee that exchange rate fluctuations do not negatively affect its earnings.

RECEIVABLES DEFAULT RISK

A credit risk exists if a debtor cannot settle a receivable, or cannot settle it on time. Credit risk includes both direct counterparty default risk and the risk of a deterioration in credit rating.

Potential default risks relating to receivables are continuously taken into account through regular evaluation, and the formation of valuation allowances where required. In significant instances, the Group also hedges the risk of the default of a debtor as the result of insolvency through obtaining credit information.

Default on receivables by customers could negatively affect earnings.

INTEREST-RATE CHANGES

Interest-rate risk exists predominantly in the finance debt area. The Senator Group currently has variable-interest, short-term finance debt. During phases when interest rates are rising, fixed interest arrangements offer corresponding hedging against additional expenses. During phases when interest rates are falling, the risk nevertheless exists of failing to benefit from falling interest rates. In the case of variable interest loans, the risk exists of being unhedged against rising interest rates. In addition, interest rates can rise if covenants and other contractual terms are not complied with. If interest rates were to rise, the Senator Group might be obliged to pay higher interest rates in some cases.

Risks arising from changes to the interest rates for finance debt can negatively affect earnings.

RISKS ENTAILED IN FUTURE EXTERNAL TAX AUDITS

Senator Entertainment AG is of the opinion that the tax returns prepared within the Senator Group were issued on a complete and correct basis. The risk nevertheless exists that retrospective tax demands might arise due to differing view of matters by tax authorities. Differing tax assessments might negatively affect the results of operations.

4.2.5. Legal risks

LITIGATION RISK

The Senator Group is exposed to legal risks. These particularly include risks arising from the areas of copyright law, company law and securities trading law. It is frequently impossible to predict the results of currently pending and future legal proceedings with certainty so that, due to judicial or official rulings or the agreement of settlements, expenses can arise that are not covered by insurance payments, or are not fully covered by insurance payments, thereby exerting a considerably disadvantageous effect.

As part of legal support to the operating activities, legal risks are identified and evaluated qualitatively and quantitatively in terms of their event probability and potential impact.

REQUIREMENT TO MAKE AD HOC ANNOUNCEMENTS

The risk mentioned in the 2012 annual report in connection with the requirement to make ad hoc announcements continued to exist as of the 2013 balance sheet date, although it now no longer applies. With a ruling dated March 13, 2014, the Frankfurt am Main district court required Senator to pay a fine of T€ 45 due to the late publication of an ad hoc announcement concerning the conclusion of an output agreement with Relativity Media, LLC, in November 2011 . As the legislative framework makes provision for fines of up to €1 million for late ad hoc announcements, the risk for Senator entailed in these proceedings has been realised to only a minor extent. This is equally the case given that the German Federal Financial Supervisory Authority (BaFin) in official proceedings initially imposed a fine equivalent to twice this, in other words, T€ 90, against Senator. Please also refer to the report on events after the balance sheet date.

COMPLIANCE RISKS

Despite the Senator Group's existing controlling systems, it is possible that these prove insufficient to prevent infringements of the law by staff, representatives or partners – especially when orders are being prepared – or to expose infringements of the law.

The Senator Group generally has no possibility to comprehensively monitor activities by its staff, representatives and partners when preparing business with clients. If it should emerge that individuals whose activities are attributable to the Senator Group receive or grant fraudulent benefits connected with the preparation of business, or apply other illegal business practices, this could result in legal sanctions. Potential sanctions in such instances can include the imposition of considerable fines, as well as the threat of the loss of orders.

This could negatively affect earnings and resulting reputation damages for the Senator Group.

4.2.6. Overall risk assessment

In line with the Group risk guidelines, the opportunities and risks notified by the individual risk officers are aggregated, consolidated and assessed at Group level. The risks newly assumed during the period under review, or risks whose measurements have changed notably, derive primarily from significant events during the course of business, especially the insufficient market acceptance of the film titles that were distributed in the 2013 financial year, subsequent claims made by licensors, and a resultant liquidity risk.

On the basis of this information and the estimates, especially the event probabilities, the maximum loss level, and the effect of the countermeasures that have been launched, the Management Board of Senator Entertainment AG arrives at the conviction that, with the exception of the aforementioned liquidity risk, it is aware of no risks that exhibit the characteristics of going-concern risks. This applies for the risks on an individual basis as well as in their entirety, to the extent that the effect of the entirety can be simulated meaningfully, or can be estimated in another manner.

If expected earnings contributions from acquired film rights nevertheless fail to develop as planned, and the subsidiaries' operating businesses were to significantly lag expectations, the continuation of the company from mid-2015 would depend significantly on the extent to which the drawing down of further funds in the requisite scope occurs, despite the financing agreements that have been concluded (please see the report on events after the balance sheet date). If the reorganisation measures mentioned in the report on events after the balance sheet date were to fail, or if an unforeseen need for liquidity were to arise, the Senator Group could encounter a liquidity bottleneck, and the business model would be jeopardised in its scope to date through a lack of capitalisation and restrictions to the company's ability to finance itself when acquiring content.

The Group management identifies further risk factors in the anticipation of consumer taste, future media utilisation and regulatory intervention. It is convinced that the measures that have been taken keep risk within a scope that is justifiable from a business and financial perspective, and regards the Group's risk-bearing capacity as sufficient. The Group management identifies the greatest opportunities in collaborating with screenplay writers, directors and producers both in Germany and abroad, as well as recourse to attractive contents and licences, greater collaboration with talented individuals, and an expansion of the business model through internationalising production and marketing activities, as well as potential strategic acquisitions with the support of our significant shareholders. Above and beyond this, Senator can make recourse to a not insignificant portfolio of existing rights and licenses.

4.3. Opportunities report

4.3.1. Opportunities management

In a similar way to risk management, with its opportunities management function the Senator Group pursues the objective of rapidly and efficiently implementing its strategic and operating targets through specific activities. Opportunities can arise in all areas. Identifying them and exploiting them on a targeted basis comprises a management task that is integrated into everyday decisions. Extensive market research forms a key component in dealing with opportunities on a structured basis.

For this purpose, recourse is also made to broadly based studies and research relating to the development of the media sector.

In order to better structure and communicate the opportunities portfolio, the existing risk management system was supplemented to include the reporting and assessment of opportunities.

4.3.2. Information about specific opportunities

In accordance with the definition of the risk report, the Senator Group defines an opportunity as a potential future development or event that can lead to a difference from forecast or target that proves to be positive for the company. This means that events that have already been included in budget or medium-term planning do not represent an opportunity according to this definition, and are not reported upon below.

The Senator Group identifies opportunities in the distribution and development of already secured licences, formats and material, as well as their integration into an established network.

The Senator Group already holds a large number of distribution and/or marketing rights for its operating activities in various segments, especially film rights and materials, in part significantly beyond the planning horizon. This has consequently created the basis to continue to generate revenue beyond the planning horizon. The Group image and the maintenance of an established network continue to promote access to such rights in the future.

Distribution of such rights can boost the attractiveness and consequently the market reach of TV stations and platforms to a greater extent than expected, which could result in future revenues that are higher than planned. Attractive materials and film rights may anticipate customer taste by an excessively high degree, resulting in revenues across the entire distribution chain that are higher than planned.

Access to, and promotion of, young talent can also result in business opportunities that are not yet included in current planning.

Mergers and acquisitions that are not yet included in current planning can generate considerable synergies and stronger and accelerated internationalisation of operating activities, for example. M&A transactions could also expand the scope and distribution of the rights library, including through new sales channels, for example. The management's experience and the renown of the Senator Group enable the company to play an active role in the consolidation of European film distributors and produces.

5. SIGNIFICANT CHARACTERISTICS OF THE INTERNAL CONTROLLING SYSTEM AND THE RISK MANAGEMENT SYSTEM

Senator Entertainment AG is required pursuant to Sections 289 (5), 315 (2) No. 5 of the German Commercial Code (HGB) to describe in its separate and Group management reports the significant characteristics of its internal controlling and risk management system relating to the accounting and Group accounting process. Along with this information required by law, the following section also includes the related explanations pursuant to Section 175 (2) Clause 1 of the German Stock Corporation Act (AktG).

The accounting-related internal controlling and risk management system should ensure that all events and transactions are reported completely within the financial accounting function, are recognised and measured correctly, and are presented in the financial reporting of Senator Entertainment AG and of its subsidiaries in accordance with statutory and contractual requirements, as well as internal guidelines. The precondition for this is that statutory and internal company regulations are complied with across the Group. The Management Board structured the scope and orientation of the systems that have been implemented while taking into account requirements specific to the Senator Group. These are reviewed regularly and updated where required. Despite appropriate and functioning systems, it must nevertheless be noted that complete certainty cannot be ensured in the identification and management of risks.

Financial accounting processes within the Senator Group are centralised at its headquarters in Berlin. This makes it easier to apply standard and uniform processes and to utilise standardised financial accounting systems.

The financial accounting department prepares the consolidated financial statements of the Senator Group and the separate financial statements for all Group subsidiaries, and reports consolidated financial information to the Management Board on a monthly basis. Complex questions with accounting effects are assessed with the help of external advisers. The dual controlling principle is also applied to all financial accounting processes.

The controlling department regularly reviews the completeness and correctness of information included in the financial statements, as well as potential differences compared with the prepared business plan, reporting results monthly to the Management Board in a standardised reporting format. The controlling department also reports in a standardised monthly format to the Management Board on potential differences in forecast income and expenses compared with planning.

Senator Entertainment AG has an appropriate system of internal guidelines covering compliance topics, entitlement concepts for orders and the conclusion of contracts, signing entitlements and internal financial accounting guidelines. The significant processes are documented in the form of flow diagrams, and contain a description of process-integrated monitoring measures. These guidelines and documents are updated regularly. Due to the centralisation of the financial accounting function, Senator Entertainment AG has not prepared an accounting manual.

Senator Entertainment AG deploys SAP R/3 as its ERP system. In addition, data from other systems are monitored as to their correct transfer and processing in SAP R/3. The IT systems utilised as part of financial reporting are protected from unauthorised access. Senator Entertainment AG has an entitlement concept that is updated and monitored regularly.

In addition, the Supervisory Board regularly concerns itself with important accounting questions, and the related internal controlling and risk management system.

6. TAKEOVER LAW DISCLOSURES PURSUANT TO SECTIONS 289 (4), 315 (4) OF THE GERMAN COMMERCIAL CODE (HGB), SECTION 120 (3) NO. 2 OF THE GERMAN STOCK CORPORATION ACT (AKTG)

Pursuant to Section 289 (4) and Section 315 (4) of the German Commercial Code (HGB), public stock corporations that utilise organised markets in the meaning of Section 2 (7) of the German Securities Purchase and Takeover Act (WpÜG) through voting-entitled shares that they issue, must make the following disclosures in the management report:

› Composition of subscribed capital:

  The share capital of Senator Entertainment AG amounts to € 29,945,424.00. This share capital is split into 29,945,424 ordinary no par value bearer shares. No differing share classes exist. Please refer to the notes to the consolidated financial statements for information about conditional and approved capital.

› Restrictions affecting voting rights or the transfer of shares:

  The Management Board is not aware of any restrictions affecting voting rights or the transfer of shares.

› Direct or indirect interest in the capital exceeding ten percent of voting rights:

  Until the preparation of the management report, each of the following shareholders have communicated that their voting rights share in Senator Entertainment AG exceeds ten percent:

  KTB Technologie Beteiligungsgesellschaft mbH & Co. KG, Leverkusen 10.38 %

  Shard Capital Management Limited, Gibraltar, Gibraltar 29.89 %

› Holders of shares with special rights endowing controlling authorisations:

  Special rights endowing controlling authorisations do not exist.

› The type of voting rights control if employees participate in the capital and do not directly exercise their controlling rights:

  The Management Board is not aware that employees participate in the capital and do not directly exercise their controlling rights.

› Statutory regulations and provisions of the company bylaws concerning the appointment and removal from office of Management Board members, and concerning a modification to the company bylaws:

  The appointment and removal from office of Management Board members is performed on the basis of Sections 84, 85 of the German Stock Corporation Act (AktG). Amendments to the company bylaws are based on Sections 179, 133 of the German Stock Corporation Act (AktG), whereby the Supervisory Board is also authorised to approve amendments to the company bylaws that affect only their wording.

› Authorisations of the Management Board, especially relating to their capacity to issue or repurchase shares:

  The Management Board of Senator Entertainment AG has been authorised to purchase treasury shares through various AGM resolutions. Treasury shares were purchased at various times during the 2000 financial year. Senator Entertainment AG reports 9,659 treasury shares as of the balance sheet date. Please refer to the notes to the consolidated financial statements for more information.

- Significant company agreements subject to a change of control due to a takeover offer:

  In the case of a participating interest (affiliated company), a possibility exists to cancel company shares if a company from the media sector directly or indirectly acquires more than 50 % of the shares in Senator Entertainment AG.

- Company compensation agreements that have been entered into with Management Board members or employees for the instance of a takeover offer:

  In the instance of a takeover offer, Mr. Sasse is entitled to make an extraordinary cancellation of his Management Board contract. If Mr. Sasse were to leave the company by way of exercising his extraordinary right of cancellation of his contract, the company would pay him a settlement equivalent to his total compensation until the end of the contract's duration, albeit restricted to a maximum of two years' compensation. Further compensation agreements with Management Board members or employees for the instance of a takeover offer do not exist.

7. CORPORATE GOVERNANCE STATEMENT PURSUANT TO SECTION 289A OF THE GERMAN COMMERCIAL CODE (HGB)

Reporting pursuant to Section 289a of the German Commercial Code (HGB) can be downloaded from the Internet at (http://www.senator.de/investor-relations/corporate-governance#governance-reports).

8. COMPENSATION REPORT

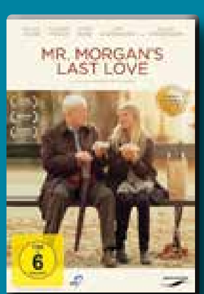
The Management Board members receive a fixed annual salary (including a pension supplement, and, potentially, allowances for sickness and care benefits), and partially a bonus that takes appropriate account, in compliance with Section 87 of the German Stock Corporation Act (AktG), of the business results, the company's financial position, and the Management Board member's performance. The profit-related compensation can amount to a maximum of T€ 250 or T€ 500 respectively per year.

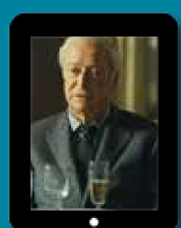
The Management Board service contracts do not include any express settlement commitment if the Management Board members terminate their service contracts early. A settlement can nevertheless arise from a termination agreement that is concluded on an individual basis.

The Management Board members generally receive no pension commitments and no loans from the company. In January 2013, Mr. Sasse received an advance on the payment of his previous year's bonus in an amount of T€ 250, which was offset when the bonus was paid out at the end of May 2013, however. This advance carried an interest rate of 3.5 % p.a. The interest payments amounted to T€ 3 over the duration of the advance.

The Supervisory Board members receive fixed compensation whose level is determined by a resolution by the Shareholders' General Meeting. They also reimbursed for any expenses connected with their activities as well as the VAT incurred on these payments.


MICHAEL CAINE
CLÉMENCE POÉSY
JUSTIN KIRK
JANE ALEXANDER
UND
GILLIAN ANDERSON
MR. MORGAN'S LAST LOVE
EIN FILM VON SANDRA NETTELBECK
IM KINO


MR. MORGAN'S LAST LOVE



3 CONSOLIDATED FINANCIAL STATEMENTS

SENATOR ENTERTAINMENT AG
IFRS CONSOLIDATED INCOME STATEMENT FOR 2013

	Notes	**01.01.- 31.12.2013 in €**	01.01.- 31.12.2012* in T€
Revenue	7	27,072,074	51,164
Other operating income	9	1,115,862	610
Work performed by the company and capitalised	8	2,457,302	2,536
Cost of materials			
Expenses for purchased services	10	-23,964,531	-34,535
Staff costs			
(a) Wages and salaries		-2,779,991	-2,686
(b) Social security contributions and expenses for post-retirement and care benefits		-384,587	-359
Depreciation, amortisation and impairment losses applied to property, plant and equipment and intangible assets	15	-20,745,711	-7,393
Other operating expenses	11	-8,463,635	-3,216
Interest and similar income		138,903	131
Interest and similar expenses		-1,326,507	-1,119
Share in the profits/losses of associated companies or joint ventures	16	332,409	460
Impairment losses applied to financial assets	16	-912,431	-200
Foreign currency result	12	87,747	-63
Result on ordinary activities		**-27,373,094**	**5,330**
Corporation taxes on income	13	-7,545	-447
Consolidated net result/total comprehensive result		**-27,380,639**	**4,883**
Share of result attributable to owners		-27,380,639	4,883
Weighted average number of shares [in thousands]		29,935,765	25,081,323
Potentially dilutive number of shares [in thousands]		0	525
Weighted average number of all shares [in thousands]		29,935,765	25,081,848
Earnings per share			
Basic (undiluted) earnings per share [EUR per share]	14	-0.91	0.19
Diluted earnings per share [EUR per share]	14	-0.91	0.19
Earnings per share from continuing operations			
Basic (undiluted) earnings per share [EUR per share]	14	-0.91	0.19
Diluted earnings per share [EUR per share]	14	-0.91	0.19

* Some amounts differ from the figures in the 2012 consolidated financial statements, and arise from adjustments pursuant to IAS 8. For more information on this topic, please refer to Section 5 of the notes to the consolidated financial statements, "Restatement of previous year's financial statements under IAS 8.41".

SENATOR ENTERTAINMENT AG
CONSOLIDATED BALANCE SHEET (IFRS) AS OF DECEMBER 31, 2013

ASSETS	Anhang	**31.12.2013 in €**	31.12.2012* in T€	01.01.2012* in T€
NON-CURRENT ASSETS				
Intangible assets	15	10,770,809	18,814	15,822
Property, plant equipment		306,219	392	306
Financial assets				
Interests in associated companies	16	3,589,043	4,813	1,145
Securities held as non-current assets	17	0	0	387
Total non-current assets		**14,666,070**	**24,019**	**17,660**
CURRENT ASSETS				
Financial assets				
Securities held as current assets	17	0	3,680	292
Inventories				
Merchandise	18	976,997	1,074	811
Trade receivables and other receivables				
Trade receivables	19	6,666,310	7,996	7,450
Receivables due from related parties	20	93,342	2,003	1,747
Income tax receivables		226,616	36	42
Other financial assets	21	2,052,038	1,728	2,180
Miscellaneous assets	22	689,484	609	572
		9,727,790	12,372	11,991
Cash and cash equivalents	35	2,449,838	3,690	410
Cash and cash equivalents		**13,154,625**	**20,816**	**13,504**
Total assets		**27,820,696**	**44,835**	**31,164**

* Some amounts differ from the figures in the 2012 consolidated financial statements, and arise from adjustments pursuant to IAS 8. For more information on this topic, please refer to Section 5 of the notes to the consolidated financial statements, “Restatement of previous year‘s financial statements under IAS 8.41”.

SENATOR ENTERTAINMENT AG
CONSOLIDATED BALANCE SHEET (IFRS) AS OF DECEMBER 31, 2013

Equity and liabilities	Anhang	**31.12.2013 in €**	31.12.2012* in T€	01.01.2012* in T€
Capital and reserves				
Subscribed share capital	23	29,935,765	29,936	19,954
of which conditional capital 9,981,909 (2008/I)				
of which conditional capital 4,990,803 (2012/I)				
Capital surplus	24	46,223,137	46,223	45,735
Loss for the period included in retained earnings		-87,697,895	-60,317	-65,200
Other comprehensive income	25	99,810	100	100
Total equity		**-11,439,183**	**15,942**	**589**
Non-current liabilities				
Financial liabilities	30	9,777,071	11,400	10,337
Miscellaneous liabilities and deferrals	34	392,217	467	543
Total non-current liabilities		**10,169,287**	**11,867**	**10,880**
Current liabilities				
Other provisions	29	11,534,479	5,132	4,085
Financial liabilities	30	5,867,478	1,626	4,523
Advance payments received	31	4,431,482	2,110	2,448
Trade payables		6,343,995	6,827	7,432
Liabilities due to related parties	32	107,422	45	358
Other financial liabilities	33	605,380	1,110	674
Miscellaneous liabilities and deferrals	34	200,356	176	175
Total non-current liabilities		**29,090,592**	**17,026**	**19,695**
Total equity and liabilities		**27,820,696**	**44,835**	**31,164**

* Some amounts differ from the figures in the 2012 consolidated financial statements, and arise from adjustments pursuant to IAS 8. For more information on this topic, please refer to Section 5 of the notes to the consolidated financial statements, “Restatement of previous year's financial statements under IAS 8.41”.

SENATOR ENTERTAINMENT AG
STATEMENT OF CHANGES IN CONSOLIDATED EQUITY (IFRS) AS OF DECEMBER 31, 2013

	Number of shares in issue	Subscribed capital (Note 23)	Capital surplus (Note 24)
	Shares	T€	T€
Balance as of January 1, 2012*	**19,954,159**	**19,954**	**45,735**
Total comprehensive income	0	0	0
Capital increase	9,981,606	9,982	488
Balance as of December 31, 2012*	**29,935,765**	**29,936**	**46,223**
Balance as of January 1, 2013	**29,935,765**	**29,936**	**46,223**
Total comprehensive income	0	0	0
Balance as of December 31, 2013	**29,935,765**	**29,936**	**46,223**

* Some amounts differ from the figures in the 2012 consolidated financial statements, and arise from adjustments pursuant to IAS 8. For more information on this topic, please refer to Section 5 of the notes to the consolidated financial statements, "Restatement of previous year's financial statements under IAS 8.41".

Balance sheet loss	Other comprehensive income (Note 25)	Interest of shareholders of Senator Entertainment AG	**Consolidated equity**
T€	T€	T€	T€
-65,200	**100**	**589**	**589**
4,883	0	4,883	4,883
0	0	10,470	10,470
-60,317	**100**	**15,942**	**15,942**
-60,317	**100**	**15,942**	**15,942**
-27,381	0	-27,381	-27,381
-87,698	**100**	**-11,439**	**-11,439**

SENATOR ENTERTAINMENT AG
CONSOLIDATED CASH FLOW STATEMENT (IFRS) FOR 2013

in T€	Notes	2013	2012*
Cash flow from operating activities			
Result before non-controlling interests		-27,381	4,883
Depreciation, amortisation and impairment losses, including impairment losses applied to securities held as current assets		21,658	7,593
Increase in provisions	29	6,631	1,047
Other non-cash expenses and income		3,388	760
Result from at equity measurement	16	-332	-460
Option premiums		0	89
Result from disposal of non-current assets		0	148
Currency differences		-88	63
Decrease in inventories, trade receivables and other assets that are not attributable to investing or financing activities		-883	-4.877
Decrease in trade payables and other liabilities that are not attributable to investing or financing activities		1,467	-894
Cash flow from operating activities	**36**	**4,460**	**8,352**
Cash flow from investing activities			
Cash inflows from the sale of film distribution rights, other intangible assets and property, plant and equipment		17	114
Cash outflows for investments in film distribution rights and other intangible assets	15	-12,602	-9,956
Cash outflows for investments in property, plant and equipment	15	-25	-191
Cash outflows arising from the addition of other financial assets and securities held as current assets		-7	-2,984
Cash inflows arising from the disposal of other financial assets and securities held as current assets	17	3,785	0
Dividends received	16	656	0
Cash inflows from the takeover of subsidiaries	3	7	0
Cash outflows for option premiums		0	-89
Cash flow from investing activities	**37**	**-8,169**	**-13,106**
Cash flow from investing activities			
Cash inflow from capital increase	23	0	11,479
Cash outflows connected with the capital increase	24	0	-1,441
Cash inflows from drawing down of loans	30	5,494	2,548
Cash outflows arising from repayment of loans	30	-3,026	-4,552
Cash flow from investing activities	**38**	**2,468**	**8,034**
Cash and cash equivalents at end of period			
Net change in cash and cash equivalents (Subtotals 1 - 3)		-1,240	3,280
Cash and cash equivalents at start of period		3,690	410
Cash and cash equivalents at end of period		2,450	3,690
Composition of cash and cash equivalents			
Cash and cash equivalents		2,450	3,690
Cash and cash equivalents = cash and cash equivalents at end of period	**35**	**2,450**	**3,690**

* Some amounts differ from the figures in the 2012 consolidated financial statements, and arise from adjustments pursuant to IAS 8. For more information on this topic, please refer to Section 5 of the notes to the consolidated financial statements, "Restatement of previous year's financial statements under IAS 8.41".

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR AS OF DECEMBER 31, 2013

(A) BASIS AND METHODS

1. General information

Senator Entertainment AG, Berlin ("Senator AG" or the "company") is a listed stock corporation that has its headquarters in Berlin, Germany. Senator AG and its subsidiaries ("Senator" or the "Senator Group") operate in the entertainment and media sector. The Group's business focuses mainly on the production of feature films and the distri-bution of film rights. Within the Senator Group, several subsidiaries are profiled on the market as independent producers and co-producers of feature films. Further Group companies acquire licences and extensively market their own film productions, co-productions and third-party productions.

The company is registered under commercial register sheet number HRB 68059 B at the Berlin-Charlottenburg District Court. The headquarters of Senator AG are located at Schönhauser Allee 53, 10437 Berlin, Germany.

The company is listed in the Regulated Market (General Standard) of the Frankfurt Stock Exchange.

The purpose of Senator AG is to acquire companies or interests in companies, especially from the area of media, film production and the distribution of film rights, as well as the management of such companies. The company is also entitled to purchase, sell or distribute in another commercial manner copyrights and other rights of all types con-nected with trademarks. The company can pursue any measures that support its busi-ness. In this sense, it can found, acquire or hold interests in other companies in Ger-many or abroad,

The consolidated financial statements of Senator AG for the financial year as of December 31, 2013 was prepared by the Management Board on April 30, 2014, before being forwarded to the Supervisory Board for examination and approval.

2. Basis for the preparation of the consolidated financial statements

In application of Section 315a of the German Commercial Code (HGB), the consolidated financial statements were prepared on the basis of the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as well as the Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) as approved by the IASB, as applicable on the balance sheet date, and as approved by the European Union (EU). All IFRS/IAS that require mandatory application as of December 31, 2013 were complied with.

These notes to the financial statements include a list of all the subsidiaries, joint ventures and associates included in the consolidated financial statements. The section "Scope of consolidation and consolidation methods" (see chapter 3) presents the effects of the initial consolidation and deconsolidation of subsidiaries, joint ventures and associates.

The income statement was prepared applying the nature of expense method.

The separate annual financial statements of the companies included in the consolidated financial statements are based on standard uniform methods.

The consolidated financial statements were generally prepared applying the cost prin-ciple based on historical acquisition or production costs. Exceptions to this include derivative financial instruments and available-for-sale financial assets that are measured at fair value.

The consolidated financial statements of Senator Entertainment AG for the financial year from January 1 to December 31, 2013 have been prepared on the assumption of a going concern.

Given the background of the loss and the complete consumption of the share capital of Senator Entertainment AG, the Management Board has prepared a reorganisation plan, and has obtained an external expert opinion for this purpose. The expert opinion arrives at the conclusion that the Group is in need of reorganisation and that serious and well-founded prospects of a successful reorganisation exist. The reorganisation concept comprises a number of key point that are explained in section 50 “Events after the balance sheet date”.

In the medium term, the Management Board sees good opportunities to transform the Senator Group into a sustainably profitable company following the conclusion of the re-structuring measures.

The consolidated financial statements are prepared in euros, the functional and report-ing currency of the Group parent company. Unless stated otherwise, all values are rounded up or down to the nearest thousand euros (T€) in accordance with the principle of commercial rounding. For arithmetic reasons, rounding differences can occur compared with figures that arise on a mathematically precise basis.

The consolidated financial statements and the Group management report published in the German Federal Gazette (Bundesanzeiger).

3. Scope of consolidation and consolidation methods

INFORMATION ABOUT THE SCOPE OF CONSOLIDATION

Besides Senator AG, the consolidated financial statements include all subsidiaries in which the majority of the voting rights are directly or indirectly attributable to the com-pany, or where the control concept is ensured in another manner. Subsidiaries are fully consolidated from the acquisition date, in other words, from the date on which the Group gains control. Inclusion in the consolidated financial statements ends as soon as control by the Group no longer exists.

Service relationships between the consolidated companies of the Senator Group, including intercompany profits and losses, are eliminated.

The separate financial statements of the companies included in the scope of consolida-tion are prepared on the basis of the balance sheet date of the consolidated financial statements. Apart from Bavaria Pictures GmbH, the reporting date for the consolidated financial statements for all companies included in the scope of consolidation is December 31. The financial year of Bavaria Pictures GmbH ends on January 31. The figures for the financial year of Bavaria Pictures GmbH are transferred to the consolidated financial statements of Senator AG after having been adjusted to reflect significant effects that arose after December 31, 2013.

Interests in associates or joint ventures

An associated company (associate) is a company where the Group exercises significant influence. Significant influence comprises the ability to play a part in forming the finance policy and business policy decisions of the associated company, but it does not comprise control or joint management of decision-making processes.

A joint venture is a joint arrangement where the Group exercises joint management. Joint management comprises the contractually agreed distribution of control of business and financial activities that exists only if the strategic, financial and operating decisions connected with business operating activities require the unanimous agreement of the partner companies involved in the joint management.

The Group's interests in an associated company or a joint venture are accounted for applying the equity method.

According to the equity method, the interests in an associated company or joint venture are recognised at acquisition cost on first-time recognition. The carrying amount of the interest is adjusted to reflect changes to the Group's interest in the net assets of the associated company or joint venture since the acquisition date. The goodwill connected with the associated company is included in the carrying amount of the interest, and is neither amortised nor subjected to a separate impairment test.

The income statement includes the Group's share of the result for the period of the as-sociated company or joint venture. Changes to the other comprehensive income of such investments are reported within the Group's other comprehensive income. In addition, changes reported directly in the equity of the associated company or joint venture are reported by the Group to the level of its interest, and are shown in the statement of changes in equity if required. Unrealised gains and losses arising from transactions between the Group and the associated company or joint venture are eliminated according to the interest in the associated company or joint venture.

The Group's total share in the result of an associated company or joint venture is shown in the income statement, and represents the result after taxes and after non-controlling interests in the subsidiaries of the associated company or joint-venture.

The financial statements of the associated company or joint venture are prepared on the same balance sheet date as the Group financial statements. Where required, adjustments are made to the Group's standard accounting methods.

After applying the equity method, the Group calculates whether it is necessary to report an impairment expense for its interests in an associated company or joint venture. On each balance sheet date, the Group calculates whether objective indications exist that the Group's net investment in an associated company or joint venture could be impaired. If such indications exist, the level of the impairment is reported as the difference between the recoverable amount of the interest in the associated company or joint venture and the carrying amount, and it is then expensed under "impairment losses applied to financial assets".

Business combinations

Capital consolidation is performed applying the purchase method, where the purchase costs of the acquired interests are offset with the proportional fair value of the acquired assets and liabilities of the subsidiary on the acquisition date. In each business combination, the Group decides whether to measure the non-controlling interests in the acquired company at fair value, or at the corresponding share of the identifiable net assets of the acquired company. Costs incurred as part of the business combination are expensed as administrative costs. A positive difference arising on this offsetting is reported as goodwill. The acquisition date represents the date on which the possibility to control the net assets, and the financial and operating activities of the acquired company transfer to the Group.

Hidden reserves and hidden charges uncovered during the fair value measurement of the assets and liabilities are amortised, written off or released during subsequent periods in line with the change in the assets and liabilities.

Non-controlling interests are reported separately within equity.

KONSOLIDIERUNGSKREIS

The composition of the scope of consolidation of the Senator Group as of December 31, 2013 is presented below:

in T€	**31.12.2013**	31.12.2012
Fully-consolidated companies		
Germany	9	8
Abroad	2	2
Interests in associated companies		
Germany	4	5
	15	**15**

The following companies were reported in the consolidated financial statements:

No.	Fully-consolidated companies	Corporate seat	Main operating activity	Interest in % 2013	2012	Held through	Further information
	Germany						
1	Senator Entertainment AG	Berlin	Holding	--	--	--	--
2	Senator Film Produktion GmbH	Berlin	Production	100.0	100.0	1	1, 2
3	Senator Film Verleih GmbH	Berlin	Distribution	100.0	100.0	1	1, 2
4	Senator Home Entertainment GmbH	Berlin	Distribution	100.0	100.0	1	1, 2
5	Senator Finanzierungs- und Beteiligungs GmbH	Berlin	Holding	100,0	100,0	1	--
6	Senator Film Köln GmbH	Cologne	Production	100.0	100.0	1	1, 2
7	Senator MovInvest GmbH	Berlin	Financing	100.0	100.0	1	1, 2
8	Senator Film München GmbH	Munich	Production	100.0	100.0	1	1, 2
9	deutschfilm GmbH	Berlin	Production	50.0	50.0	1	4
	Abroad						
10	Eurofilm & Media Ltd.	Killaloe, Ireland	Distribution	100.0	100.0	1	--
11	Senator Film Austria GmbH	Vienna, Austria	Distribution	100.0	100.0	3	--
	Germany						
12	Bavaria Pictures GmbH	Munich	Production	25.0	25.0	8	3
13	Central Film Verleih GmbH	Berlin	Distribution	50.0	50.0	1	3
14	Senator Film Babelsberg GmbH	Potsdam	Production	50.0	50.0	2	3
15	X Verleih AG	Berlin	Distribution	31.4	31.4	1	3

[1] Profit transfer agreement with parent company
[2] Section 264 (3) of the German Commercial Code (HGB) was applied
[3] Equity accounted
[4] Equity accounted in 2012

BUSINESS COMBINATIONS AND ACQUISITION OF NON-CONTROLLING INTERESTS

On December 31, 2013, given the difficult financial and business position, and the trend in liquidity, Senator Entertainment AG revalued the financing funds that have been granted to deutschfilm GmbH. On the basis of this revaluation, and taking into account the existing company law regulations with the co-shareholder in deutschfilm GmbH, Senator Entertainment AG gained control of deutschfilm GmbH on the balance sheet date.

The Group decided to measure the non-controlling interests in the acquired company at the corresponding share of the identified net assets of the acquired company.

The fair values of the identifiable assets and liabilities of deutschfilm GmbH are as follows as of the acquisition date:

in T€	**31.12.2013**
Assets	
Intangible assets	139
Property, plant equipment	3
Trade receivables	11
Other financial assets	122
Miscellaneous assets	31
Cash and cash equivalents	7
	313
Liabilities	
Trade payables	236
Provisions	25
Other financial liabilities	9
Miscellaneous liabilities and deferrals	43
	313
Total identifiable net assets at fair value	**0**
of which non-controlling interests	0
Consideration transferred	0

The fair value of the trade receivables amounts to T€ 11. None of the trade receivables was impaired, and the entire contractually determined amounts are prospectively collectable.

As of December 31, 2013, contingent liabilities exist arising from profit-related, repayable subsidy loans connected with the production of films (T€ 7,204). These subsidy loans are nevertheless only to be repaid from proportional future revenues that exceed costs. The company is currently not assuming that these loans will need to be repaid.

If the business combination had occurred at the start of the year, Group revenue from continuing operations would have been T€ 134 higher, and the Group result from continuing operations would have been T€ 314 lower, T€ 157 of which would have been attributable to non-controlling interests.

4. Exercising discretion and estimation uncertainties

The preparation of consolidated financial statements in accordance with IFRS requires the management to make estimates and assumptions that affect the reported revenues, expenses, assets, liabilities as well as contingent liabilities and contingent claims on the balance sheet date. Such estimates and assumptions reflect best possible assessment by the management based on past experience and other factors, including estimates of future events. Such estimates and assumptions are reviewed constantly. Adjustments to estimates are required to the extent that the circumstances on which the estimates are based on change, or new information and additional knowledge is available. Such changes are reported in the reporting period in which the estimate was adjusted.

The following section presents the most important assumptions about future trends, and the most important sources of uncertainty relating to estimates that could necessitate significant adjustments during the next twelve months to the recognised assets and liabilities, as well as the reported revenues, expenses and contingent liabilities.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Goodwill and other intangible assets of indefinite useful life are tested for impairment at least once every year, and whenever indications exist of impairment. Film assets and other financial assets are investigated as to their value retention if indications exist that their carrying amounts exceed their recoverable amounts. In order to assess whether impairment exist, estimates are applied of expected future cash flows per cash-generating unit arising from utilisation and potential sale of such assets. The actual cash flows can differ significantly from the discounted future cash flows based on these estimates. Changes to revenue and cash flow forecasts can result in impairment (section 15 “Intangible assets and property, plant and equipment”).

In the financial year under review, impairments of T€ 10,804 (previous year: T€ 1,421) were applied to film distribution rights (carrying amounts before impairments T€ 21,575; previous year: T€ 20,235). The impairment reflected present values on an individual title basis, based on internal revenue estimates for individual distribution steps. The discount rate applied to the forecast cash flows arising from the respective titles amounts to 8.55 % (previous year: 8.00 %) (section 15 “Intangible assets and property, plant and equipment”).

FINANCIAL ASSETS

The fair value of financial assets that are traded on organised markets is determined according to the market price as quoted on the balance sheet date. The fair value of financial assets for which no active market exists is calculated by applying valuation methods. Such valuation method includes the utilisation of the most recent arm‘s-length business transactions between knowledgeable, willing and independent business partners, a comparison with the fair value of another, essentially identical financial instrument, discounted cash flow analysis, and the utilisation of other valuation models based on management assumptions. On each balance sheet date, and whenever corresponding indications exist, the Group calculates whether a financial asset or of a group of assets are impaired (section 40 “Financial instruments/management of financial risks”).

PROVISIONS FOR ANTICIPATED GOODS RETURNS

The Group's provisions for expected goods returns are based on an analysis of contractual or statutory obligations, historical trends, and the Group's experience. On the basis of the information currently available, the management regards the provisions that have been formed as appropriate. As such deductions are based on management estimates, these can potentially need to be adjusted as soon as new information becomes available. Such adjustments could affect provisions recognised for future reporting periods (section 29 "Other provisions").

PROVISIONS FOR LICENSORS' SHARES

The Group companies are exposed to various retroactive claims from licensors relating to their shares from the marketing of film rights. The Group currently assumes that the provisions cover the risks. Further claims could nevertheless be brought whose costs are uncovered by the existing provisions. Such adjustments could affect provisions for licensors' shares recognised for future reporting period (section 29 "Other provisions").

5. Restatement of the previous year's financial statements under IAS 8.41

In the 2011 financial year, the Group sold film rights to a company based in the USA ("purchasing company"). The background to the sale was bundling of film rights from various licensors, and the implementation of a fund structure that was intended to enable the refinancing of the acquired rights by third parties. The Group has experience with similar transactions, and in the 2006 and 2007 financial years had already successfully implemented similar disposal transactions with comparable refinancing structures.

In the 2013 financial year, as part of presenting financial information for the company that purchases the film rights and the fund company, it became known that the financing partner responsible for raising capital for the fund company failed to realise a refinancing of the fund company, the Citizen Entertainment Fund. From a financial perspective, the opportunities and risks of the company that purchases the film rights and those of the fund company in 2011 and 2012 were consequently to be attributed to the Senator Entertainment Group. Accordingly, the company acquiring the film rights and the fund company should have been included in the consolidated financial statements by way of full consolidation.

In consequence, the previous year's financial statements were restated, affecting the following items:

CONSOLIDATED INCOME STATEMENT:

in T€	**2012**	2011
Revenue	1,009	-2,744
Cost of materials	764	0
Depreciation, amortisation and impairment losses applied to intangible assets and property, plant and equipment	1,130	-1,256
Other operating expenses	54	0
Impairment losses applied to financial assets	-1,130	0
Result on ordinary activities	**299**	**-1,488**
of which, attributable to: Parent company owners	299	-1,488

CONSOLIDATED BALANCE SHEET:

in T€	**31.12.2012**	01.01.2012
Intangible assets	126	1,256
Trade receivables	-863	-2,744
Securities held as current assets	-697	0
Other financial liabilities	245	0
Effect on equity (including previous-year effect)	**-1,189**	**-1,488**
of which, attributable to: Parent company owners	-1,189	-1,488

6. Presentation of accounting and valuation methods

The accounting and valuation methods applied uniformly across the Group in the 2013 financial year are as follows:

The balance sheet is structured according to current and non-current assets and liabilities, whereby all assets and liabilities of up to one year are considered current, and all assets and liabilities of longer than one year are regarded as non-current. Rights arising from projects are assigned as prior collateral for project financing facilities. As a consequence, in individual cases such items are also classified as current that result in cash inflows or cash outflows as part of a business cycle (distribution of a film right across all distribution steps).

STANDARDS AND INTERPRETATIONS APPLIED FOR THE FIRST TIME

IFRS 7 Financial Instruments: Disclosures (amendment)

The offsetting of financial assets and financial liabilities requires that gross and net amounts arising from accounting offsetting, as well as other existing offsetting rights that do not satisfy accounting offsetting criteria, be presented in tabular format. These supplementary requirements are to be applied retrospectively. This amendment does not have any significant effect on the net assets, financial position and results of operations of the Senator Group.

IFRS 13 Fair Value Measurement

IFRS 13 aims to unify the regulations for calculating fair value through providing a standard definition and a transparent measurement hierarchy. In IFRS 13, fair value is defined as the exit price. Fair value calculation should be based on observable market parameters to the greatest possible extent. In the case of non-financial assets, fair value is calculated on the basis of the highest and best use of the asset from the perspective of market participants. When measuring financial and non-financial liabilities, as well as an entity‘s own equity instruments, it is important that it is assumed that such liabilities and equity instruments transfer to another market participant (new debtor). An exit scenario is imputed where the non-satisfaction risk is included in the measurement. In the case of financial assets and financial liabilities that are managed on the basis of their net burden from market risks or by credit risk, fair value measurement can be performed on the basis of net values. IFRS 13 is to be applied prospectively. These amendments have no significant effect on the net assets, financial position and results of operations of the Senator Group, although they do entail additional disclosures in the notes to the consolidated financial statements.

The mandatory application from January 1, 2013 of the following accounting regulations and interpretations do not affect these consolidated financial statements:

Standard / amendments / interpretations		Mandatory application for financial years commencing on or after
IFRS 1	First-time application of IFRS – Government Loans (amendment)	January 1, 2013
IAS 19	Employee Benefits (revised)	January 1, 2013
Amendments to IFRS (2009 – 2011)*		January 1, 2013
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	January 1, 2013

* The following standards and interpretations are affected by this on an individual basis: IFRS 1, IAS 16, IAS 34

PUBLISHED BUT NOT YET APPLIED STANDARDS, REVISED STANDARDS AND INTERPRETATIONS

The Senator Group has refrained from making early application of the following new or revised standards and interpretations whose application is not yet mandatory as of December 31, 2013 for Senator Entertainment AG:

Standard / amendments / interpretations		Mandatory application for financial years commencing on or after
IFRS 9	Financial Instruments (2009, 2010) and subsequent amendments to IFRS 9 and IFRS 7, Mandatory Effective Date and Transition Disclosures	January 1, 2018
IFRS 10	Consolidated Financial Statements	January 1, 2014
IFRS 11	Joint Arrangements	January 1, 2014
IFRS 12	Disclosure of Interests in Other Entities	January 1, 2014
Investment Entities (amendments to IFRS 10, IFRS 12 and IAS 27)		January 1, 2014
IAS 32	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (amendment)	January 1, 2014
IAS 39	Financial Instruments: Recognition and Measurement – Novation of Derivatives	January 1, 2014
IFRIC 21	Levies	January 1, 2014
IAS 19	Employee Benefits – Employee Contributions	July 1, 2014
Annual improvement process of IFRS (2010-2012)*		July 1, 2014
Annual improvement process of IFRS (2011-2013)*		July 1, 2014
IFRS 14	Regulatory Deferral Accounts	January 1, 2016

* The following standards and interpretations are affected by this on an individual basis: IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24, IAS 38
** The following standards and interpretations are affected by this on an individual basis: IFRS 1, IFRS 3, IFRS 13, IAS 40

STANDARDS OF SIGNIFICANCE FOR FUTURE CONSOLIDATED FINANCIAL STATEMENTS OF SENATOR ENTERTAINMENT AG

IFRS 9 Financial Instruments (2010)

In November 2009, the IASB published the first part of IFRS 9, which initially regulates only the classification and measurement of financial assets. Accordingly, financial assets are to be either at amortised cost or at fair value through profit or loss depending on their characteristics, and taking business models into account. The supplementary section from October 2010 sets out new regulations for the classification and measurement of financial liabilities. In particular, the new regulations change the measurement of financial liabilities that are measured through profit or loss in application of the so-called fair value option. In November 2013, the IASB published supplements to IFRS 9 which contain new hedge accounting regulations and which replace the corresponding regulations in IAS 39. These supplements introduced a new general model for the accounting treatment of hedges that expands the scope of underlying transactions and hedging instruments that come into consideration.

A methodological option nevertheless exists to present all hedges according to the existing IAS 39 regulations or according to the new IFRS 9 regulations. In addition, the IASB cancelled the first-time application date from January 1, 2015 that has been included to date in IFRS 9. A new first-time application date will be determined when the standard is available in its complete form.

IFRS 10 Consolidated Financial Statements

IFRS 10, Consolidated Financial Statements replaces IAS 27 and SIC 12. Along with a standard definition of the control concept, the new standard includes specific regulations to assess the existence of a parent-subsidiary relationship and to demarcate the scope of consolidation. The control definition of IFRS 10 comprises the characteristics of power, variable returns, and the possibility to influence variable returns. Control exists if all three characteristics are satisfied, and full consolidation must be performed. In addition, the new regulations contained in IFRS 10 comprise explanations and application examples, for example, relating to de facto control given a voting rights interest below 50 percent, differentiating between codetermination and protective rights of shareholders, and the taking into account of so-called agency relationships when attributing existing voting rights. The application of IFRS 10, Consolidated Financial Statements will have no significant effect on the presentation of the Group‘s net assets, financial position and results of operations.

IFRS 11 Joint Arrangements

IFRS 11 Joint Arrangements sets accounting standards, and replaces the corresponding regulations of IAS 31 Interests in Joint Ventures, and SIC 13 Jointly Controlled Entities – Non-Monetary Contributions by Venturers. A joint arrangement is defined as an arrangement where two or more partner companies contractually exercise joint management of such an arrangement. Joint control exists only to the extent that decisions for jointly-managed activities require unanimity on the part of the parties involved. Joint arrangements are differentiated between joint operations and joint ventures. In the case of joint operations, assets and liabilities, as well as income and revenue, are included on a proportional basis. Interests in joint ventures are accounted for on the basis of amended IAS 28 Interest in Associates, applying the equity method. The application of IFRS 11 Joint Arrangement Statements will have no significant effect on the presentation of the Group‘s net assets, financial position and results of operations, as the joint ventures are already accounted for applying the equity method.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 Disclosure of Interests in Other Entities presents new rules for disclosures in the notes to the financial statements connected with interests in subsidiaries and associated companies, as well as joint arrangements and non-consolidated entities. These amendments have no significant effect on the net assets, financial position and results of operations of the Senator Group, although they do entail additional disclosures in the notes to the consolidated financial statements.

Transition rules (amendments to IFRS 10, IFRS 11 and IAS 12)

The amendments to the transition rules clarify that the date of first-time application in IFRS 10 is the start of the reporting period in which IFRS 10 is applied for the first time. It also determines that, when applying the new consolidation rules for the first time, comparative disclosures relating to the disclosure obligations of IFRS 12 in connection with subsidiaries, associated companies and joint arrangements must be provided for only the directly preceding comparable period. When applying IFRS 12 for the first time, no comparable information is required for non-consolidated structured entities.

FOREIGN CURRENCY TRANSLATION

The euro is the functional currency of Senator Entertainment AG, and the reporting currency of the Group. Transactions in currencies that do not correspond to the functional currency of the respective Group company are reported by the companies by applying the exchange rate valid on the transaction date. Monetary assets and liabilities are translated on the balance sheet date at the rate applying on the reporting date.

Gains and losses from the unwinding of such transactions, as well as gains and losses arising from the translation of monetary assets and liabilities, are reported directly through profit or loss.

The following exchange rates are applied for the translation of assets and liabilities, the income statement, and the foreign-currency items in the individual financial statements:

	Reporting date rate (basis: 1 €)	
	31.12.2013	31.12.2012
US-Dollar	1.3791	1.3194

All of the foreign subsidiaries of Senator AG included in the consolidated financial statements in the financial year under review and in the previous year have the euro as their functional currency.

SEGMENTS

The Group is split into three operating segments that are managed individually. Section 39 “Segment reporting” presents financial information about the operating segments as well as geographic segments.

The demarcation of the operating segments and segment reporting occurs on the basis of internal reporting by the organisational units to the Group management in relation to the allocation of resources and the measurement of profitability. The determination of the Group‘s operating segments is based on the organisational units, and the allocation of the organisational units to the operating segments is based on internal reporting to the management. The Group consists of the operating segments of Production, Distribution and Other. The Group functions are reported under the unattributable income and expenses. These comprise the actual Group management itself, legal, Group accounting, controlling, IT and personnel.

FAIR VALUE MEASUREMENT

On each balance sheet date, the Group assesses its financial instruments, including derivatives, and non-financial assets and liabilities that are measured at fair value.

Fair value is the price that independent market participants would receive for the sale of an asset or would pay for the transfer of a liability under normal market conditions as of the measurement date (exit price).

This measurement assumes that the sale or transfer occurs on the primary market (market with the greatest volume) for this asset or liability. If a primary market is available, the most beneficial market for the fair value measurement is utilised. The fair value of an asset or liability is measured assuming that market participants act in their best financial interest when pricing the asset or liability.

The measurement of the fair value of a non-financial asset takes into account the ability of the market participant to generate financial benefit through the highest and best use of the asset, or through its sale to another market participant that finds the highest and best use for the asset. As of December 31, 2013, no financial assets were measured at fair value.

When measuring non-financial liabilities, as well as the company's own equity instruments, it is assumed that such liabilities and equity instruments transfer to another market participant. An exit scenario is imputed in this context. If market prices for the transfer of an identical or similar liability, or the company's own equity instrument, are unavailable, measurement of the instruments is to be conducted from the perspective of a market participant that holds the identical instrument as an asset. As of December 31, 2013, neither non-financial liabilities nor the company's own equity instruments were measured at fair value.

The Group applies valuation techniques which are objective under the respective circumstances, and for which sufficient data are available to measure fair value. In this context, the relevant and observable input factors are to be as many as possible, and unobservable input factors are to be as few as possible.

All assets and liabilities that are measured or reported at fair value in the notes to the financial statements are allocated to the following fair value hierarchy levels based on the lowest input factor that is significant for measurement overall:

› Level 1: (Unadjusted) prices (e.g. stock market prices) listed on active markets that are accessible to the Group on the measurement date,

› Level 2: Other input factors than the market prices listed in Level 1 that are directly or indirectly observable for the asset or liability (e.g. yield curves, forward currency exchange rates), and

› Level 3: Input factors that are not directly observable for the asset or liability (e.g. estimated future results).

Fair values are calculated on the basis of the hierarchy table.

The calculation of the fair value of non-current financial instruments that are measured at amortised cost for the disclosures in the notes to the financial statements is determined by discounting the expected future cash flows with the currently applicable interest rate for financial instruments with comparable terms and residual maturities, to the extent that Level 1 measurement is impossible. The congruent-maturity interest rates are calculated annually on the balance sheet date. In the case of debt instruments, proprietary default risk is also taken into account.

For assets and liabilities that are repeatedly measured at fair value, the Group determines in each case at the end of the reporting period whether transfers occur between the fair value hierarchy levels, and specifically based on the lowest input factor that is significant overall for measurement.

REVENUE RECOGNITION/ADVANCE PAYMENTS RECEIVED

In accordance with IAS 18, revenue is recognised if the following conditions are satisfied on a cumulative basis:

(a) the Senator Group has transferred to the buyer the significant risks and opportunities that are connected with ownership of the sold goods and products,

(b) neither a continuing right of disposal as is usually connected with economic ownership, nor effective control over the sold items and rights, remains with the Senator Group,

(c) the level of revenue can be determined reliably,

(d) it is sufficiently probable that financial benefit from the sale will accrue to the Group, and

(e) the costs incurred, or still to be incurred, in connection with the sale can be determined reliably.

Revenue is recognised if the transfer of the risks and opportunities connected with ownership occurs at the same time as the transfer of legal ownership and the transfer of ownership. If the company retains significant risks connected with ownership, the revenues resulting from the transaction are not reported.

If the Group receives payments from licensees before these revenue recognition dates, they are initially booked as advance payments received.

Income and expenses that relate to the same transaction or the same other event are reported at the same time.

(1) Cinema rights

Revenue from screening rights for films is recognised from the time when the film starts in cinemas. The level of revenue depends directly on the number of cinema visitors. As is typical of the sector, the film rental amounts that are paid by cinema operators to the distributor are booked as the distribution share of the total cinema revenues. Film rents are calculated on the basis of a percentage of the revenue deriving from the sale of cinema tickets. Under certain circumstances, the Senator Group receives a non-refundable guarantee that is offset against the percentage shares of box office takings.

Revenue from both proportional box office takings and from the guarantee amounts are reported on the date when the film is screened. Non-refundable guarantees are deferred in the annual financial statements and recognised as revenue on the screening date. Guarantees that comprise mainly the complete revenue are reported according to the same criteria as revenue for the licensing of TV rights. This also applies to the sale of film rights to other distributors in certain territories.

(2) Television rights (pay-TV and free TV)

The Senator Group treats license agreements for TV programme material as the sale of a right or a group of rights.

Revenue from a license agreement for TV programme material is reported if all of the following conditions have been satisfied:

(a) the licence fee for each film is known,

(b) the costs of each film and the costs connected with the sale are known, or can be determined appropriately,

(c) receipt of the entire licence fee is sufficiently ensured,

(d) the licensee accepted the film on the basis of the terms accompanying the license agreement,

(e) the film is available for the first transmission or broadcast. To the extent, however, that a third-party licence that overlaps with the sold license does not hinder utilisation by the licensee, contractual restrictions in the licence agreement or another licence agreement with the same licensor relating to the broadcasting date do not affect these conditions.

(3) Home Entertainment

The video/DVD rights of the Group companies are distributed through Senator Home Entertainment GmbH. An exclusive sales agreement was entered into with Universum Film GmbH, Munich, in order to implement this. Actual sales of audiovisual media (DVDs and Blu-ray discs), and sales from the distribution of audiovisual media and video-on-demand utilisation, are recognised as revenue.

(4) Production revenues

In the case of productions to orders that are issued mainly by television broadcasting stations, the recognition of revenue and earnings is according to the percentage of completion method. This entails reporting the order revenues and related costs through profit and loss in accordance with the degree of completion. This method must be applied if the following preconditions have been satisfied, and estimates can be applied with sufficient certainty:

(a) the company must be paid in full for the order,

(b) the cost must be clear and reliably identifiable, and

(c) it must be possible to reliably determine revenues, total costs and degree of completion.

The degree of completion can be calculated applying various methods. Within the Group, the degree of completion is calculated according to the relationship between the costs incurred as of the reporting date and the total costs (cost-to-cost method).

All revenues are reported excluding invoiced VAT, any price reductions that have been granted, and volume rebates.

GOVERNMENT GRANTS

Project funding

In the case of funding, a differentiation is made between project funding that comprises loans and project subsidies that must be repaid under certain circumstances, and film project funding granted as non-repayable subsidies on the basis of the guidelines of the German Federal Commissioner for Culture and Media/BKM (German Federal Film Fund / DFFF).

Project funding as a loan that must be repaid under certain conditions

Film project funding is granted in the form of a non-interest-bearing loan that must be repaid under certain circumstances pursuant to the provisions of the German Film Subsidy Act or respective German regional state funding (e.g. Medienboard Berlin-Brandenburg funding guidelines). Such loans must be repaid as soon as and to the extent that the producer‘s revenues from distributing the film exceed a certain level. These comprise government grants for assets. On the balance sheet, these are deducted from the carrying amount of the film asset to the level of the amount that with sufficient security does not need to be repaid.

The loans are reported through profit or loss over the distribution cycle of the film applying a reduced amortisation amount within capitalised development costs.

The level of the amount to be repaid that cannot be gauged with sufficient certainty can generally be calculated at the date when the cinema start occurs. Should it be determined at a later date that a further portion of the loan is to be repaid, the carrying amount of the film asset is increased by this amount while at the same time a liability is recognised.

Project subsidies

Project subsidies are grants that do not have to be repaid, to which a producer is entitled for purposes of financing the project costs for a (reference) film depending on the number of box office admissions resulting from distribution of the subsequent film. These comprise government grants for assets. In the balance sheet, the project subsidies granted are deducted from the carrying amount of the subsequent film on the date when filming starts.

The loans are reported through profit or loss over the distribution cycle the film using a reduced amortisation amounted within capitalised development costs.

Film project funding on the basis of the guidelines of the German Federal Commissioner for Culture and Media/BKM (DFFF)

Film project funding on the basis of the guidelines of the German Federal Commissioner for Culture and Media/ BKM (DFFF) comprises loans that do not have to be repaid that are granted to reimburse the production costs of a cinema film according to the satisfaction of clearly defined preconditions.

These comprise government grants for assets. In the balance sheet, the film project funding granted is deducted from the carrying amount of the subsequent film on the date of the cinema start. Before the cinema start, these are capitalised as other receivables. At the same time, an accrual is reported among other liabilities.

The loans are reported through profit or loss over the distribution cycle the film using a reduced amortisation amounted within capitalised development costs.

In the financial year under review, the Senator production companies received government grants of T€ 1,822 (previous year: T€ 732).

Distribution funding

In the case of this funding, a differentiation is made between distribution funding in the form of loans that must be repaid under certain circumstances, and sales subsidy funding in the form of grants that do not need to be repaid.

Distribution funding as a loan that must be repaid under certain conditions

Distribution funding is granted in the form of a non-interest-bearing loan that must be repaid under certain circumstances pursuant to the provisions of the German Film Subsidy Act or respective German regional state funding (e.g. Medienboard Berlin-Brandenburg funding guidelines). Such loans must be repaid as soon as and to the extent that the distributor‘s revenues from distributing the film exceed a certain level.

These comprise public-sector grants for already-incurred expenses. These are reported as a reduction of distribution costs to the level of the amount that with sufficient certainty does not need to be repaid. The grants are reported in the period in which the corresponding distribution costs are incurred.

The level of the amount to be repaid that cannot be gauged with sufficient certainty can generally be calculated at the date when the cinema start occurs. Should it be determined at a later date that a further portion of the loan is to be repaid, this amount is expensed and the corresponding amount is recognised as a liability.

Sales subsidies

Sales subsidies are non-repayable grants to which a distributor is entitled for purposes of financing the release costs for a subsequent film depending on the box office admissions achieved. These comprise public-sector grants for already-incurred expenses. The sales subsidies granted are reported through profit or loss as a reduction of the costs of releasing a film at the date when the subsequent film starts in cinemas.

INVESTMENT GRANTS

In the 2000 financial year, investment grants were recognised as liabilities for the first time. The Group received further investment grants in the 2009 and 2010 financial years, especially for investment measures carried out at a rental property. The subsidy is to be repaid under certain conditions, especially depending on a minimum basic rental period and the creation of long-term jobs. The investment grants are released through profit or loss in line with the useful life of the subsidised investments.

INTEREST PAYMENTS

Interest payments are reported as expenses or income at the date when they originate, applying the effective interest method. Please refer to the section on borrowing costs for more information.

TAXES ON INCOME

Current taxes are calculated on the basis of the result of the financial year and in accordance with the national tax laws of the respective tax jurisdiction. Expected and actually rendered tax arrears payments and tax reimbursements for previous years are also included.

Taxes on income include corporation tax, trade earnings taxes, the Solidarity Surcharge and corresponding foreign taxes.

In Germany, the corporation tax rate currently amounts to 15.0 % (2012: 15.0 %) plus a Solidarity Surcharge of 5.5 % (2012: 5.5 %). Depending on the local authority, the trade tax rate currently amounts to between 17.0 % and 19.7 % (2012 between 17.0 % in 19.7 %).

As in the previous year, the expected income tax rate for Senator AG amounts nominally to 30.0 % in 2013.

DEFERRED INCOME TAX ASSETS AND LIABILITIES

Deferred income tax assets and liabilities are calculated applying the asset and liability method. For the consolidated financial statements, deferred taxes are calculated for temporary differences between the carrying amounts and the tax valuations of the assets and liabilities, as well as for tax loss carryforwards. Deferred tax assets arising from deductible temporary differences and tax loss carryforwards are reported only to the extent to which it can be assumed with sufficient certainty that the respective company can achieve sufficient taxable income for the future tax utilisation of the loss carryforwards.

As it is currently impossible to assess conclusively the extent to which loss carryforwards that can be utilised for tax purposes exist, taxes on loss carryforwards have been recognised only to the level of deferred tax liabilities.

The deferred taxes for temporary differences in the separate financial statements are calculated on the basis of the tax rates that apply in the individual countries as of the realisation date, or will be applicable in the future.

Offsetting is performed to the extent that deferred tax assets and deferred tax liabilities exist in relation to the same tax debtor or tax creditor, relate to the same type of tax, and offset each other in the same fiscal year. Deferred tax assets and deferred tax liabilities arising from the fiscal units are offset.

Accounting for tax items frequently requires estimates and assumptions that can differ from the later actual tax charge.

Deferred taxes for items reported directly in equity are not reported in the income statement, but instead also directly through equity.

No deferred tax liabilities have been formed for temporary differences connected with interests in subsidiaries as it is not probable that these temporary differences will reverse within the foreseeable future, and Senator Entertainment AG is able to determine the date when the temporary differences are reversed.

BORROWING COSTS

Borrowing costs directly connected with the acquisition or production of qualified assets are added to the production costs of these assets until the date on which the assets are essentially available for their intended utilisation or for sale. Qualified assets are assets for which considerable period is required in order to make them ready for their intended utilisation or sale. For non-qualified assets, borrowing costs are expensed in the period in which they are incurred.

No borrowing costs were capitalised in the financial year under review.

INTANGIBLE ASSETS

The Senator Group capitalises purchased and self-produced intangible assets if the asset:

(a) is in the company‘s economic ownership due to events lying in the past,

(b) if it is to be assumed that a future economic benefit will accrue to the company from this asset.

In accordance with IAS 38, the Senator Group recognises an intangible asset at its acquisition or production costs if:

(a) it is possible to technically realise the completion of the intangible asset, thereby enabling internal utilisation or sale of the asset,

(b) the intention exists to complete the intangible asset and the ability to utilise it or to sell it,

(c) the asset will generate a future economic benefit,

(d) it is probable that future financial benefit from the utilisation of the asset will accrue to the Group, and

(e) the costs of the asset can be measured reliably

(f) it is possible to utilise the created intangible asset.

This approach is applied if an intangible asset is acquired externally or is generated internally. Intangible assets that do not satisfy these conditions are expensed.

Intangible assets are reported at cost less cumulative amortisation and impairment losses. Pursuant to IAS 38, intangible assets are amortised over their estimated useful lives. The useful life of an intangible asset amounts to a maximum of twenty years from the date from which the asset can be utilised. The expected useful lives, residual values and amortisation methods are reviewed annually, and all necessary changes to estimates are taken into prospective account. The amortisation period and schedule is reviewed annually at the end of a financial year.

(1) Patents, brands and licences

The acquisition and production costs for patents, brands and licences are capitalised, and subsequently amortised straight-line over the period of expected utilisation. The estimated useful life of patents, brands and licences varies between five and fifteen years. The amortisation period begins as soon as the asset can be utilised.

Capitalised costs for the development of new projects (especially screenplay rights) are reviewed regularly to assess whether they can still be used as the basis for a film production. If, after the first-time capitalisation of costs for a project, the start of filming of a film or the sale of the rights is not predominantly probable, such costs are fully written off. If an early impairment arises, such impairments are expensed accordingly.

(2) Film rights

The film assets item includes both acquired rights to third-party productions, in other words, films that the Group has not produced itself, as well as the production costs for films that are produced within the Group (proprietary and co-productions), as well as costs for the development of new projects. The acquisition of rights to third-party productions generally comprises cinema, home entertainment and TV rights.

The acquisition costs for third-party productions generally comprise the minimum guarantees. Individual instalments of the minimum guarantee are reported as advance payments, and capitalised within the film assets with the delivery and acceptance of the material.

Proprietary productions are recognised at their production cost. Production costs also include financing costs attributable to the respective production. Costs to release a film are also incurred, such as advertising and distribution costs. These costs to release a film are not capitalised, but are expensed instead.

The acquisition and production costs to acquire or produce films are capitalised in accordance with IAS 38 “Intangible Assets”.

Films are amortised in relation to their distribution. Utilisation in this context refers to distribution of German-language cinema, video and TV rights. Amortisation is generally performed as follows for the distribution steps:

in %	**2013**	2012
at cinema start	10	10
at sale of video rights	35	35
at sale of pay-TV rights	10	10
at sale of free TV rights	25	25
at video on demand	10	10
at secondary distribution	10	10

The amortisation of video rights and video on demand begins with video publication or download availability, and is applied straight-line over the subsequent six months.

For each film title an impairment test is also conducted if indications of impairment exist. If the purchase costs or the carrying amount are not covered by the estimated total revenues less any costs yet to be incurred to release a film, while taking into account when such costs are incurred, a write-down is applied to the value in use. To calculate value in use, the estimated cash flows are discounted applying discounting factors that take into account the durations of the distribution steps. The estimated cash flows can change significantly due to a number of factors such as market acceptance. The Senator Group reviews and revises expected cash flows and amortisation expenses as soon as changes occur to the data that have been expected to date.

(3) Other intangible assets

This category chiefly comprises software programs and intangible assets disclosed as part of purchase price allocation, which are measured at cost less straight-line amortisation and impairment losses.

New software is capitalised at cost and reported as an intangible asset if such costs do not form an integral component of the related hardware. Software is amortised straight-line over a period of three to ten years.

(4) Goodwill

Goodwill is recognised at cost less cumulative impairment losses. The cost of goodwill is derived from the sum of

(a) the fair value of the transferred consideration on the acquisition date,

(b) the amount of any non-controlling interests, and

(c) the fair value of the interests in the acquired company previously held by a purchaser in a step acquisition, less the fair value of the identifiable acquired assets, transferred liabilities and contingent liabilities.

Non-controlling interests can be measured on a transaction basis either at fair value (full goodwill method) or at the proportional interest in the net assets of the acquired company (partial goodwill method). In the latter case, the goodwill is recognised only at the purchaser‘s percentage interest in the goodwill.

On addition, goodwill is allocated to the cash-generating units from which it is expected that they will draw benefit from the merger. The cash-generating units to which the goodwill is allocated comprise the organisational units below the operating segments.

An impairment test is performed annually for goodwill, and potentially during the course of the year if indications of impairment exist. Goodwill is not amortised.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprises land, rights and constructions equivalent to land, leasehold improvements, technical equipment and machinery, other plant, operating and office equipment, as well as advance payments rendered and plant under construction.

The acquisition costs of leasehold improvements are generally depreciated over the duration of the respective rental contract (up to 10 years). Technical equipment as well as operating and office equipment are measured at cost less depreciation and impairment losses. Depreciation is applied straight-line over a normal useful operating life of 3 to 10 years. Repair and maintenance expenses are expensed on the date when they are incurred. More extensive renewals or improvements are capitalised. Renewals are also depreciated over the aforementioned expected useful life. On disposal, the acquisition costs and related cumulative depreciation charges are derecognised. The resultant gains or losses are carried through profit or loss in the respective financial year. If the acquisition costs of certain components of an item of property, plant and equipment are significant, such components are recognised and depreciated individually.

IMPAIRMENT OF NON-FINANCIAL ASSETS

On each balance sheet date, the Group reviews the carrying amounts of intangible assets and property, plant and equipment in order to determine whether indications exist that such assets have been impaired. Indications of impairment include a significant reduction in the present value of an asset, significant changes to the corporate environment, substantial indications of obsolescence, or changes to revenue expectations. If such indications are identifiable, the recoverable amount of the asset is estimated in order to gauge the scope of any impairment loss. The recoverable amount of an asset is the higher of the fair value of an asset or cash-generating unit less costs to sell, or its value in use. If the recoverable amount is calculated in the form of value in use, such a calculation is based on expected future cash flows.

The recoverable amount is to be determined for each individual asset unless an asset generates no cash inflows that are as far as possible independent of those of other assets or other groups of assets. Impairment losses are expensed immediately.

If an impairment loss subsequently reverses, the carrying amount of the asset or cash-generating unit is written up to the new estimate of its recoverable amount. Goodwill comprises an exception to this. In this context, the increase in the carrying amount is restricted to the value that would have been derived if no impairment loss had been reported for the asset or cash-generating unit in previous years. Reversals to impairment losses are carried immediately through profit or loss.

Recent market transactions are utilised to determine fair value less costs to sell. An appropriate valuation model is applied if such transactions are not identifiable. This is based on valuation multiples or other available indicators of fair value. To calculate value in use, expected future cash flows are discounted to their present value based on the pre-tax discounting factor that reflects current market expectations about the interest effect and the specific risks of the asset.

The Group bases its impairment evaluation on detailed budget and forecast calculations that are prepared separately for each asset or Group cash-generating unit to which individual assets are allocated. The Group cash-generating units comprise goodwill as well as acquired or internally-generated film rights.

The annual review of the value retention of intangible assets is performed on the basis of calculating value in use applying estimated future discounted cash flows that are derived from medium-term planning. The medium-term planning horizon amounts to five years. In the case of intangible assets of indeterminate useful life, an impairment test is conducted at least once per year for the individual asset or at the level of the cash-generating unit. The useful life of an intangible asset of indeterminate useful life is reviewed once per year to see whether the assessment of indeterminate useful life remains justified.

The calculation of the recoverable amount includes management estimates and assumptions. These estimates and assumptions are based on premisses that reflect the respective currently available status of information. Developments that differ from these assumptions and developments that lie outside the scope of influence of the company the amounts that occur can differ from the original expectations, resulting in adjustments to carrying amounts.

Intangible assets that are not yet available for utilisation are tested annually for impairment or if indications of impairment exist.

The discounting factor is calculated based on the weighted average cost of capital method (WACC). The annual impairment test of intangible assets conducted on December 31, 2013 was based on the discounting factor before tax of 8.55 % (previous year: 8.00 %).

INVENTORIES

Inventories, which consist especially of DVDs and Blu-rays, are measured at the lower of cost or net realisable value (sales-oriented, lower of cost or market valuation). Production costs comprise all specific costs attributable to the creation of goods and services, as well as production-related overhead costs. Net realisable value comprises the respectively achievable sales price in a normal business transaction less selling costs yet to be incurred until sale. Acquisition/production costs are calculated applying the first-in-first-out approach (FIFO).

Valuation allowances applied to goods are calculated on the basis of sales analyses. This entails the management analysing whether goods have retained their value on the basis of historic movements and of warehoused products on an individual product basis. If this analysis shows that some products have not retained their value, they are written down accordingly. Further adjustments are applied to damaged or defective merchandise.

FINANCIAL ASSETS

Standard market purchases and sales of financial assets are recognised on the settlement date.

Available-for-sale financial assets

This category primarily comprises securities and loans reported in the consolidated balance sheet that are not allocable to any other category under IAS 39.

They are measured at fair value. Subsequent measurement is at fair value that corresponds to the stock market price on the balance sheet date. If no market value is available, fair value is calculated on the basis of comparable market transactions. Any gain or loss from the measurement on the balance sheet date is reported directly in equity. If fair value cannot be determined reliably for an equity instrument, it is measured at amortised cost. Only when such financial assets are derecognised does the release of the equity item generate an effect through profit or loss. Impairments are reported through profit or loss, by contrast.

If no active market exists, or if an active market no longer exists, the fair value of the financial instrument is calculated by applying recognised valuation methods. Financial investments in equity instruments for which no listed price is available on an active market and whose fair value cannot be calculated reliably are measured at amortised cost. If impairment losses are applied to such financial instruments, these impairment losses cannot be reversed.

Impairments of available-for-sale debt instruments are reversed through profit or loss in subsequent periods if the reasons for the impairment no longer apply. Subsequent fair value changes are reported in equity. Impairments of available-for-sale equity instruments are not reversed through profit or loss. Increases in fair value after impairment are reported in equity.

The management classifies financial assets in each case as of the purchase date, and regularly reviews whether the criteria for the classification continue to be complied with. To the extent that they are permissible and required, transfers are applied at the end of the financial year. Purchase costs include transaction costs.

Available-for-sale financial assets comprise the securities and loans reported in the consolidated balance sheet.

Held-to-maturity financial investments

Held-to-maturity financial investments comprise non-derivative financial assets with fixed or at least calculable payment amounts and fixed maturity dates, which the Group intends to hold to maturity, and is able to do so.

As of December 31, 2013, no held-to-maturity financial investments existed, as in the previous year.

Loans and receivables

Financial instruments allocated to this category are measured at amortised cost applying the effective interest method.

Current trade receivables and other current receivables are measured at cost. Non-interest-bearing monetary receivables with a term of more than one year are discounted applying the interest rate that is congruent with their term.

If doubts exist about the collectability of receivables, customer receivables are recognised at their lower realisable amount. An impairment loss is applied if objective indications – especially the creditworthiness of the respective customer, current sector-specific economic developments, the analysis of past receivables defaults and the discontinuation of an active market for the financial assets – lead to the conclusion that the company will not receive all amounts on the due dates. The reported carrying amounts of the current receivables approximately correspond to their fair values.

Financial assets measured at fair value through profit or loss

The category of financial assets measured at fair value through profit or loss generally comprises financial assets held-for-trading and financial assets that are classified on first-time recognition as financial assets measured at fair value. Financial assets are classified as held for trading if they have been acquired for the purposes of sale within the near future. Derivatives are also classified as held-for-trading, with the exception of derivatives which are not financial guarantees, or which were designated as hedge instruments, or which are effective as hedge instruments (hedge accounting).

On first recognition, financial assets are designated as financial assets measured at fair value through profit or loss, if thereby incongruences are eliminated or significantly reduced that would arise from the measurement that would otherwise need to be applied to assets, or from the reporting of gains and losses on the basis of different valuation methods, or if a group of financial assets and/or financial liabilities are managed according to a documented risk management or investment strategy, and their value changes are assessed on the basis of fair value, and the information about this group calculated on this basis is submitted internally to key company personnel

They are measured at fair value. Realised gains and losses from fair value changes of financial instruments are reported through profit or loss on the date when they arise.

Subsequent measurement is at fair value that corresponds to the stock market price on the balance sheet date. If no market value is available, fair value is calculated on the basis of valuation methods. Such valuation method includes the utilisation of the most recent arm‘s-length business transactions between knowledgeable, willing and independent business partners, a comparison with the current fair value of another, essentially identical financial instrument, discounted cash flow analysis, and the utilisation of other valuation models.

As of December 31, 2013, no financial assets measured at fair value through profit or loss existed, as in the previous year.

A financial asset (or a part of a financial asset or a part of a group of similar financial assets) is derecognised if one of the three following preconditions are satisfied:

(a) The contractual rights to cash flows from the financial asset have expired.

(b) The Group retains the contractual rights to the procurement of cash flows from financial assets, but does not assume a contractual obligation to pay the cash flows without significant delays to a third party as part of an agreement that satisfy the conditions of IAS 39.19 (pass-through arrangement).

(c) The Group has transferred its contractual rights to cash flows from a financial asset, and has (a) essentially transferred all risks and opportunities that are connected with the ownership of the financial asset, or has (b) has essentially neither transferred nor retained all risks and opportunities that are connected with the ownership of the financial assets, but has transferred the power of control over the asset.

DERIVATIVE FINANCIAL INSTRUMENTS

The Group generally deploys derivative financial instruments to hedge foreign currency exchange-rate fluctuations in the case of purchases of film rights denominated in foreign currencies. These are realised predominantly in US dollars. The foreign currency exchange-rate risk derives from the fact that the revenues from the distribution of such rights accrue exclusively in euros.

Hedging is intended to reduce the risk of a change to the fair value of an asset. In this instance, the fixed obligations are hedged arising from purchases of film rights that are not yet recognised on the balance sheet, as such transactions are subject to foreign currency exchange-rate fluctuations on the conclusion of the contract until the contract is satisfied. Forward currency contracts and options are utilised as hedging instruments.

At the start of the hedge, both the hedging relationship and the Group‘s risk management targets and strategies in relation to the hedge are determined and documented. This documentation comprises determining the hedge instruments and the underlying transaction, the type of hedged risk, and a description of how the company calculates the efficacy of the hedging instrument in compensating risks arising from changes to the fair value of the hedged underlying transaction.

Derivative financial instruments are recognised as assets if their fair value is positive, and as liabilities if their fair value is negative. The fair value of forward currency contracts is based on bank valuations. Such valuations are calculated by the banks with which the transactions have been concluded.

Financial derivatives are measured at fair value applying recognised valuation methods. Fair value changes of derivatives that fail to satisfy hedge accounting criteria despite their financial hedge effect are reported at fair value through profit or loss. All fair value changes of derivatives were reported through profit or loss in the financial year under review.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of deposits at banks and current-account credit balances at banks. Such assets are only reported among liquid assets to the extent that they can be converted at any time into cash amounts that are determinable in advance, are subject to only insignificant value fluctuation risks, and carry a residual term of a maximum of three months from the purchase date.

EQUITY

Bearer shares in issue are classified as equity. As soon as the Group purchases treasury shares, the consideration paid including the attributable transaction costs for the respective shares are deducted from equity. If treasury shares are sold or issued, the consideration received is added to equity.

PROVISIONS, CONTINGENT OBLIGATIONS AND CONTINGENT CLAIMS

In accordance with IAS 37, provisions are reported for obligations that are uncertain as to their due date or level. Provision is to be recognised exclusively if:

(a) a current (legal or de facto) obligation has arisen for the company arising from a past event,

(b) it is probable (in other words, it appears more likely than not) that an outflow of resources embodying economic benefits is required until the obligation is satisfied,

(c) it is possible to reliably estimate the level of the obligation.

The amount reported as a provision represents the best possible estimate of the expenses required to satisfy the obligation existing as of the balance sheet date, in other words, the amount that the company would be required to pay on the basis of reliable observation in order to satisfy the obligation on the balance sheet date, or to transfer it to a third party on this date. If the interest effect is significant, non-current provisions are calculated at the present value of the expected cash outflow calculated applying the current market interest rate.

Provisions for pending losses arising from onerous contracts are formed if the unavoidable costs to satisfy the transaction are higher than the expected financial benefit. Before a provision is formed, impairments relating to assets that are connected with this transaction are applied.

Liabilities which arise from a potential obligation due to a past event and whose existence is contingent on the occurrence or non-occurrence of one or several uncertain future events which are not entirely within the control of the company, or which arise from a current obligation that is based on past events, but which are not reported, because

(a) the outflow of resources embodying financial benefits is not probable with the satisfaction of this obligation; or

(b) the level of the obligation cannot be estimated sufficiently reliably,

are reported as contingent liabilities except if the probability of the outflow of resources embodying financial benefits for the company is low.

Contingent claims are not capitalised, but are instead disclosed by way of analogy to contingent liabilities, if an economic benefit is probable for the Group.

FINANCIAL LIABILITIES

On first-time recognition, financial liabilities are classified as financial liabilities measured at fair value through profit or loss or as other financial liabilities measured at amortised cost applying the effective interest method.

When first recognised, all financial liabilities are measured at fair value, with loans and liabilities being recognised less directly attributable transaction costs.

The Group‘s financial liabilities comprise trade payables, other liabilities, and loans, including derivative financial instruments.

On subsequent measurement, interest-bearing loans are measured at amortised cost applying the effective interest method. Gains and losses are carried through profit or loss if the liabilities are derecognised, and as part of amortisation applying the effective interest method.

Amortised cost is calculated while taking into account any premium or discount on acquisition, as well as fees or costs that comprise an integral component of the effective interest rate. Amortisation applying the effective interest method is included among financial expenses in the income statement.

The effective interest method is a method to calculate the amortised cost of a financial liability, and to allocate interest expenses to the respective periods. The effective interest rate is the interest rate with which the estimated future cash outflows over the expected term of the financial instrument (or a shorter period if applicable) are discounted to their carrying amount.

A financial liability is derecognised if the obligation underlying this liability is satisfied, cancelled or it expires. If an existing financial liability is exchanged with another financial liability from the same lender with substantially different contractual terms, or if the terms of an existing liability are modified significantly, such an exchange or modification is treated as a derecognition of the original liability, and the recognition of a new liability. The difference between the respective carrying amounts is reported through profit or loss.

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheet if a legal entitlement currently exists to offset the reported amounts with each other, and the company intends to realise settlement on a net basis, or to settle the liability at the same time as the related asset is realised.

LEASES

Whether an agreement comprises a lease is determined on the basis of the financial content of the agreement when the agreement is concluded, and requires an appraisal as to whether the satisfaction of the contractual agreement depends on the utilisation of a particular asset or particular assets, and whether the agreement grants a right to the utilisation of the asset, even if this right is not expressly determined in an agreement.

Finance leases where essentially all opportunities and risks connected with ownership of the leasing objects transfer to the Group result in the capitalisation of the leasing objects at the start of the lease term. The leasing object is recognised at the lower of fair value or the present value of the minimum lease payments. Lease payments are split into financing expenses and the repayment portion of the residual debt in such a way that a constant interest rate arises for the remaining lease liability over the term of the lease. Financing costs are reported among the finance expenses in the income statement. Leasing objects are depreciated over the useful life of the object. However, if the transfer of ownership to the Group at the end of the lease is not sufficiently certain, the leasing object is fully written off over the shorter of either the expected useful life or the lease term. No finance leases existed as of December 31, 2013, as was the case also as of the previous year‘s balance sheet date.

Lease payments for operating leases are reported straight-line over the lease term as other operating expenses in the income statement.

(B) NOTES TO INDIVIDUAL ITEMS OF THE INCOME STATEMENT

7. Revenue

	2013		2012	
	T€	**%**	T€	%
Film production	225	0.83	235	0.46
Distribution	26,746	98.80	50,803	99.29
Other	101	0.37	126	0.25
	27,072	**100.00**	**51,164**	**100.00**

The Distribution revenues are composed as follows:

	2013		2012	
	T€	**%**	T€	%
Cinema	7,323	27.38	26,558	52.28
TV	5,521	20.64	2,140	4.22
Video	13,579	50.77	21,830	42.97
Global distribution	216	0.81	73	0.14
Other	107	0.40	202	0.40
	26,746	**100.00**	**50,803**	**100.00**

8. Work performed by the company and capitalised

in T€	**2013**	2012
Income from work performed by the company and capitalised	2,457	2,536

Work performed by the company and capitalised includes production costs for propriety productions and contributions to co-productions that can be capitalised.

9. Other operating income

Other operating income is composed as follows:

in T€	**2013**	2012
Income from costs passed on	433	188
Income from the release of provisions	228	22
Income from the sale of securities	118	0
Income from investment subsidy	75	75
Rental income	55	48
Income from personnel costs passed on	0	102
Other income	207	175
	1,116	**610**

10. Expenses for purchased services

Expenses for purchased services are composed as follows:

in T€	2013	2012
Film marketing costs	14,960	19,570
Licensor shares	6,423	12,217
Film production costs	2,266	2,586
Transfers to film subsidy institutions	179	158
Other production costs	137	4
	23,965	**34,535**

In the financial year under review, Senator Film Verleih GmbH and Senator Home Entertainment GmbH received total government grants of T€ 670 (previous year: T€ 790) for releasing films in the cinema and on DVD.

11. Other operating expenses

Other operating expenses comprise the following items:

in T€	2013	2012
Receivables valuation	3,659	213
Provision for pending losses	2,362	0
Premises costs	439	386
Legal and advisory costs	349	577
Guarantee fees	200	300
Ancillary money transfer costs	182	183
Travel expenses	147	250
Insurance	142	110
Expenses for financial statements and auditing	112	106
Supervisory Board compensation	106	119
Representation and advertising costs	101	101
Telephone, postage	94	96
Shareholders' general meetings	40	50
Other staff costs	34	94
Donations	32	35
Office requirements, specialist literature	25	31
Renovation, maintenance and rent for office equipment	23	45
Vehicle fleet costs	11	11
Asset disposals	0	147
Option premium	0	89
Other	406	273
	8,464	**3,216**

Section 15 “Intangible assets”, section 19 “Trade receivables” and section 20 “Receivables due from related parties” contain more information about expenses arising from provisions for pending losses and receivables valuations.

Lease payments reported through profit or loss in the period under review amounted to T€ 319 (previous year: T€ 331). Of this amount, T€ 29 (previous year: T€ 16) are attributable to minimum lease payments, and T€ 290 (previous year: T€ 315) are attributable to conditional rental payments.

12. Currency gains and losses

Currency gains and losses are composed as follows:

in T€	**2013**	2012
Currency gains	159	161
Currency losses	-71	-224
	88	**-63**

13. Corporation taxes on income

Actual tax liabilities for the current financial year and previous years are measured applying the tax rates applicable on the balance sheet date to the amounts that are expected to be required to be paid to the tax authority.

The tax expense deriving from application at Senator AG is reconciled as follows to the actual tax expense:

in T€	**2013**	2012
Result before income taxes	-27,373	5,330
Tax at the imputed tax rate of 30%	-8,212	1,599
Effect of the non-taxable result on determining taxable earnings from equity portion	-95	-131
Effect of non-deductible expenses on determining taxable earnings:		
Non-deductible expenses	410	26
Recognition/valuation adjustment of deferred tax asset on loss carryforwards	-2,852	127
Non-recognition of tax losses	7,087	768
Tax effect arising from lower tax rates in Ireland	3,675	-1,954
Other	-3	12
Tax expense as per consolidated financial statements	**8**	**447**
Tax expense for the reporting year	8	447
Tax expense for previous years	0	0

Deferred tax assets and deferred tax liabilities are composed as follows:

in T€	Balance 01.01.2013	Addition/ Release	**Balance 31.12.2013**
Deferred tax asset			
Tax loss carryforward	61	2,599	2,660
Provision for pending losses	0	252	252
	61	2,852	2,913
Deferred tax liability			
Financial liabilities	61	-4	57
Receivables valuation	0	2,856	2,856
	61	2,852	2,913
Reported on balance sheet	**0**	**0**	**0**

In the year under review, the tax claims were reported on a net basis overall due to the capacity to offset them at the same tax authorities.

The not yet utilised corporation tax and trade tax loss carryforwards of Senator AG amounted in each case to around € 78 million as of December 31, 2013 (previous year: around € 110 million). The reduction in the available loss carryforwards is derived from a disadvantageous change of ownership in the financial year in an amount of 29.89 %, with the loss carryforwards declining correspondingly on a quota basis.

The Irish subsidiary has as-yet unutilised loss carryforwards of around € 140 million (previous year: around € 128 million).

14. Earnings per share

Earnings per share are calculated on the basis of IAS 33 entails dividing current earnings by the weighted average number of shares in issue during the period.

in T€	Consolidated net income for the year	Weighted average number of shares	Earnings per share
	For the 2013 financial year		
Loss for the period attributable to shareholders	-27,381		
Earnings per share			
Loss for the period attributable to shareholders	-27,381	29,935,765	-0.91

in T€	Consolidated net income for the year	Weighted average number of shares	Earnings per share
	Für das Geschäftsjahr 2012		
Earnings for the period attributable to shareholders	4,883		
Earnings per share			
Earnings for the period attributable to shareholders	4,883	25,081,323	+0.19

In the previous year, the weighted average number of shares included the new shares from the capital increase on June 27, 2012 on a pro rata temporis basis. A total of 9,981,606 new shares were placed which were included with only 188 days in the 366 days in the weighted average calculation due to the issue date. A total of 5,127,164 new shares (9,981,606 * 188 days/366 days) were added to the existing 19,954,159 shares.

(C) NOTES TO BALANCE SHEET ITEMS

15. Intangible assets and property, plant and equipment

INTANGIBLE ASSETS:

in T€	Film rights for productions	Film rights	Patents, brands and licences	Advance payments rendered	**2013 Total**	2012 Total
Cost						
January 1	**70,582**	**243,760**	**1,077**	**7,153**	**322,572**	**318,006**
Additions	0	8,320	8	1,817	10,145	8,005
Additions of work performed by the company and capitalised	0	0	0	2,457	2,457	2,536
Transfers	0	3,324	0	-3,324	0	0
Disposals	-1,959	-3,314	-137	-94	-5,504	-5,975
December 31	**68,623**	**252,090**	**948**	**8,009**	**329,670**	**322,572**
Cumulative amortisation and impairment						
January 1	**70,581**	**230,093**	**554**	**2,530**	**303,758**	**302,184**
Additions	0	17,674	191	2,780	20,645	7,304
- of which impairment	*0*	*8,365*	*0*	*2,439*	*10,804*	*1,421*
Transfers	0	667	0	-667	0	0
Disposals	-1,959	-3,314	-137	-94	-5,504	-5,730
December 31	**68,622**	**245,120**	**608**	**4,549**	**318,899**	**303,758**
Carrying amount	1	6,970	340	3,460	10,771	18,814
Carrying amount – previous year	1	13,667	523	4,623	18,814	

As of the balance sheet date, indications of impairment of intangible assets existed due to the fact that some films had not performed as planned in the fourth quarter of 2013 and in January 2014. All film rights and advance payments had been rendered for film rights were subsequently tested for impairment. The impairment test as of December 31, 2013 showed that in the case of around 150 films their recoverable amounts were below their carrying amounts, essentially reflecting a change in the appraisal of the market acceptance of these rights after reviewing the available film material. Accordingly, T€ 10,804 of impairments were reported (previous year: T€ 1,421), of which T€ 10,022 (previous year: T€ 1,152) were attributable to the Distribution segment, and T€ 782 (previous year: T€ 269) were attributable to the Production segment.

In the case of film rights with negative recoverable amounts (in other words, with disposal costs exceeding revenues), a pending loss totalling T€ 2,362 (previous year: T€ 0) was recognised for onerous contracts. This pending loss provision arises as the result of Group distribution and marketing obligations to the licensors of the film rights.

The recoverable amount was calculated applying value in use. The discounted cash flow method that was applied was based on a pre-tax discount factor of 8.55 % (previous year: 8.00 %). The CAPM (Capital Asset Pricing Model) method was applied to calculate the cost of capital, entailing reference to a peer group of companies with similar business models.

The discounted cash flow method is based on future cash flows deriving from a 5-year planning calculation for each film right. Cash inflows and outflows from the first-time distribution along the steps of cinema, home entertainment and TV (to the extent that the respective distribution rights are available) are planned in detail, whereas blanket estimates are applied to each film right for subsequent distribution steps.

in T€	Impairments	Pending loss provision	**Total**	Recoverable amount
Mandela	240	640	880	-640
Best of Me	0	835	835	-835
Mamba	534	0	534	105
And So It Goes	113	368	481	-368
Pettersson und Findus	425	0	425	484
Mr. Morgan's Last Love	389	0	389	111
Tracer	109	170	279	-170
Death Proof	372	0	372	12
Fireflies in the Garden	295	0	295	0
Planet Terror	280	0	280	6
1408	275	0	275	13
Shut Up And Sing	235	0	235	8
The Mist	212	0	212	18
Alter Sack	209	0	209	0
Other	7,116	349	7,465	
	10,804	**2,362**	**13,166**	

Senator realised the cinema release of the film MANDELA at the end of January 2014. Actual box office admissions were significantly below the management's original expectations. Due to the fact that box office admission figures were actually lower, the planning revenues for the further distribution steps also needed to be downgraded, consequently feeding through to impairments and to the formation of a pending loss provision for this film.

For the films BEST OF ME and MAMBA, for which relatively high minimum guarantees were, or are being, paid, impairment losses and pending loss provisions were also necessitated due to a change in the appraisal of market acceptance.

Disposals of film rights arise from the expiry or sale of licensing periods.

The "Patents, brands and licences" item chiefly comprises rights to screenplays. As soon as the rights to screenplays for the production of a film are distributed, such rights are classified as production costs for the respective film, and capitalised under film rights.

PROPERTY, PLANT AND EQUIPMENT (OTHER PLANT, OPERATING AND OFFICE EQUIPMENT)

in T€	**2013**	2012
Cost		
January 1	**1,172**	**1,048**
Additions	25	191
Disposals	-251	-67
December 31	**946**	**1,172**
Cumulative depreciation		
January 1	**780**	**742**
Additions	94	88
Disposals	-234	-50
December 31	**640**	**780**
Carrying amount	**306**	**392**

16. Interests in associates or joint ventures

in T€	Balance as of 1.1.2013	Share of 2013 earnings	Dividends received	Impairments	**Balance as of 31.12.2013**
Bavaria Pictures GmbH, Munich	930	-30	–	-900	0
Senator Film Verleih GmbH, Berlin	2,870	-22	-656	–	2,192
Senator Babelsberg Film GmbH, Potsdam	11	-11	–	–	0
X Verleih AG, Berlin	1,002	395	–	–	1,397
	4,813	**332**	**-656**	**-900**	**3,589**

The Senator Group holds a 50% interest in Central Film Verleih GmbH, a Berlin-based joint venture that is responsible for booking and billing in the cinema area.

In 2012, Senator Film Produktion GmbH, Berlin, acquired a 50 % interest in Senator Film Babelsberg GmbH, a Potsdam-based joint-venture that is to realise the international film project Reykjavik.

As of December 31, 2013 and December 31, 2012, both of the aforementioned joint ventures have no contingent liabilities or capital obligations.

The Group holds a 25 % interest in Bavaria Pictures GmbH (joint venture), a Munich-based film production company. The Group‘s interest in Bavaria Pictures GmbH is equity accounted in the consolidated financial statements. The following section presents summary financial information about the joint-venture company corresponding to its financial statements prepared according to IFRS, as well as a reconciliation of this financial information to the carrying amount of the interest in this joint venture in the consolidated financial statements:

Bavaria Pictures GmbH in T€	**2013**	2012
Current assets, including cash and cash equivalents of T€ 743 (previous year: T€ 799) and advance payments rendered of T€ 37 (previous year: T€ 162)	6,484	7,706
Non-current assets	549	147
Current liabilities, including tax liabilities of T€ 48 (previous year: T€ 134)	7,934	8,679
Non-current liabilities, including tax liabilities of T€ 0 (previous year: T€ 0) and non-current loans of T€ 0 (previous year: T€ 0)	0	0
Equity	-901	-826
Group's share	25 %	25 %
Carrying amount of participating interest	0	0
Goodwill at level of Senator Film München GmbH arising from acquisition of interest	0	930
At equity measurement	0	930
Revenue	1,580	5,183
Other work performed by the company and capitalised	841	1,754
Other operating income	2,648	2,695
Cost of materials	-3,524	-4,662
Staff costs	-1,092	-331
Depreciation, amortisation and write-downs	-441	-4,010
Other operating expenses	-144	-252
Interest expense	-29	-277
Result before tax	-161	100
Corporation taxes on income	86	-135
Result from continuing operations	-75	-35
Group share in result	-19	-9

The goodwill impairment at the level of Senator Film München GmbH was applied on the basis of the loss of Bavaria Pictures GmbH incurred in the financial year under review, and the uncertain future development of the company in the cinema production area.

The total cumulative amount of unreported proportional negative equity arising from associated production companies stands at T€ 225 (previous year: T€ 207).

The Group holds a 31.4 % interest in X Verleih AG, a Berlin-based film production company. The Group's interest in X Verleih AG is equity accounted in the consolidated financial statements. The following section presents summary financial information about the associated company corresponding to its financial statements prepared according to IFRS, as well as a reconciliation of this financial information to the carrying amount of the interest in this joint venture in the consolidated financial statements:

X Verleih AG in T€	**2013**	2012
Current assets, including cash and cash equivalents of T€ 6,094 (previous year: T€ 2,894) and advance payments rendered of T€ 0 (previous year: T€ 0)	6,679	7,442
Non-current assets	1,805	1,903
Current liabilities, including tax liabilities of T€ 1,703 (previous year: T€ 5,170)	4,017	6,625
Non-current liabilities, including tax liabilities of T€ 0 (previous year: T€ 0) and non-current loans of T€ 487 (previous year: T€ 0)	487	0
Equity	3,980	2,720
Group's share	31,4 %	31,4 %
Carrying amount of participating interest	1,250	855
Goodwill at a level of Senator AG arising from share purchase	147	147
At equity measurement	1,397	1,002
Revenue	5,530	5,947
Other operating income	1,331	1,997
Cost of materials	-3,524	-5,933
Staff costs	-920	-1,035
Depreciation, amortisation and write-downs	-456	-425
Other operating expenses	-170	-123
Financial result, including interest expense of T€ 29 (previous year: T€ 44)	2	-9
Result before tax	1,793	419
Corporation taxes on income	-533	-171
Result from continuing operations	1,260	248
Group share in result	395	78

The Group also holds a 50.0 % interest in Central Film Verleih GmbH, Berlin. The Group‘s interest in Central Film Verleih GmbH is equity accounted in the consolidated financial statements. The following section presents summary financial information about the joint-venture company corresponding to its financial statements prepared according to IFRS, as well as a reconciliation of this financial information to the carrying amount of the interest in this joint venture in the consolidated financial statements:

Central Film Verleih GmbH in T€	**2013**	2012
Current assets, including cash and cash equivalents of T€ 928 (previous year: T€ 4,498) and advance payments rendered of T€ 0 (previous year: T€ 0)	1,772	4,917
Non-current assets	12	20
Current liabilities, including tax liabilities of T€ 90 (previous year: T€ 518)	1,682	3,479
Non-current liabilities, including tax liabilities of T€ 0 (previous year: T€ 0) and non-current loans of T€ 0 (previous year: T€ 0)	0	0
Equity	102	1,458
Group's share	50,0 %	50,0 %
Carrying amount of participating interest	51	729
Goodwill at a level of Senator AG arising from share purchase	2,141	2,141
At equity measurement	2,192	2,870
Revenue	2,604	4,374
Other work performed by the company and capitalised	0	0
Other operating income	37	75
Cost of materials	-1,390	-2,480
Staff costs	-713	-744
Depreciation, amortisation and write-downs	-10	-8
Other operating expenses	-245	-322
Interest income	23	45
Result before tax	306	940
Corporation taxes on income	-239	-284
Previous year's expenses	-110	0
Result from continuing operations	-43	656
Group share in result	-22	328

In the financial year under review, Central Film Verleih GmbH distributed T€ 1,314 to its shareholders, T€ 656 was attributable to Senator AG.

Following the preparation of the consolidated annual financial statements for the year, the result for 2012 for Central Film Verleih GmbH needed to be adjusted down. The T€ 55 adjustment for the proportional result for the Group was transferred to the consolidated financial statements in the current financial year.

17. Securities held as non-current and current assets

In the previous year, the Senator Group invested liquidity deriving from the capital increase that had been implemented in various securities held as current assets.

In the previous year, impairment losses of T€ 163 were necessary for a 10 % interest.

18. Inventories

The inventories of Senator consists primarily of stocks of audiovisual material in an amount of T€ 803 (previous year: T€ 768).

No valuation adjustments needed to be applied to inventories either in the 2013 financial year or in the previous year.

Inventories that were expensed in the period under review amounted to T€ 1,341 (previous year: T€ 1,750).

19. Trade receivables

Non-current and current trade receivables are composed as follows:

in T€	**2013**	2012
Trade receivables	9,104	9,814
Less valuation allowances applied to doubtful receivables	-2,438	-1,818
Receivables, net	**6,666**	**7,996**
of which deriving from production orders	0	0

Receivables are recognised at nominal value less valuation allowances for doubtful receivables. Receivables losses amounted to T€ 17 in 2013 (previous year: T€ 67).

Valuations are applied to trade receivables based on both customer-related assessment and current experience figures.

As of December 31, 2013, trade receivables in a nominal value of T€ 1,100 were fully written off. These valuation allowances were necessary due to payment problems that had occurred, and relate in an amount of T€ 950 the Distribution segment and in an amount of T€ 150 the Production segment.

The following table shows the changes in the valuation allowances applied to trade receivables:

in T€	**2013**	2012
Balance on January 1	1,818	1,761
Consumption	480	10
Addition	1,100	67
Balance on December 31	**2,438**	**1,818**

As of December 31, 2013, a receivables position in an amount of T€ 6,115 (previous year: T€ 7,079) was neither value-adjusted nor overdue. In this context, no indications existed as of the balance sheet date that the customers would fail to meet their payment obligations.

The trade receivables in default as of the balance sheet date, but which are not yet impaired, are overdue on the following basis:

in T€	**2013**	2012
up to 30 days	46	367
31 to 90 days	260	203
91 to 180 days	181	147
181 to 360 days	6	117
from 361 days	58	83
	551	**917**

No valuation allowances were formed for trade receivables of T€ 551 (previous year: T€ 917) that were overdue as of the reporting date, as no significant change to these debtors' creditworthiness was determined, and it is anticipated that the outstanding amounts will be settled. The Group holds no collateral for these open items.

20. Receivables due from related parties

Receivables due from related parties are composed as follows:

in T€	**2013**	2012
Receivables due from equity accounted companies	93	1,994
Other	0	9
	93	**2,003**

In spring 2013, Senator extended a loan to Senator Film Babelsberg GmbH in an amount of T€ 336 (previous year: T€ 0) for the interim financing of preproduction costs for the film projects REYKJAVIK. It has not yet proved possible to realise this film project as its financing has not been raised. Senator is engaged in ongoing discussions with investors regarding a resumption of the production. As the outcome of these negotiations is currently uncertain, the loan was fully written off as of December 31, 2013.

On December 31, 2013, given the difficult financial and business position, and the trend in liquidity, Senator Entertainment AG revalued the financing funds that have been granted to deutschfilm GmbH. Valuation allowances of T€ 2,205 were applied to the receivables due from deutschfilm.

Please refer to section 42 "Related parties" for more information.

21. Other financial assets

Other financial assets are composed as follows:

in T€	2013	2012
Receivables due from subsidy institutions	858	279
Credit deposit	375	788
Loan receivables	387	0
Creditor accounts in debit	153	120
Receivable due from VGF Verwertungsgesellschaft for utilisation rights relating to Filmwerken mbH	145	245
Deposits	99	100
Receivable arising from purchase price adjustment	0	100
Derivative financial instruments	0	23
Other	35	73
	2,052	**1,728**

22. Miscellaneous assets

Miscellaneous assets are composed as follows as of the balance sheet date:

in T€	2013	2012
Other taxes	582	556
Prepayments and accrued income	101	51
Other	6	2
	689	**609**

23. Subscribed share capital

Stück	31.12.2013	31.12.2012
Shares, Approved Capital (2012/I) up to € 14,972,712.00; Approved Capital (2008/I) up to € 9,981,909; was utilised in 2011 for the issue of the bond with warrants Conditional Capital (2012/I) up to € 4,990,803.00;	29,945,424	29,945,424
Treasury shares	-9,659	-9,659
	29,935,765	**29,935,765**

The subscribed share capital is fully paid in. The subscribed share capital is split into no par value ordinary shares.

In June of the previous year, Senator AG successfully conducted a capital increase through placing 9,981,606 no par value ordinary shares. The share capital increased by around 50 % to € 29,945,424.

Treasury shares are reported on the balance sheet by way of reducing equity. Treasury shares are reported at cost.

With a resolution of the AGM on June 29, 1999, the Management Board of Senator AG was authorised for the first time to purchase treasury shares pursuant Section 71 (1) No. 8 of the German Stock Corporation Act (AktG) up to a maximum of 10 % of the share capital. Treasury shares were purchased at various times during the 2000 financial year. The company has obligated itself to engage in no trading with the treasury shares, and not to sell the treasury shares under certain circumstances. Through a resolution of the AGM on August 7, 2012, the Management Board was authorised until August 6, 2017, with Supervisory Board approval, to purchase treasury shares in a volume of up to a total of 10 % of the share capital existing at the time of the passing of the resolution. At no time may more than 10 % of the share capital be attributed to the acquired shares together with other treasury shares owned by the company or that are attributable to it pursuant to Section 71a et seq. of the German Stock Corporation Act (AktG). In turn, the company has obligated itself to engage in no trading with the treasury shares, and not to sell the treasury shares under certain circumstances.

As of December 31, 2013, the company reports a 9,659 ordinary shares as treasury shares to which a nominal amount of € 9,659 or 0.03 % of the share capital is attributable.

At the AGM on August 7, 2012, the Approved Capital 2009/I that still existed until that date was cancelled, to the extent that no utilisation had been made of it, and new approved capital was approved that authorises the Management Board, with Supervisory Board assent, to increase the share capital by August 6, 2017 by an amount of up to € 14,972,712.00 (Approved Capital 2012/I).

Conditional Capital 2008, which was approved at the AGM on July 17, 2008, was entered in the commercial register on May 6, 2010 with an amendment of May 20, 2010. The conditional capital was utilised in 2011, as part of issuing the 8 % bond with warrants that is due for repayment on April 28, 2016. At the AGM on August 7, 2012, the Management Board was authorised, with Supervisory Board approval, to issue until August 6, 2017, once or on several occasions, bearer or registered convertible bonds or bonds with warrants in a total nominal amount of up to € 4,990,803.00. Further conditional capital was approved correspondingly, by way of supplementing Conditional Capital 2008. Accordingly, the company share capital can be increased conditionally by up to €4,990,803.00 through issuing up to 4,990,803 new ordinary bearer shares (Conditional Capital 2012/I). Conditional Capital 2012/I will be utilised only to the extent that the holders of convertible or warrant rights utilise their conversion or option rights, or satisfy the conversion obligations arising from such bonds. Conditional Capital 2012/I was entered in the commercial register on August 30, 2012.

24. Capital surplus

With a receivables waiver declaration dated December 6, 2005, Deutsche Bank AG contributed a receivable of € 22,431,226.48 as a non-cash capital contribution to the company, € 6,200,000 of which was attributable to the increase in subscribed capital, and € 16,231,226.48 of which was attributable to the contribution to the capital surplus.

The € 30,600,000 income from the capital reduction in 2004 was transferred to the capital surplus pursuant to German stock corporation law regulations concerning simplified capital reduction. In 2004, the capital surplus reduced due to the simplified capital reduction in an amount of € 1,328,813 for the treasury shares held by Senator AG.

The shares from the capital increase in June 2012 were placed at a subscription price of € 1.15 per new share. All shares in Senator have a notional proportional interest in the share capital of € 1.00. The difference of € 0.15 per new share was transferred to the capital surplus, less the tax charge of T€ 432, and was utilised mainly to cover the issue costs. The costs include the commission of 10 % of the total gross issue proceeds (T€ 1,148). Half of this commission is attributable to the issuing bank, and half is attributable to Sapinda Deutschland GmbH (Sapinda). Sapinda had entered into an undertaking to the company to itself acquire at the subscription price under certain normal market preconditions new shares that were not subscribed for elsewhere in a scope of up to 29.9 % of the share capital after the implementation of the capital increase, or to ensure that they were subscribed for by a third party. For this undertaking, Sapinda received from the issuing bank compensation equivalent to 5 % of the gross issue proceeds. In addition, legal and consultancy costs relating to the capital increase were incurred in an amount of T€ 281.

25. Other comprehensive income

On May 6, 2011, Senator AG successfully placed a bond with warrants. A total of 9,981,000 bearer warrants were issued with the bond. Each warrant grants the bearer the right to subscribe for one share against payment of the warrant price. On issue of the bond with warrants, the value of the warrants amounted to € 0.01 per warrant.

26. Non-controlling interests

No non-controlling interests existed as of the balance sheet date.

27. Capital management

Above and beyond German stock corporation law provisions, Senator AG is subject to no further-reaching bylaw-related or contractual obligations relating to its capital maintenance. The key financial indicators utilised by the company as part of its corporate steering are oriented to both profitability and cash flow.

The primary aim of the Senator management is to secure the liquidity for a going concern. Along with the absolute level of the liquid assets position, the expected cash inflows and cash outflows deriving from a weekly plan as well as a medium-term plan that stretches over a three-year period is monitored to implement this objective.

A sufficiently high equity ratio is necessary in order to be able to flexibly exploit equity and debt financing options that arise on the market. Economic equity in relation to total assets is monitored in doing so. The equity ratio in this context is the relationship between consolidated economic equity and total assets. Economic equity is composed of the balance sheet equity and investment grants.

Economic equity and the equity ratio reported the following changes:

in T€	2013	2012
Balance sheet equity	-11,439	15,942
Investment grants	392	467
Economic equity	**-11,047**	**16,409**
Total assets	**27,821**	**44,835**
Equity ratio	**-39.7 %**	**36.6 %**

Given the fact that the share capital of Senator Entertainment AG is been completely consumed, the Management Board has drawn up a reorganisation plan. This is described in detail in section 50 “Events after the balance sheet date”.

No covenants exist non-compliance with which could entail the risk of a cancellation of lending agreements.

28. Obligations arising from employee benefits

As a state plan, statutory pension insurance in Germany is treated as a multi-employer plan in the meaning of IAS 19.32. In the 2013 financial year, the company paid a total of T€ 176 to pension insurance funds for its staff in Germany (employer contributions), which it expensed (2012: T€ 164).

29. Other provisions

in T€	Balance 01.01.2013	Con-sumption	Release	Addition	Change to consolida-tion scope	Balance 31.12.2013
Personnel provisions	594	508	37	82	15	146
Provisions for pending losses	0	0	0	2,362	0	2,362
Provisions for transfers to licensors	2,957	1,551	189	6,374	8	7,599
Provisions for returns	320	265	0	534	0	589
Provisions for outstanding invoices	395	257	0	135	1	274
Other provisions	866	683	0	381	0	564
	5,132	**3,264**	**226**	**9,868**	**24**	**11,534**

The personnel provisions concern mainly vacation outstanding and profit-dependent one-off payments.

The provisions for returns were formed for risks arising from expected goods returns arising from Blu-ray and DVD sales. The provisions for goods returns are based on an analysis of contractual or statutory obligations, historical trends, and the Group‘s experience.

The provisions for transfers to licensors increased mainly due to reviews of licence invoices conducted by licensors in the fiscal year in an amount of T€ 4,940. The Management Board is of the opinion that correct invoicing occurred in past years, but the provisions have nevertheless been increased in order to counter the risk of additional payment falling due to the licensors due to the reviews that have occurred.

Section 15 "Intangible assets" provides more information about the provisions for pending losses.

The Group expects that the other provisions will be utilised within one year.

30. Financial liabilities

in T€	**2013**	2012
Bonds	9,666	9,513
Bank borrowings	5,979	3,513
	15,645	**13,026**

Maturity analysis of financial liabilities:

	Carrying amount	2014		2015		2016	
in T€	31.12.2013	Interest payments	Redemption payments	Interest payments	Redemption payments	Interest payments	Redemption payments
Primary financial liabilities							
Bonds	9,666	798	0	798	0	266	9,981
Bank borrowings	5,979	115	5,867	0	112	0	0

	Carrying amount	2013		2014-2015		2016	
in T€	31.12.2012	Interest payments	Redemption payments	Interest payments	Redemption payments	Interest payments	Redemption payments
Primary financial liabilities							
Bonds	9,513	798	0	1,597	0	266	9,981
Bank borrowings	3,513	185	1,626	25	1,887	0	0

BONDS

Senator AG placed a bond with warrants offered as part of a subscription offer among existing shareholders and qualified investors on May 6, 2011. A total of 99,810 individual bonds with nominal amounts of € 100 each were issued with an 8 % per annum coupon, which is due in 2016 with a total nominal amount of € 9,981,000. The new bonds (ISIN of the bond with warrants cum: DE000A1KQX87 / ISIN of the bond with warrants ex: DE000A1KQX95) and the warrants (ISIN: DE000A1KQYA1) were included in the Regulated Unofficial Market of the Frankfurt Stock Exchange in May 2011. The bonds are collateralised with intangible assets.

BANK BORROWINGS

The bank borrowings relate in an amount of T€ 993 to an unsecured, subordinated loan from the H.E.A.T. Mezzanine Programme, which was granted to Senator Film Verleih GmbH. With the repayment claim of the nominal amount and the interest payment, the loan is subordinated to the receivables of all existing and future creditors of Senator Film Verleih GmbH, Berlin. The interest rate amounts 8.251 %. The subordination is also applicable in insolvency proceedings. The loan was fully repaid on schedule in February 2014.

In the 2011 financial year, a money market loan of € 10.0 million (previous year: € 7.5 million) with a multi-year term was concluded with the UK branch of the Israeli bank Bank Leumi (UK) plc, London. In the financial year under review, the original agreement was extended, and increased by € 2.5 million to € 10.0 million. The master loan agreement enables the companies of the Senator Group to obtain interim financing for receivables arising from distribution agreements over a period of up to 2 years, thereby minimising the period over which their own capital is tied up. The interest rate on the loan amounted to 5.3 % in the financial year under review. According to the lending agreement, the bank receives a minimum interest rate of 1.3 % plus a 4.0 % margin as long as LIBOR lies below 1.3 %. If LIBOR rises above 1.3 %, the interest rate is calculated as LIBOR plus a 4.0 % margin. As of the balance sheet date, the lending facility was utilised in an amount of T€ 4,251 (previous year: T€ 1,670). The bank also invoices guarantee fee of 0.75 % p.a. This loan was collateralised with trade receivables and intangible assets, and the shares in Senator MovInvest GmbH, Berlin.

In November 2012, Senator Film Köln GmbH, Cologne, received an interim financing loan from KfW Banking Group, Frankfurt am Main, for the project 00 SCHNEIDER – IM WENDEKREIS DER EIDECHSE. The credit line amounts to T€ 1,000 and was utilised in an amount of T€ 231 as of the balance sheet date. The interest rate in the financial year under review amounted to 4.197 % p. a. (EURIBOR plus 4 %). The bank is also entitled to an arrangement fee of 0.25 % per month from the third month after the agreement was concluded. The loan was collateralised with claims against film subsidy institutions and against Senator Film Verleih GmbH, Berlin, as well as through the assignment of all film rights, and the transfer of title as security of material from the film project that receives the interim financing. The loan was fully repaid in early April 2014.

In June 2013, Senator Film Köln GmbH, Köln, Cologne, received a further interim financing loan for the project DER KOCH. The credit line amounts to T€ 1,000 and was utilised in an amount of T€ 500 as of the balance sheet date. The interest rate in the financial year under review amounted to 3.301 % p. a. (EURIBOR plus 3 %). The bank is also entitled to an arrangement fee of 0.5 % p.a. from the third month after the agreement was concluded. The loan was collateralised with claims against film subsidy institutions and against Senator Film Verleih GmbH, Berlin, as well as through the assignment of all film rights, and the transfer of title as security of material from the film project receiving interim financing.

OTHER DISCLOSURES

The value of collateralised assets amounts to around € 8.3 million (previous year: € 9.0 million).

Above and beyond this, no credit lines exist within the Group.

The non-current financial liabilities existing as of December 31, 2013 comprise the following utilisation levels, interest rates and due dates:

in T€	**31.12.2013**	Effective interest rate in %	Due date
Bank borrowings			
Bank Leumi	111	4.80	until January 2015
Bonds	9,666	9.80	April 2016

31. Advance payments received

Advance payments received are split as follows among the primary segments:

in T€	**2013**	2012
Distribution	4,247	1,975
Production	182	133
Other	2	2
	4,431	**2,110**

In October 2013, the sales agreement with Universumfilm GmbH, Munich (Universum), was extended. When this extension was implemented, the parties agreed to an advance payment in an amount of T€ 3,000 from Universum for future revenues from the sale of back catalogue titles.

32. Liabilities due to related parties

Liabilities due to related parties are composed as follows:

in T€	**2013**	2012
Liabilities due to companies that are equity accounted	87	43
Liabilities due to other related parties	20	2
	107	**45**

33. Other financial liabilities

Other financial liabilities are composed as follows:

in T€	**2013**	2012
Liabilities due to film subsidy institutions	330	462
Project development loan	118	0
Liabilities due to staff	44	10
Debtor accounts in credit	15	5
Deposit	10	10
Purchase price liabilities for financial assets	0	450
Commission for bond issue	0	50
Currency hedges	0	39
Other	88	84
	605	**1,110**

34. Miscellaneous liabilities and deferrals

Miscellaneous non-current liabilities and deferrals comprise deferred investment subsidies that are released over the term of the subsidised activities.

The composition of current miscellaneous liabilities and deferrals is as follows:

in T€	**2013**	2012
Liabilities arising from other taxes	131	112
Liabilities for levies and contributions	57	26
Other	12	38
	200	**176**

(D) NOTES TO THE STATEMENT OF CHANGES IN EQUITY

The equity of the Senator Group changed by an amount of T€ -27,381 in the financial year under review due to the total comprehensive result.

(E) NOTES TO THE CASH FLOW STATEMENT

In accordance with IAS 7 "Statements of Cash Flows", Senator reports cash flow from operating activities applying the indirect method, according to which the profit or loss for the period is adjusted to reflect the effects of non-cash transactions, deferrals of cash inflows or cash outflows arising from operating activities in the past or the future, and to reflect income or expense items connected with cash flow from investing or financing activities.

35. Cash and cash equivalents

The cash and cash equivalents related cash in hand and at banks, as well as current-account overdrafts.

As of December 31, 2013, held cash of TUS$ 520 (previous year: TUS$ 1,040) at Bank Leumi, (UK) plc, London, that was utilised as security for a commercial letter of credit. Bank deposits with restricted availability are reported among other financial assets.

36. Cash flow from operating activities

Cash flow from operating activities comprises the following cash inflows and cash outflows:

in T€	**2013**	2012
Income taxes paid	-183	-15
Income taxes received	0	21
Interest paid	-1.303	-949
Interest received	39	95

37. Cash flow from investing activities

The cash outflow from investing activities arises mainly from investments in film distribution rights and other intangible assets in an amount of T€ -12,602 (previous year: T€ -9,956), which were offset by cash inflows from the disposal of financial assets in an amount of T€ 3,785 (previous year: T€ -2,984).

38. Cash flow from financing activities

In the financial year under review, loans of T€ 5,494 were drawn down (previous year: T€ 2,548), which were offset by loan repayments in an amount of T€ 3,026 (previous year: T€ 4,552). Please refer to section 30 "Financial liabilities" for more information. In the previous year, cash flow from financing activities was characterised by the cash inflows arising from the capital increase that was implemented in an amount of T€ 10,038.

(F) FURTHER INFORMATION

39. Segment reporting

The Group is split into the following three mandatory reporting operating segments for the purposes of corporate steering:

1. The “Production” operating segment produces cinema and television films.

2. The “Distribution” operating segment comprises the sale of films.

3. The “Other” operating segment comprises the music area and other activities.

The Management Board monitors all of the operating segments‘ operating results in order to make decisions concerning the distribution of resources, and in order to determine the units‘ profitability. The development of the segments is assessed on the basis of their results, and measured in accordance with the result in the consolidated financial statements.

The Senator Group‘s activities essentially span Germany and other European countries. For the geographic segment information, revenues are segmented according to the corporate seat of the customer, and non-current assets according to the corporate seat of the company.

In the Distribution segment, revenue amounting to more than 10 % of total distribution revenues is generated with Telepool GmbH, Munich.

All of the segments‘ results fell short of the Management Board‘s expectations.

OPERATING SEGMENTS

The Senator Group conducts most of its business in the following operating segments:

(a) Production

(b) Distribution

(c) Other.

The Production operating segment comprises the production of cinema films. The Distribution operating segment includes the distribution of films in cinemas in Germany and Austria, as well as the distribution of cinema films on television, and on video and DVD. The Other operating segment aggregates the sales of other rights that were transferred to the Group when film licences were purchased, as well as the music activities.

OPERATING SEGMENTS

	Production		Distribution		Other		Total	
in T€	2013	2012	2013	2012	2013	2012	2013	2012
Segment revenue	941	327	29,863	50,803	101	126	30,905	51,256
Internal revenue	-716	-92	-3,117	0	0	0	-3,833	-92
Revenue = attributable income	**225**	**235**	**26,746**	**50,803**	**101**	**126**	**27,072**	**51,164**
Work performed by the company and capitalised	2,457	2,536	0	0	0	0	2,457	2,536
Attributable expenses								
Depreciation, amortisation and write-downs	-1,219	-506	-19,258	-6,614	-146	0	-20,623	-7,120
of which impairment	*-782*	*-269*	*-10,022*	*-1,152*	*0*	*0*	*-10,804*	*-1,421*
Expenses for distribution and production	-2,303	-2,586	-21,661	-31,945	0	-4	-23,964	-34,535
Staff costs	-267	-284	-1,243	-1,260	0	0	-1,510	-1,544
Total	**-3,789**	**-3,376**	**-42,162**	**-39,819**	**-146**	**-4**	**-46,097**	**-43,199**
Gross profit/loss	**-1,107**	**-605**	**-15,416**	**10,984**	**-45**	**122**	**-16,568**	**10,501**
Unattributable income and expenses								
Other operating income							1,116	610
Staff costs							-1,654	-1,501
Depreciation, amortisation and write-downs							-123	-273
Other operating expenses							-8,464	-3,216
							-25,693	6,121
Other interest and similar income							139	131
Interest and similar expenses							-1,327	-1,119
Earnings from equity accounted investments							332	460
Impairment charges applied to financial investments and securities held as current assets							-912	-200
Foreign currency result							88	-63
Result on ordinary activities							**-27,373**	**5,330**

The related assets and liabilities, as well as the financial investments within the respect to segment, are split as follows:

in T€	**2013**	2012
Assets		
Production	3,529	4,166
Distribution	17,546	28,196
Other	6,746	12,473
Total	**27,821**	**44,835**

in T€	**2013**	2012
Liabilities		
Production	1,814	1,594
Distribution	22,083	14,650
Other	15,463	12,749
Total	**39,360**	**28,993**

in T€	**2013**	2012
Capital expenditure		
Production	551	1,503
Distribution	12,057	8,417
Other	19	227
Total	**12,627**	**10,147**

GEOGRAPHIC SEGMENTS

in T€	**2013**	2012
Revenue		
Germany	26,265	49,025
Other countries	807	2,139
Total	**27,072**	**51,164**

in T€	**2013**	2012
Assets		
Germany	24,086	36,682
Other countries	3,735	8,153
Total	**27,821**	**44,835**

in T€	**2013**	2012
Capital expenditure		
Germany	8,451	7,289
Other countries	4,176	2,858
Total	**12,627**	**10,147**

SEGMENT INFORMATION

The segment data were calculated on the basis of the accounting methods applied in the consolidated financial statements.

Segment assets represent the assets that the individual segments require for their operations.

Segment liabilities comprise the individual segments' operating liabilities and provisions.

Investments comprise capital expenditures for intangible assets and property, plant and equipment.

For the geographic information, the revenues are segmented according to the corporate seat of the customer, which generally also corresponds to the location of the Group company. The segment assets and segment investments were calculated on the basis of the location of the Group company.

40. Financial instruments/management of financial risks

The fair value of financial instruments was calculated by discounting the expected future cash flows applying standard market interest rates, and approximately corresponds to the carrying amount.

The Senator Group deploys forward currency contracts in order to hedge against some transaction risks. The period for which the forward currency contracts are concluded corresponds to the period in which a foreign currency exchange-rate risk exists for the underlying business transactions, which is generally between one and twelve months. The forward currency contracts are measured at fair value on the balance sheet date. As of December 31, 2012, the Senator Group held forward currency contracts to hedge foreign currency risk. All of the foreign currency contracts had expired as of December 31, 2013.

Following table shows the carrying amounts of the financial assets and liabilities:

	31.12.2013			31.12.2012		
in T€	Carrying amount	Amortised cos	Fair value	Carrying amount	Amortised cost	Fair value
Financial assets						
Securities held as current assets	0	0	0	4,377	0	4,377
Trade receivables	6,666	6,666	0	8,859	8,859	0
Receivables due from related parties	93	93	0	108	108	0
Other financial assets						
Receivables arising from loans extended and other receivables	2,052	2,052	0	1,823	1,823	0
Derivative financial instruments	0	0	0	23	0	23
Cash and cash equivalents	2,450	2,450	0	3,690	3,690	0
Total	**11,261**	**11,261**	**0**	**18,880**	**14,480**	**4,400**

	31.12.2013			31.12.2012		
in T€	Carrying amount	Amortised cost	Fair value	Carrying amount	Amortised cost	Fair value
Financial liabilities						
Financial liabilities						
Bond	9,666	9,666	0	9,513	9,513	0
Bank borrowings	5,979	5,979	0	3,513	3,513	0
Trade payables	6,344	6,344	0	7,224	7,224	0
Liabilities due to related parties	107	107	0	45	45	0
Other financial liabilities						
Liabilities arising from loans and other liabilities	599	599	0	1,074	1,074	0
Currency hedges	0	0	0	39	0	39
Total	**22,695**	**22,695**	**0**	**21,408**	**21,369**	**39**

	31.12.2013			
in T€	Carrying amount	Level 1	Level 2	Level 3
Assets measured at fair value				
Securities held as non-current assets	0	0	0	0
Derivative financial instruments	0	0	0	0
Securities held as current assets	0	0	0	0
Liabilities measured at fair value				
Other financial liabilities				
Currency hedges	0	0	0	0

During the reporting period as of December 31, 2012, no transfers occurred between the Level 1 and Level 2 fair value measurement levels.

	31.12.2012			
in T€	Carrying amount	Level 1	Level 2	Level 3
Assets measured at fair value				
Derivative financial instruments	23	0	23	0
Securities held as current assets	4,377	3,680	0	697
Liabilities measured at fair value				
Other financial liabilities				
Currency hedges	39	0	39	0

GENERAL

Due to its operating activities, the Group is subject to the following risks:

- credit risks,
- liquidity risks,
- market risks.

Market risks also comprise risks arising from changes to interest rates.

The following section lists

- the risks for the respective risk category that Senator identified as being relevant for the Group,
- and describes the objectives, rules and processes to identify risk, and to handle the risks of the Senator Group.

The Senator Group has a central approach to financial risk management in the form of a portfolio to identify, measure and steer risks. The risk positions derive from the cash-effective inflows and outflows that are applied and planned Group-wide as market risks relating to changes in interest rates, prices and foreign currency exchange rates. Interest-rate and price change risks are steered utilising a mixture of maturities, as well as fixed and variable interest items.

CREDIT RISK

Credit risk is regarded as the risk of default by a customer or contractual partner of the Senator Group that results in assets, financial assets or receivables reported in the Group balance sheet being subject to impairment. This risk is limited to the carrying amount of such assets accordingly.

Credit risks arise chiefly from trade receivables. The companies that are included in the consolidated financial statements regularly monitor their customers' creditworthiness.

In the case of the trade receivables that were unimpaired as of December 31, 2013, no indications existed of payment default.

LIQUIDITY RISKS

No liquidity problems exist for the Senator Group on a reporting-date-related basis. The company nevertheless endeavours to maintain and expand its market position, for which considerable financial obligations have already been entered into, especially for the acquisition of further film rights. If, in addition, expected earnings contributions from acquired film rights fail to develop as planned, and the subsidiaries' operating businesses were to significantly lag expectations, the continuation of the company from mid-2015 would depend significantly on the extent to which the drawing down of further funds in the requisite scope occurs.

If the reorganisation measures that are reported under section 50 "Events after the balance sheet date" were to fail, or if a need for liquidity were to arise, the business model in its planned extent would be jeopardised by insufficient capitalisation and restrictions to the company's ability to finance itself, and, on the basis of the financing opportunities available from today's perspective, the Management Board would be forced to implement considerable reductions to its planned investments in new rights, with the consequence that the market position of the Senator Group could not be maintained or expanded as planned. Should the operating business fail to achieve its planned development, the company's continued existence from mid-2015 would depend on the successful implementation of further capital measures.

MARKET RISK

(a) Foreign currency risks

Purchases and sales in foreign currencies can generate risks for the company depending on the development of exchange rates. Purchases can become more expensive due to exchange rate effects, and sales realised in foreign currencies can result in a lower level of sales revenue when expressed in euros.

At Senator, larger foreign currency risks derive primarily from purchasing in US dollars. In the previous year, various hedges were concluded relating to foreign currency purchases in the financial year under review, in order to reduce foreign currency risk.

IFRS 7 sensitivity analyses were performed for US dollar balance sheet items with the following result: If the exchange-rate level had been 10 % higher or 10 % lower on the balance sheet date, the result would have been T€ 131 or T€ 160 (previous year: T€ 244 or T€ 197) higher or lower respectively.

(b) Interest-rate risks

Both fixed and variable interest rates have been agreed for the company‘s interest-bearing receivables and liabilities. Changes to market interest rates in the case of fixed interest liabilities would have an impact only if such financial instruments were measured at fair value. As this is not the case, the fixed interest financial instruments are subject to no interest-rate risks in the meaning of IFRS 7.

IFRS 7 sensitivity analyses were performed for variable interest rate financial liabilities with the following result: If the market interest-rate level in the financial year under review had been 100 basis points higher, the result would have been T€ 10 lower (previous year: T€ 20). If the market interest-rate level in the financial year under review had been 100 basis points lower, the result would have been T€ 3 higher.

41. Employees

The average number of employees was as follows during the financial years:

in T€	**2013**	2012
Germany	48	41
Ireland	1	1
	49	**42**

42. Related parties

Related parties in the meaning of IAS 24 are deemed to be companies or individuals that control the Senator Group, or that are controlled by it, to the extent that they are not already included as consolidated companies in the consolidated financial statements.

All transactions with related parties are based on standard market terms.

Members of the Management Board and of the Supervisory Board of Senator AG as well as members of their families are deemed to be related parties (please see section 47 “Members of the Management and Supervisory boards”).

Please refer to section 48 “Compensation of the Supervisory and Management boards” for more information about the total compensation paid to the Management and Supervisory boards of Senator AG. Current liabilities of T€ 4 arose from pay compensation and travel cost reimbursement for the Management Board as of December 31, 2013 (previous year: current receivables of T€ 9). Current liabilities to Supervisory Board members amounted to T€ 20 (previous year: T€ 2).

In January 2013, Mr. Sasse received an advance on the payment of his previous year‘s bonus in an amount of T€ 250, which was offset when the bonus was paid out at the end of May 2013. This advance carried an interest rate of 3.5 %. The interest payments amounted to T€ 3 over the duration of the advance.

In addition, business relationships exist with the following related parties:

Related entity, the legal practice Sasse & Partner, Hamburg, acted for Group companies in the 2013 financial year when prosecuting copyright infringements, principally relating to illegal file sharing. As part of this prosecution, the company is demanding damage compensation payments and the compensation of expenses for legal violations from the party infringing the copyrights (e.g. illegal streaming). The damage compensation payments are forwarded to Senator. As a result, Senator bears no financial burden from the legal prosecution, but instead generates from it revenue similar to licence income of T€ 632 (previous year: T€ 1,212), which was offset by legal and advisory costs for the legal practice Sasse & Partner in an amount of T€ 521 (previous year: T€ 893). In addition, the legal practice Sasse & Partner rendered other legal and advisory services in the financial year under review in an amount of T€ 0 (previous year: T€ 20).

Supervisory Board member Robert Basil Hersov is Managing Partner of Sapinda U.K., London, United Kingdom, which in turn is an associated company of Sapinda Deutschland GmbH, Berlin, Germany.

In December 2011, Senator and the Hollywood-based company RML Distribution International, LLC, Los Angeles, USA, (Relativity Media) concluded an output agreement according to which Senator will distribute all Relativity films in Germany in the future. The final detailed terms of the agreement were contractually regulated in May 2012. Sapinda Deutschland GmbH, Berlin, Germany, (Sapinda) obligated itself to Relativity Media to be liable for all payments and obligations of the Group under the output agreement. As security, Senator AG grants Sapinda prior collateral to all rights and claims in connection with the acquired film rights as well as all shares in Eurofilm & Media Ltd. Killaloe, Ireland. For the granting of the Relativity Media guarantee to Relativity and for the actual provision of collateral and payment, Sapinda receives from Senator AG a commitment or guarantee fee. In 2013, a total of T€ 200 was expensed (previous year: T€ 300).

In 2012, Sapinda had entered into an undertaking vis-a-vis Senator AG to itself acquire at the subscription price under certain normal market preconditions new shares from the capital increase that were not subscribed for elsewhere in a scope of up to 29.9 % of the share capital after the implementation of the capital increase, or to ensure that they were subscribed for by a third party. For this undertaking, Sapinda received from quirin bank AG, Berlin, compensation equivalent to 5 % of the gross issue proceeds (T€ 574).

43. Other financial obligations

Judicial processes as well as receivables arising from litigation that arise as part of normal business activity could be asserted against Group companies in the future. The attendant risks are analysed as to their event probability. Although the results of such legal disputes cannot always be gauged precisely, the Management Board is of the opinion that any such risks extending beyond those accounted for in the annual financial statements will generate no significant obligations.

The Group reported the following fixed financial obligations as of December 31:

	31.12.2013				31.12.2012			
in T€	Total	Residual term of up to 1 year	Residual term between 1 and 5 years	Residual term of more than 5 years	Total	Residual term up to 1 year	Residual term between 1 and 5 years	Residual term more than 5 years
Rent and leasing	2,179	441	1,635	103	2,345	337	1,597	411
Minimum guarantees	26,628	16,487	10,141	0	18,458	18,458	0	0
	28,807	**16,928**	**11,776**	**103**	**20,803**	**18,795**	**1,597**	**411**

In December 2011, Senator and the Hollywood-based company Relativity Media concluded an output agreement that obligates Senator to purchase a certain number of films per year from Relativity Media. The output agreement has a duration of 5 years. In the output agreement, Senator obligated itself to purchase licences for up to 12 films per year. The output agreement has a duration of 5 years, although Senator has an early right of cancellation with effect as of January 31, 2015. Due to the minor level of production activity at Relativity Media in 2012 and 2013, only one film was delivered in the financial year under review. For the 2014 financial year, we are currently assuming only one film title being delivered as part of the output agreement. Based on these expectations, the financial obligations arising from this agreement will prospectively lie between € 5 million and € 10 million per year, albeit to a maximum of € 5 million if the agreement is cancelled early.

Above and beyond this, contingent liabilities exist arising from performance-based repayable subsidy loans in connection with production (T€ 8,438; previous year: T€ 6,870) and distribution subsidies (T€ 2,941; previous year: T€ 2,601). These subsidy loans are nevertheless only to be repaid from proportional future revenues that exceed costs. The company is currently not assuming that these loans will need to be repaid.

44. Contingencies

Please refer to section 30 “Financial liabilities” for more information about the collateralisation of bank borrowings.

In the 2008 financial year, as well as in the 2010 financial year and in October 2013, Senator AG issued a letter of comfort to Universum Film GmbH, Munich, in which it obligated itself in the form of a cumulative assumption of debt to be liable for the obligations arising from the video sales agreement concluded between Senator Home Entertainment GmbH and Universum Film GmbH, dated August 18, 2006, and the related long form agreement dated May 13, 2008, as well as the license agreement of December 2, 2010 and October 10, 2013. The Management Board does not currently assumes that this letter of comfort from Senator AG will be utilised. The obligations of Senator Home Entertainment GmbH to Universum Film GmbH exist as of the balance sheet date in an amount of T€ 3,291, which are reported among advance payments received.

In the 2009, 2010 and 2013 financial years, Senator Home Entertainment GmbH, which is included in the consolidated financial statements, transferred to Universum Film GmbH, Munich, various collateral items to collateralise prepayments rendered by Universum Film GmbH, Munich, to Senator Home Entertainment GmbH as part of the aforementioned sales agreement dated August 18, 2006 and May 13, 2008, as well as of December 2, 2010 and October 10, 2013. These collateral transfers comprise the transfer of video materials and reproduction rights in the area of video program distribution relating to various films. Senator AG issued letters of comfort in this respect. The Management Board is currently not assuming that the collateral transfers will be utilised.

45. Auditor‘s fee and services

The total fee invoiced to Senator Group companies for the financial year under review by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft breaks down as follows:

in T€	**2013**	2012
Auditing services Ernst & Young GmbH	100	95
Other certification services	9	52
	109	**147**

46. Declaration of compliance with the German Corporate Governance Code

The statement pursuant to Section 161 of the German Stock Corporation Act (AktG) relating to the German Corporate Governance Code was issued and made permanently available to the shareholders by publishing it on the company's website and in the electronic Federal Gazette (Bundesanzeiger).

47. Members of the Management and Supervisory boards

Management Board:	Helge Sasse, CEO Lawyer Management Board Chairman (CEO)
	Markus Maximilian Sturm, CFO (since March 1, 2013) Businessman Chief Financial Officer

In the financial year under review, Mr, Sasse was also a member of the Supervisory Board of X Verleih AG, Berlin.

Supervisory Board:	Dr. Andreas Pres, Hamburg - Chairman - Independent management consultant, Managing Director of Premium Restructuring Office GmbH, Hamburg, and Managing Director of CROC YARD PRODUCTIONS GmbH, Hamburg
	Wolf-Dieter Gramatke, Hamburg - Deputy Chairman - Independent media manager and consultant, Great-Minds Consultants Entertainment – Media-e-business GmbH, Hamburg
	Robert Basil Hersov, London, United Kingdom Managing Partner Sapinda U.K., London, United Kingdom
	Norbert Kopp, Leverkusen Businessman in the media, environment and technology areas Managing Director of KTB Technologie Beteiligungsgesellschaft mbH & Co. KG, Leverkusen
	Dr. Thomas Middelhoff, Bielefeld Business studies graduate Chairman and Founding Partner Pulse Capital Partners LLC, New York, USA
	Paolo Barbieri, Luxembourg (from June 12, 2013 until March 5, 2014) CEO, Pacific Capital S.à.r.l., Luxembourg
	Dipl.-Kfm. Walter F. Kalthoff, Munich (until June 6, 2013) Independently-operating lawyer, Munich

In addition, these gentlemen are also members of the following statutory supervisory boards or comparable bodies:

Wolf-Dieter Gramatke

- DEAG Deutsche Entertainment AG, Berlin (Chairman)
- DEAG classic AG, Berlin (Chairman)

Robert Basil Hersov

- Medikidz Limited, London, United Kingdom (Chairman)
- Adoreum Partners, London, United Kingdom (Chairman)
- Digital Media Technologies Limited, Gibraltar, United Kingdom (Chairman)
- RNTS Media NV, Amsterdam, Netherlands (Chairman)

Walter F. Kalthoff

- C4 AG for Consulting, Commerce, Clearing and Cooperation, Grünwald

Norbert Kopp

- MuM Mensch und Maschine Software SE, Wessling
- HNE Technologie AG, Augsburg

Dr. Thomas Middelhoff

- New York Times Company, New York, USA
- Marseille-Kliniken AG, Hamburg (Chairman)
- 3W Power Holdings S.A. / AEG Power Solution, Luxembourg, Luxembourg
- ePals, Inc., Herndon, USA (Chairman)
- NeuPals Dalian Education Information Technologies Co., Ltd., China (Deputy Chairman)

Paolo Barbieri

- Ichor Coal NV, Amsterdam, Netherlands

48. Compensation of the Supervisory and Management boards

The following information about the Management Board compensation relates to statutory disclosures in the notes to the financial statements pursuant to the German Commercial Code (Section 314 HGB) and disclosures due to the regulations of the German Corporate Governance Code.

The fixed compensation for Mr. Sasse included his salary for the 2013 financial year (T€ 400; previous year: T€ 308), a supplement for social security (T€ 9; previous year: T€ 9), a Group accident insurance contribution (T€ 1; previous year: T€ 1), a life insurance contribution (T€ 8; previous year: T€ 8), and a supplement for the use of a vehicle (T€ 18; previous year: T€ 18).

In the previous year, a contractual income agreement existed for Mr. Sasse whereby a variable component would be granted in addition to the fixed salary. The variable component is calculated as 5 % of the EBIT of the Senator Group, albeit to a maximum of T€ 500 per year. For the previous year, Mr. Sasse received a bonus of T€ 348. In the previous year, Mr. Sasse also received a special bonus of T€ 50.

The variable compensation structure for Mr. Sasse was rearranged in December 2012 through extending his Management Board contract. Mr. Sasse receives a Short Term Incentive (STI), that amounts to 3 % of Senator's consolidated EBIT on the basis of IFRS from 2013 according to Senator's audited consolidated financial statements. The bonus to be paid on this basis amounts to a maximum of T€ 175 per annum if the company achieves less than € 50 million of consolidated sales revenue. From € 50 million of consolidated sales revenue, the maximum amount stands at T€ 225. If consolidated EBT is less than T€ 1,000 in a given year, the STI is not applicable in this year.

Above and beyond this, Mr. Sasse receives from 2013, in the respective subsequent year, a Long Term Incentive (LTI) equivalent to 4 % of the average consolidated EBIT on the basis of IFRS of the respective past three financial years beginning with the consolidated EBT on the basis of IFRS for the years 2011, 2012 and 2013. The bonus to be paid on this basis amounts to a maximum of T€ 225 per annum. From € 50 million of consolidated sales revenue, the maximum amount stands at T€ 275. The LTI no longer applies if in a given year the average consolidated EBT for the respective 3 financial years to be counted lies below T€ 1,000.

The fixed compensation for Mr. Sturm included the salary for the 2013 financial year (T€ 200), a supplement for social security (T€ 2), a Group accident insurance contribution (T€ 1), and a supplement for the use of a vehicle (T€ 15). In the financial year under review, Senator AG assumed T€ 9 of removal costs for Mr. Sturm.

Mr. Sturm also receives a Short Term Incentive (STI), that amounts to 2 % of Senator's consolidated EBIT on the basis of IFRS according to Senator's audited consolidated financial statements. The bonus to be paid on this basis amounts to a maximum of T€ 125 per annum. If consolidated EBT is less than T€ 1,000 in a given year, the STI is not applicable in this year. Above and beyond this, Mr. Sturm receives from 2015 until 2017 inclusive, in the respective subsequent year, a Long Term Incentive (LTI) equivalent to 2 % of the average consolidated EBIT on the basis of IFRS of the respective past three financial years beginning with the consolidated EBT on the basis of IFRS for the years 2013, 2014 and 2015. The bonus to be paid on this basis amounts to a maximum of T€ 125 per annum. The LTI no longer applies if in a given year the average consolidated EBT for the respective 3 financial years to be counted lies below T€ 1,000.

The total compensation for the members of the Supervisory Board for the financial year from January 1 to December 31, 2013 is distributed as follows:

in €	Compensation	Cost reimbursement	Total
Supervisory Board member			
Dr. Andreas Pres	22,000	3,472	25,472
Wolf-Dieter Gramatke	20,000	2,753	22,753
Robert Basil Hersov	16,000	149	16,149
Norbert Kopp	16,000	0	16,000
Dr. Thomas Middelhoff	16,000	7,914	23,914
Walter F. Kalthoff	6,882	1,249	8,131
Paolo Barbieri	9,118	149	9,267
	106,000	**15,686**	**121,686**

49. Shares held by directors

As of the December 31, 2013 balance sheet date, the directors listed below held the following shares in Senator AG:

	Shares	Share in %
Helge Sasse (directly and indirectly through Paroli Publishing Musik, Media- und Verlags GmbH and HSW GmbH)	863,618	2.88
Dr. Thomas Middelhoff	338,046	1.14
Wolf-Dieter Gramatke	76,862	0.25

50. Events after the balance sheet date

Given the background of the loss and the complete consumption of the share capital of Senator Entertainment AG, the Management Board has prepared a reorganisation plan, and has obtained an external expert opinion for this purpose. This expert opinion was prepared on the basis of the reorganisation concept, the audited annual financial statements for 2011 and 2012 as well as the unaudited 2013 annual financial statements, assessments of the controlling function, liquidity planning and corporate planning for the 2014 to 2016 years, and the management's financing concept. The expert opinion arrives at the conclusion that the Senator Entertainment Group is in need of reorganisation, and that, on the basis of objective assessment, serious and well-founded prospects of a successful reorganisation exist on the basis of the present reorganisation plan, as well as the measures that have already been launched and those that are still planned. A positive going concern forecast exists to this extent.

The reorganisation concept comprises the following main points for the restructuring of the financial position: In order to secure short-term liquidity, an underwriting agreement was concluded with Quirin Bank on April 30, 2014, for up to € 10 million of bonds with a term of up to 9 months.

The decline to below the 50 % limit of equity connected with the deficit incurred for the year obligates the Management Board to immediately convene a Shareholders' General Meeting pursuant to Section 92 of the German Stock Corporation Act (AktG). The Management Board will fulfil these requirements after the annual financial statements have been published.

In the next step, a simplified capital reduction with subsequent capital increase is to be proposed to the Annual General Meeting that is to be held prospectively in mid-July 2014. A 2:1 capital reduction is initially planned, reducing the number of shares to around 14.972 million. In a non-cash capital increase, outstanding bearer bonds are to be contributed as non-cash capital contributions in the form of a debt-for-equity swap. Anchor shareholder Sapinda is to support this measure in order to achieve the highest possible conversion rate. The publication of the exchange offer is planned for August 8, 2014. In an additional cash capital increase (rights issue), around € 16 million of funds are to accrue to the company. All shareholders will be entitled to subscribe for new shares in a nominal value of € 1.00. As part of a backstop agreement, shareholder Sapinda aims to support this measure by acquiring unsubscribed shares from the cash capital increase. In this context, the company is currently in promising discussions with shareholder Sapinda.

An unsecured, subordinated loan from the H.E.A.T. Mezzanine Programme in an amount of T€ 993 was repaid on schedule in February 2014 by Senator Film Verleih GmbH.

The German Financial Reporting Enforcement Panel (DPR) is currently examining the 2012 IFRS consolidated financial statements and Group management report in the context of a random check. The DPR has made preliminary findings relating to the 2012 IFRS consolidated financial statements. Also to the extent that the DPR should maintain these findings, the Management Board is of the opinion that this will create no significant effects for the level of equity as of December 31, 2013.

A ruling has meanwhile been made in the case that was pending in 2013 in connection with the obligation to make an ad hoc announcement. With a ruling dated March 13, 2014, the Frankfurt am Main District Court required Senator to pay a fine of € 45,000 due to the late publication of an ad hoc announcement concerning the conclusion of an output agreement with Relativity Media, LLC, in November 2011.

With effect as of January 24, 2014, Senator Entertainment AG increased its interest in the associated company Bavaria Pictures from 25 % to 50 %. This company will continue to be included in the consolidated financial statements on the basis of equity accounting.

No further events that significantly affects the results of operations, net assets and financial position of the Senator Group occurred after the balance sheet date.

51. Exemption from publication pursuant to Section 264 (3) of the German Commercial Code (HGB)

The following companies utilise the exemption from the need to publish annual financial statements and management report pursuant to Section 264 (3) of the German Commercial Code (HGB).

› Senator Film Produktion GmbH, Berlin

› Senator Film Verleih GmbH, Berlin

› Senator Home Entertainment GmbH, Berlin

› Senator Film Köln GmbH, Cologne

› Senator Film München GmbH, Munich

› Senator MovInvest GmbH, Berlin

RESPONSIBILITY STATEMENT AS OF DECEMBER 31, 2013

To the best of our knowledge, and in accordance with the applicable reporting principles, the Group financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Berlin, April 30, 2014
Senator Entertainment AG

Helge Sasse	Markus Maximilian Sturm
CEO	Management Board member

Translation of the German audit opinion concerning the audit of the consolidated financial statements and group management report prepared in German

AUDIT OPINION

We have issued the following opinion on the consolidated financial statements and the group management report, which has been combined with the management report of the Company:

“We have audited the consolidated financial statements prepared by Senator Entertainment AG, Berlin, comprising the statement of financial position, the income statement, the statement of comprehensive income, the statement of cash flows, the statement of changes in equity and the notes to the consolidated financial statements, together with the group management report, which has been combined with the management report of the Company, for the fiscal year from 1 January to 31 December 2013. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB [“Handelsgesetzbuch”: German Commercial Code] is the responsibility of the Company’s management. Our responsibility is to express an opinion on the consolidated financial statements and the group management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group’s position and suitably presents the opportunities and risks of future development.

Without qualifying this opinion, we refer to the discussion in the sections “Risk report” and “Overall statement on the business and financial position of the Group and of Senator Entertainment AG” in the combined management report. There it is stated that the Group has already entered into obligations that may require a significant amount of liquidity. The management board believes that liquidity is secured based on current general company planning and taking into account measures already implemented in the restructuring plan. However, should the operating business fail to develop as well as expected, the Group’s ability to continue operating as a going concern from mid-2015 will depend on whether additional financing in the necessary amount can be secured.”

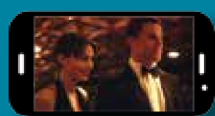
Berlin, 30 April 2014

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Glöckner
Wirtschaftsprüfer
[German Public Auditor]

Schmidt
Wirtschaftsprüfer
[German Public Auditor]


JUDE LAW
ROONEY MARA
CATHERINE ZETA-JONES
UND CHANNING TATUM
63 Wettbewerb
TÖDLICHE NEBENWIRKUNGEN
SIDE EFFECTS
EIN FILM VON STEVEN SODERBERGH
NACH EINEM DREHBUCH VON SCOTT Z. BURNS



4 CONSOLIDATED STATEMENTS OF THE AG

SENATOR ENTERTAINMENT AG
BALANCE SHEET AS OF DECEMBER 31, 2013

ASSETS	**31.12.2013 in €**	31.12.2012 in T€
Non-current assets		
Intangible assets		
Licences	292,501	439
Film distribution rights	373,722	0
Purchased IT software	45,715	82
Advance payments rendered	0	222
	711,938	743
Property, plant equipment		
Other plant, operating and office equipment	240,923	319
Financial assets		
Interests in affiliated companies	9,769,875	11,068
Loans to affiliated companies	0	2,000
Participating interests	3,155,394	3,155
	12,925,269	16,223
	13,878,130	**17,285**
Current assets		
Inventories	17,520	0
Receivables and other assets		
Trade receivables	358,870	4
Receivables due from affiliated companies	1,761,051	5,074
Receivables due from companies in which a participating interest is held	86,599	1,899
Other assets	1,227,240	826
	3,433,761	7,803
Securities		
Securities held as current assets	0	2,256
Cash in hand and at banks	1,305,685	2,515
	4,756,966	**12,574**
Prepayments and accrued income	**261,674**	**374**
Total assets	**18,896,769**	**30,233**

SENATOR ENTERTAINMENT AG
BALANCE SHEET AS OF DECEMBER 31, 2013

EQUITY AND LIABILITIES	**31.12.2013 in €**	31.12.2012 in T€
Equity		
Subscribed share capital	29,945,424	29,945
./. Treasury shares	-9,659	-10
of which conditional capital 9,981,909 (2008/I)		
of which conditional capital 4,990,803 (2012/I)		
	29,935,765	29,935
Capital surplus	48,328,467	48,328
Retained earnings		
Other retained earnings	9,659	10
Loss for the period included in retained earnings	-85,612,014	-61,086
	-7,338,123	**17,187**
Special item for investment grants	**348,310**	**415**
Provisions		
Other provisions	574,200	670
	574,200	**670**
Liabilities		
Bonds	10,118,092	10,117
Advance payments received	2,055	2
Trade payables	422,697	235
Liabilities due to affiliated companies	14,682,646	1,462
Other liabilities	86,893	145
of which from tax EUR 22,700 (p/y: T€ 10)		
of which as part of social security T€ 793 (p/y: T€ 4)		
	25,312,383	**11,961**
Total equity and liabilities	**18,896,769**	**30,233**

SENATOR ENTERTAINMENT AG
INCOME STATEMENT FROM JANUARY 1, 2013 TO DECEMBER 31, 2013

	01.01.-31.12.2013 in €	01.01.-31.12.2012 in T€
Revenue	2,802,004	126
Inventories of finished goods and work in progress	17,520	0
Other operating income	1,748,609	1,466
of which income from currency translation EUR 64,416 (p/y: T€ 10)		
Cost of materials		
Expenses for purchased services	-1,172,048	-4
Staff costs		
a) Wages and salaries	-1,488,617	-1,349
b) Social security contributions and expenses for post-retirement and care benefits	-157,584	-143
of which for pensions EUR 14,812 (p/y: T€ 22)		
Depreciation, amortisation and write-downs		
a) Amortisation and depreciation	-2,003,746	-273
b) Write-downs applied to current assets to the extent that they do not exceed normal write-downs within the incorporated firm	-7,853,741	0
Other operating expenses	-1,610,424	-3,222
Income from participating interests	656,787	0
Interest and similar income	787,369	1,048
of which from affiliated companies EUR 772,141 (p/y: T€ 822)		
Write-downs and amortisation applied to financial assets and securities held as current assets	-3,307,200	-1,292
Expenses arising from loss assumption	-11,602,725	-2,838
Interest and similar expenses	-1,341,774	-1,205
of which paid to affiliated companies EUR 88,528 (p/y: T€ 265)		
Result on ordinary activities	**-24,525,570**	**-7,686**
Net loss for the year	**-24,525,570**	**-7,686**
Loss carried forward	61,086,444	53,400
Loss for the period included in retained earnings	**85,612,014**	**61,086**

NOTES TO THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR FROM JANUARY 1, 2013 TO DECEMBER 31, 2013

Accounting and valuation principles

General information

The annual financial statements of Senator Entertainment AG ("Senator AG") for the financial year from January 1 to December 31, 2013 were prepared applying the regulations of the German Commercial Code (HGB) and of the German Stock Corporation Act (AktG) on a going concern assumption.

Senator Entertainment AG is obligated to prepare a set of consolidated financial statements. These consolidated financial statements were prepared in the financial year under review according to International Financial Reporting Standards (IFRS), and are submitted to the electronic Federal Gazette (Bundesanzeiger). The company is registered under commercial register sheet number HRB 68059 B at the Berlin-Charlottenburg District Court.

The company is classified as a large incorporated firm in the meaning of Section 267 (3) Clause 2 of the German Commercial Code (HGB).

As in the previous year, the income statement was prepared applying the nature of expense method pursuant to Section 275 (2) of the German Commercial Code (HGB).

Assets and liabilities denominated in foreign currencies are translated applying the mid rate on the balance sheet date.

The accounting and valuation methods are unchanged compared with the previous year.

Intangible assets and property, plant and equipment

Film rights are written down over their expected useful lives in line with their distribution.

Global distribution rights are written down in line with revenue expectations.

Other intangible fixed assets and property, plant and equipment are recognised at acquisition cost less amortisation and depreciation. Depreciation and amortisation is applied using the straight-line method in accordance with normal useful operating life, which amounts to between 3 and 10 years in the case of intangible assets, and to between 3 and 10 years in the case of other plant, operating and office equipment. Goods of minor value below € 150 are fully written off in the year in which they are added. Goods of minor value whose purchase or production costs amount to between € 150 and € 1,000 are capitalised within an omnibus item and depreciated straight-line over 5 years.

If the amortised cost exceeds the fair value of intangible asset and property, plant and equipment, extraordinary write-downs are applied.

Financial assets

Financial assets are recognised at the lower of cost or fair value, and loans extended are generally recognised at nominal value.

Inventories

Inventories are recognised at the lower of acquisition and production cost or market value.

Receivables and other assets

Receivables and other assets are recognised at the lower of nominal value or fair value.

Financial derivatives

Financial derivatives are deployed to hedge interest-rate and currency risks. Risks arising from changes to market interest-rate are hedged by deploying interest-rate derivatives in the form of interest-rate swaps. Currency exchange-rate risks are hedged using forward currency transactions. The derivative and the underlying transaction are measured individually at market prices. Unrealised gains as of the balance sheet date are reported through profit or loss.

Treasury shares

Treasury shares are deducted from equity (Section 272 (1a) of the German Commercial Code [HGB]).

Special item for investment grants

A special item has been formed for investment grants that are released through profit or loss in line with the write-downs to the subsidised investments.

Other provisions

Other provisions are recognised to the level of the satisfaction amount required on the basis of reasonable commercial judgement in order to cover all uncertain liabilities existing as of the balance sheet date. These provisions have been formed to a sufficient level according to the knowledge available when the accounts were prepared.

Liabilities

Liabilities are recognised at their settlement amount.

Deferred tax

To calculate deferred taxes on the basis of temporary or quasi-temporary differences between German Commercial Code (HGB) valuations of assets, liabilities and deferred items, and their fiscal valuations, or on the basis of tax loss carryforwards, they are measured applying the company-specific tax rates at the time when the differences are reversed, and the amounts of the resultant tax charges and tax reliefs are not discounted. The company has refrained from capitalising a surplus of deferred taxes by way of exercising the related recognition option.

Notes to the balance sheet and income statement

Intangible and fixed assets

Changes in the individual items of fixed assets during the financial year under review are presented in the schedule of fixed assets.

Financial assets

Due to the negative business trend in the financial year under review, both the valuation of the participating interest in the Irish subsidiary Eurofilm & Media Ltd., Killaloe, Ireland, (T€ 1,298), and the long-term loan that had been extended to this company (T€ 2,000) needed to be written off in their entirety. For reasons of prudent commercial judgement, this subsidiary‘s tax loss carryforwards were no longer recognised when valuing the company.

Please refer to the separate presentation at the end of the notes to the financial statements for information about the changes in financial assets. In the previous year, 40 % of the shares in Central Film Verleih GmbH were reacquired.

Receivables and other assets

As of the balance sheet date, receivables existed that are due from the Irish subsidiary Eurofilm & Media Ltd., Killaloe, Ireland, in an amount of T€ 5,267 (previous year: T€ 639), to which specific valuation allowances were applied in an amount of T€ 5,097. In addition, specific valuation allowances were also applied to all of the receivables due from the participating interest company deutschfilm GmbH, Berlin, in an amount of T€ 2,421 in the financial year under review.

In spring 2013, Senator extended a loan to Senator Film Babelsberg GmbH in an amount of T€ 336 (previous year: T€ 0) for the interim financing of preproduction costs for the film projects REYKJAVIK. It has not yet been possible to realise this film project as its financing has not been raised. Senator is in ongoing discussions with investors regarding a resumption of the production. As the outcome of these negotiations is currently uncertain, the loan was fully written off as of December 31, 2013.

All receivables and other assets are due within one year (as also in the previous year).

Derivative financial instruments

As of the balance sheet date, Senator AG holds no currency options for currency hedging purposes. In the previous year, the company held six currency options to hedge US dollar obligations with a nominal amount of T€ 1,521 and a negative fair value of T€ 18. As of the previous year's balance sheet date, the company also held seven contingent forward currency contracts and one forward currency transaction denominated in US dollars with nominal amounts of TUSD 1,057 and TUSD 1,000 and fair values of T€ 23 and T€ -5 respectively.

Prepayments and accrued income

The prepayments and accrued income item comprises the performance-related commission for the placing of the bond with warrants that was issued in the 2011 financial year. This commission is released in instalments over the term of the bond.

Share capital

In June 2012, Senator AG successfully conducted a capital increase through placing 9,981,606 no par value ordinary shares. The share capital increased by around 50 % to € 29,945,424, split into 29,945,424 shares. The company holds 9,659 treasury shares.

The share capital of Senator Entertainment AG was consumed in its entirety as a result of the loss incurred in the financial year under review. Given this, the Management Board has prepared a reorganisation plan that comprises the following key points for a restructuring:

› In order to secure short-term liquidity, an underwriting agreement was concluded with Quirin Bank on April 30, 2014, for up to € 10 million of bonds with a term of up to 9 months.

› In the next step, a simplified capital reduction with subsequent capital increase is to be proposed to the Annual General Meeting that is to be held prospectively in mid-July 2014. A 2:1 capital reduction is initially planned, reducing the number of shares to around 14.972 million. In a non-cash capital increase, outstanding bearer bonds are to be contributed as non-cash capital contributions in the form of a debt-for-equity swap. Anchor shareholder Sapinda is to support this measure in order to achieve the highest possible conversion rate. The publication of the exchange offer is planned for August 8, 2014. In an additional cash capital increase (rights issue), around € 16 million of funds are to accrue to the company. All shareholders will be entitled to subscribe for new shares in a nominal value of € 1.00. As part of a backstop agreement, shareholder Sapinda aims to support this measure by acquiring unsubscribed shares from the cash capital increase. In this context, the company is currently in promising discussions with shareholder Sapinda.

If the aforementioned reorganisation measures were to fail, or if a need for liquidity were to arise, the business model in its extent to date would be jeopardised by insufficient capitalisation and restrictions to the company's ability to finance itself, and, on the basis of the financing opportunities available from today's perspective, the Management Board would be forced to implement considerable reductions to its planned investments in new rights, with the consequence that the market position of the Senator Group could not be maintained or expanded as planned. Including in the instance of a reduced level of investments, should the operating business fail to achieve its planned development, the company's continued existence from mid-2015 would depend on the successful implementation of further capital measures.

Please refer to the separate presentation at the end of the notes to the financial statements for information about the changes in equity.

At the AGM on August 7, 2012, the Approved Capital 2009/I that still existed until that date was cancelled, to the extent that no utilisation had been made of it, and new approved capital was approved that authorises the Management Board, with Supervisory Board assent, to increase the share capital by August 6, 2017 by an amount of up to € 14,972,712.00 (Approved Capital 2012/I).

Conditional Capital 2008, which was approved at the AGM on July 17, 2008, was entered in the commercial register on May 6, 2010 with an amendment of May 20, 2010. The conditional capital was utilised in 2011, as part of issuing the 8 % bond with warrants that is due for repayment on April 28, 2016. At the AGM on August 7, 2012, the Management Board was authorised, with Supervisory Board approval, to issue until August 6, 2017, once or on several occasions, bearer or registered convertible bonds or bonds with warrants in a total nominal amount of up to € 4,990,803.00. Further conditional capital was approved correspondingly, by way of supplementing Conditional Capital 2008. Accordingly, the company share capital can be increased conditionally by up to € 4,990,803.00 through issuing up to 4,990,803 new ordinary bearer shares (Conditional Capital 2012/I). Conditional Capital 2012/I will be utilised only to the extent that the holders of convertible or warrant rights utilise their conversion or option rights, or satisfy the conversion obligations arising from such bonds. Conditional Capital 2012/I was entered in the commercial register on August 30, 2012.

Capital surplus

With a receivables waiver declaration dated December 6, 2005, Deutsche Bank AG contributed a receivable of € 22,431,226.48 as a non-cash capital contribution to the company, € 6,200,000 of which was attributable to the increase in subscribed capital, and € 16,231,226.48 of which was attributable to the contribution to the capital surplus.

The € 30,600,000 income from the capital reduction in 2004 was transferred to the capital surplus pursuant to German stock corporation law regulations concerning simplified capital reduction.

The shares from the capital increase in June 2012 were placed at a subscription price of € 1.15 per new share. All shares in Senator AG have a notional proportional interest in the share capital of € 1.00. The difference of € 0.15 per new share was transferred to the capital surplus, and was utilised mainly to cover the issue costs. The costs include the commission of 10 % of the total gross issue proceeds (T€ 1,148). Half of this commission is attributable to the issuing bank, and half is attributable to Sapinda Deutschland GmbH, Berlin, (Sapinda). Sapinda had entered into an undertaking to the company to itself acquire at the subscription price under certain normal market preconditions new shares that were not subscribed for elsewhere in a scope of up to 29.9 % of the share capital after the implementation of the capital increase, or to ensure that they were subscribed for by a third party. For this undertaking, Sapinda received from the issuing bank compensation equivalent to 5 % of the gross issue proceeds. In addition, legal and consultancy costs relating to the capital increase were incurred in an amount of T€ 281.

As of the balance sheet date, the capital surplus amounts to € 48,328,467, unchanged compared with the previous year.

Treasury shares and retained earnings

With a resolution of the AGM on June 29, 1999, Senator AG was authorised for the first time to purchase treasury shares pursuant Section 71 (1) number 8 of the German Stock Corporation Act (AktG). Treasury shares were purchased at various times during the 2000 financial year. The resolution to authorise the Management Board to sell the shares was passed at the AGM on November 23, 2004.

The Management Board is authorised to withdraw the shares, to sell them to third parties for a certain purpose if they are sold at a price that is not significantly less than the stock market price on the selling date, and to offer them to third parties as part of the acquisition of companies or participating interests in companies, and to offer them in the case of exchanges or mergers or as part of a stock option plan.

Through a resolution of the AGM on August 7, 2012, the Management Board was authorised until August 6, 2017, with Supervisory Board approval, to purchase treasury shares in a volume of up to a total of 10 % of the share capital existing at the time of the passing of the resolution. At no time may more than 10 % of the share capital be attributed to the acquired shares together with other treasury shares owned by the company or that are attributable to it pursuant to Section 71a et seq. of the German Stock Corporation Act (AktG). In turn, the company has obligated itself to engage in no trading with the treasury shares, and not to sell the treasury shares under certain circumstances.

On December 31, 2013, the company reports 9,659 ordinary shares as treasury shares, as in the previous year. The treasury shares can be offered and transferred to Management Board members and employees of the company as well as the members of the management and employees of associated companies as part of a stock option plan in order to satisfy stock options that have been issued.

Other provisions

The other provisions primarily comprise provisions for litigation and court case risks (T€ 115; previous year: T€ 25), for outstanding invoices (T€ 237; previous year: T€ 153), and for personnel (T€ 0; previous year: T€ 401). .

Schedule of liabilities

			31.12.2013			31.12.2012
in T€	**Total**	**Residual term up to 1 year**	**Residual term between 1 and 5 years**	Total	Residual term up to 1 year	Residual term between 1 and 5 years
Bonds	10,118	138	9,980	10,117	137	9,980
Advance payments received	2	2	0	2	2	0
Trade payables	423	423	0	235	235	0
Liabilities due to associated companies in companies where a participating interest is held	14,683	14,683	0	1,462	1,462	0
Other liabilities	87	87	0	145	145	0
	25,313	**15,333**	**9,980**	**11,961**	**1,981**	**9,980**

Bonds

Senator AG successfully placed the bond with warrants offered as part of a subscription offer among existing shareholders and qualified investors on May 6, 2011. A total of 99,810 individual bonds with nominal amounts of € 100 each were issued with an 8% per annum coupon, which is due in 2016 with a total nominal amount of € 9,981,000. The new bonds (ISIN of the bond with warrants cum: DE000A1KQX87 / ISIN of the bond with warrants ex: DE000A1KQX95) and the warrants (ISIN: DE000A1KQYA1) were included in the Regulated Unofficial Market of the Frankfurt Stock Exchange in May 2011. The bonds are collateralised with intangible assets.

Other liabilities

The other liabilities consist in an amount of T€ 20 of liabilities due to the Supervisory Board (previous year: T€ 2), arising from unpaid Supervisory Board compensation, and travel cost reimbursements.

Revenue

The sales revenues primarily comprise revenue from the distribution of a film right in an amount of T€ 2,702 (previous year: T€ 0) and from the sale of music rights in an amount of T€ 100 (previous year: T€ 126).

Other operating income

Other operating income especially comprises income from costs passed onto Group companies in an amount of T€ 1,450 (previous year: T€ 1,208), income from the release of the special item in an amount of T€ 67 (previous year: T€ 67), and from the release of provisions in an amount of T€ 14 (previous year: T€ 22).

Write-downs to current assets

Write-downs to current assets, to the extent that these exceed normal write-downs within the incorporated firm, arise from specific valuation allowances applied to receivables due from associated companies or participating interests in an amount totalling T€ 7,854 (previous year: T€ 0). Please refer to the “Financial investments” section for more information.

Other operating expenses

Other operating expenses chiefly comprised costs due to legal and consultancy expenses (T€ 212; previous year: T€ 497), other third-party services (T€ 157; previous year: T€ 158), and premises costs and other rents (T€ 414; previous year: T€ 367). In the previous year, costs of T€ 1,181 were also incurred for the capital increase.

Write-downs applied to financial investments and securities held as current assets

The valuation of the participating interest in the Irish subsidiary Eurofilm & Media Ltd., Killaloe, Ireland, and the long-term loan that had been extended to this company needed to be written off in their entirety. For more information, please refer to the “Financial investments” section.

In the previous year, write-downs were necessitated to a 10 % interest in an amount of T€ 163, as well as write-downs to an international asset fund in an amount of T€ 1,130 due to the lower fair values of these investments as of the balance sheet date.

Expenses arising from profit and loss transfer agreements

In the 2013 financial year, Senator AG in connection with profit and loss transfer agreements assumed the loss of Senator Film Produktion GmbH, Berlin, in an amount of T€ 1,153 (previous year: T€ 338), of Senator Film Verleih GmbH, Berlin, in the amount of T€ 8,283 (previous year: T€ 1,846), of Senator Home Entertainment GmbH, Berlin, in an amount of T€ 680 (previous year: T€ 238), of Senator Film München GmbH, Munich, in an amount of T€ 1,487 (previous year: T€ 81), and of Senator Film Köln GmbH, Cologne, in an amount of T€ 0 (previous year: T€ 335).

Other disclosures

Contingencies

In the 2008 financial year, as well as in the 2010 and 2013 financial years, Senator AG issued a letter of comfort to Universum Film GmbH, Munich, in which it obligated itself in the form of a cumulative assumption of debt to be liable for the obligations arising from the video sales agreement concluded between Senator Home Entertainment GmbH and Universum Film GmbH, Munich, dated August 18, 2006, and the related long form agreement dated May 13, 2008, as well as the license agreement of December 2, 2010 and October 10, 2013.

In the 2009 and 2010 financial years, Senator Home Entertainment GmbH, which is included in the consolidated financial statements, transferred to Universum Film GmbH, Munich, various collateral items to collateralise prepayments rendered by Universum Film GmbH, Munich, to Senator Home Entertainment GmbH as part of the aforementioned sales agreement dated August 18, 2006 and May 13, 2008, as well as of December 2, 2010 and October 10, 2013. These collateral transfers comprise the transfer of video materials and reproduction rights in the area of video program distribution relating to various films. Senator AG issued letters of comfort in this respect. The Management Board is currently not assuming that the collateral transfers will be utilised.

Other financial obligations

As of December 31, 2013, the company has the following long-term rental and lease obligations:

in T€	2014	2015-2018	from 2018
Rental and leasing	344	1,321	411

Tax circumstances

The following fiscal unit exist for tax purposes (corporation tax, trade tax and VAT):

Company	PLTA since
Senator Film Verleih GmbH	2002
Senator Home Entertainment GmbH	2007
Senator Film Produktion GmbH	2007
Senator Film Köln GmbH	2012
Senator Film München GmbH	2012
Senator MovInvest GmbH	2012

Average number of employees

In the financial year from January 1 to December 31, 2013, the company employed an average of 16 salaried staff excluding the Management Board members (previous year: 13 staff).

Related parties

Companies or individuals that control Senator AG or are controlled by Senator AG are deemed to be related parties.

All transactions with related parties are based on standard market terms.

In addition, the members of the Management Board and of the Supervisory Board of Senator AG as well as members of their families are deemed to be related parties.

Please refer to the section below “Compensation of the Supervisory and Management boards” for more information about the total compensation paid to the Management and Supervisory boards of Senator AG. Current liabilities of T€ 4 arose from pay compensation and travel cost reimbursement for the Management Board as of December 31, 2013 (previous year: current receivables of T€ 9). Current liabilities to Supervisory Board members amounted to T€ 20 (previous year: T€ 2).

In January 2013, Mr. Sasse received an advance on the payment of his previous year‘s bonus in an amount of T€ 250, which was offset when the bonus was paid out at the end of May 2013. This advance carried an interest rate of 3.5 %. The interest payments amounted to T€ 3 over the duration of the advance.

In addition, business relationships exist with the following related parties:

Supervisory Board member Robert Basil Hersov is Managing Partner of Sapinda U.K., London, United Kingdom, which in turn is an associated company of Sapinda Deutschland GmbH, Berlin, Germany.

In December 2011, Senator and the Hollywood-based company RML Distribution International, LLC, Los Angeles, USA, (Relativity Media) concluded an output agreement according to which Senator will distribute all Relativity films in Germany in the future, the final detailed terms of which were contractually regulated in May 2012. Sapinda Deutschland GmbH, Berlin, Germany, (Sapinda) obligated itself to Relativity Media to be liable for all payments and obligations of the Group under the output agreement. As security, Senator AG grants Sapinda prior collateral to all rights and claims in connection with the acquired film rights as well as all shares in Eurofilm & Media Ltd. Killaloe, Ireland. For the granting of the Relativity Media guarantee to Relativity and for the actual provision of collateral and payment, Sapinda receives from Senator AG a commitment or guarantee fee. In 2013, a total of T€ 200 was expensed (previous year: T€ 300).

In 2012, Sapinda had entered into an undertaking to the Senator AG to itself acquire at the subscription price under certain normal market preconditions new shares from the capital increase that were not subscribed for elsewhere in a scope of up to 29.9 % of the share capital after the implementation of the capital increase, or to ensure that they were subscribed for by a third party. For this undertaking, Sapinda received from quirin bank AG, Berlin, compensation equivalent to 5 % of the gross issue proceeds (T€ 574).

Members of the Management and Supervisory boards

Management Board: Helge Sasse, CEO
Lawyer
Management Board Chairman (CEO)

Markus Maximilian Sturm, CFO (since March 1, 2013)
Businessman
Chief Financial Officer

In the financial year under review, Mr, Sasse was also a member of the Supervisory Board of X Verleih AG, Berlin.

Supervisory Board: Dr. Andreas Pres, Hamburg
- Chairman -
Independent management consultant, Managing Director of Premium Restructuring Office GmbH, Hamburg, and Managing Director of CROC YARD PRODUCTIONS GmbH, Hamburg

Wolf-Dieter Gramatke, Hamburg
- Deputy Chairman -
Independent media manager and consultant, Great-Minds Consultants Entertainment – Media-e-business GmbH, Hamburg

Robert Basil Hersov, London, United Kingdom
Managing Partner Sapinda U.K., London, United Kingdom

Norbert Kopp, Leverkusen
Businessman in the media, environment and technology areas
Managing Director of KTB Technologie Beteiligungsgesellschaft mbH & Co. KG, Leverkusen

Dr. Thomas Middelhoff, Bielefeld
Business studies graduate (Dipl. Kaufmann)
Chairman and Founding Partner Pulse Capital Partners LLC, New York, USA

Paolo Barbieri, Luxembourg (from June 12, 2013 until March 5, 2014)
CEO, Pacific Capital S.à.r.l., Luxembourg

Dipl.-Kfm. Walter F. Kalthoff, Munich (until June 6, 2013)
Independently-operating lawyer, Munich

In addition, these gentlemen are also members of the following statutory supervisory boards or comparable bodies:

Wolf-Dieter Gramatke

- DEAG Deutsche Entertainment AG, Berlin (Chairman)
- DEAG classic AG, Berlin (Chairman)

Robert Basil Hersov

- Medikidz Limited, London, United Kingdom (Chairman)
- Adoreum Partners, London, United Kingdom (Chairman)
- Digital Media Technologies Limited, Gibraltar, United Kingdom (Chairman)
- RNTS Media NV, Amsterdam, Netherlands (Chairman)

Walter F. Kalthoff

- C4 AG for Consulting, Commerce, Clearing and Cooperation, Grünwald

Norbert Kopp

- MuM Mensch und Maschine Software SE, Wessling
- HNE Technologie AG, Augsburg

Dr. Thomas Middelhoff

- New York Times Company, New York, USA
- Marseille-Kliniken AG, Hamburg (Chairman)
- 3W Power Holdings S.A. / AEG Power Solution, Luxembourg, Luxembourg
- ePals, Inc., Herndon, USA (Chairman)
- NeuPals Dalian Education Information Technologies Co., Ltd., China (Deputy Chairman)

Paolo Barbieri

- Ichor Coal NV, Amsterdam, Netherlands

Shares held by directors

As of the December 31, 2013 balance sheet date, the directors listed below held the following shares in Senator AG:

Helge Sasse (directly and indirectly through Paroli Publishing Musik, Media- und Verlags GmbH and HSW GmbH)	863,618 shares	2,88 %
Dr. Thomas Middelhoff	338,046 shares	1,14 %
Wolf-Dieter Gramatke	76,862 shares	0,25 %

Compensation of the Management and Supervisory boards

COMPENSATION FOR THE 2013 FINANCIAL YEAR:

The fixed compensation for Mr. Sasse included his salary for the 2013 financial year (T€ 400; previous year: T€ 308), a supplement for social security (T€ 9; previous year: T€ 9), a Group accident insurance contribution (T€ 1; previous year: T€ 1), a life insurance contribution (T€ 8; previous year: T€ 8), and a supplement for the use of a vehicle (T€ 18; previous year: T€ 18).

In the previous year, a contractual income agreement existed for Mr. Sasse whereby a variable component would be granted in addition to the fixed salary. The variable component is calculated as 5 % of the EBIT of the Senator Group, albeit to a maximum of T€ 500 per year. For the previous year, Mr. Sasse received a bonus of T€ 348. In the previous year, Mr. Sasse also received a special bonus of T€ 50.

The variable compensation structure for Mr. Sasse was rearranged in December 2012 through extending his Management Board contract. Mr. Sasse receives a Short Term Incentive (STI), that amounts to 3 % of Senator‘s consolidated EBIT on the basis of IFRS from 2013 according to Senator‘s audited consolidated financial statements. The bonus to be paid on this basis amounts to a maximum of T€ 175 per annum if the company achieves less than € 50 million of consolidated sales revenue. From € 50 million of consolidated sales revenue, the maximum amount stands at T€ 225. If consolidated EBT is less than T€ 1,000 in a given year, the STI is not applicable in this year.

Above and beyond this, Mr. Sasse receives from 2013, in the respective subsequent year, a Long Term Incentive (LTI) equivalent to 4 % of the average consolidated EBIT on the basis of IFRS of the respective past three financial years beginning with the consolidated EBT on the basis of IFRS for the years 2011, 2012 and 2013. The bonus to be paid on this basis amounts to a maximum of T€ 225 per annum. From € 50 million of consolidated sales revenue, the maximum amount stands at T€ 275. The LTI no longer applies if in a given year the average consolidated EBT for the respective three financial years to be counted lies below T€ 1,000.

The fixed compensation for Mr. Sturm included the salary for the 2013 financial year (T€ 200), a supplement for social security (T€ 2), a Group accident insurance contribution (T€ 1), and a supplement for the use of a vehicle (T€ 15). In the financial year under review, Senator AG assumed T€ 9 of removal costs for Mr. Sturm.

Mr. Sturm also receives a Short Term Incentive (STI), that amounts to 2 % of Senator‘s consolidated EBIT on the basis of IFRS according to Senator‘s audited consolidated financial statements. The bonus to be paid on this basis amounts to a maximum of T€ 125 per annum. If consolidated EBT is less than T€ 1,000 in a given year, the STI is not applicable in this year. Above and beyond this, Mr. Sturm receives from 2015 until 2017 inclusive, in the respective subsequent year, a Long Term Incentive (LTI) equivalent to 2 % of the average consolidated EBIT on the basis of IFRS of the respective past three financial years beginning with the consolidated EBT on the basis of IFRS for the years 2013, 2014 and 2015. The bonus to be paid on this basis amounts to a maximum of T€ 125 per annum. The LTI no longer applies if in a given year the average consolidated EBT for the respective three financial years to be counted lies below T€ 1,000.

The total compensation for the members of the Supervisory Board for the financial year from January 1 to December 31, 2013 is distributed as follows:

in €	Compensation	Cost reimbursement	**Total**
Dr. Andreas Pres	22,000	3,472	25,472
Wolf-Dieter Gramatke	20,000	2,753	22,753
Robert Basil Hersov	16,000	149	16,149
Norbert Kopp	16,000	0	16,000
Dr. Thomas Middelhoff	16,000	7,914	23,914
Walter F. Kalthoff	6,882	1,249	8,131
Paolo Barbieri	9,118	149	9,267
	106,000	**15,686**	**121,686**

Auditor‘s fee

Pursuant to Section 285 Number 17 final sub-clause of the German Commercial Code (HGB), the company has refrained from stating the auditor‘s fee in the notes to these annual financial statements, as the consolidated financial statements of Senator AG, Berlin, in which the company is included, provides this information.

Statement relating to the German Corporate Governance Code

The statement pursuant to Section 161 of the German Stock Corporation Act (AktG) relating to the German Corporate Governance Code was issued and made available to the shareholders by publishing it on the company‘s website and in the electronic Federal Gazette (Bundesanzeiger).

Announcement pursuant to Section 21 of the German Securities Trading Act (WpHG)

Shard Capital Management Limited, Gibraltar, Gibraltar, notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that its voting rights interest in SENATOR Entertainment AG exceeded the thresholds of 3 %, 5 %, 10 %, 15 %, 20 % and 25 % on November 13, 2013, and amounted to 29.89 % (8,952,021 voting rights) as per this date.

Pacific Capital S.à.r.l., Luxembourg, Luxembourg, notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that its voting rights interest in SENATOR Entertainment AG fell below the thresholds of 3 %, 5 %, 10 %, 15 %, 20 % and 25 % on November 13, 2013, and amounted to 0 % (0 voting rights) as per this date.

Wolf Capital S.à.r.l., Luxembourg, Luxembourg, notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that its voting rights interest in SENATOR Entertainment AG fell below the thresholds of 3 %, 5 %, 10 %, 15 %, 20 % and 25 % on November 13, 2013, and amounted to 0 % (0 voting rights) as per this date.

S.M.S Finance S.A., Luxembourg, Luxembourg, notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that its voting rights interest in SENATOR Entertainment AG fell below the thresholds of 3 %, 5 %, 10 %, 15 %, 20 % and 25 % on November 13, 2013, and amounted to 0 % (0 voting rights) as per this date.

Mrs. Monica Aschei, United Kingdom, notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that her voting rights interest in SENATOR Entertainment AG fell below the thresholds of 3 %, 5 %, 10 %, 15 %, 20 % and 25 % on November 13, 2013, and amounted to 0 % (0 voting rights) as per this date.

Pacific Capital S.à.r.l., Luxembourg, Luxembourg, Wolf Capital, S.à.r.l., Luxembourg, Luxembourg, S.M.S. Finance S.A., Luxembourg, Luxembourg, and Mrs. Monica Aschei, United Kingdom, informed us of the following on September 14, 2012, pursuant to Section 27a of the German Securities Trading Act (WpHG), relating to the voting rights notification pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) of August 30, 2012 (published on September 3, 2012):

1. Objectives of the purchase of the voting rights (Section 27a (1) Clause 3 of the German Securities Trading Act [WpHG])

a) The investment serves to implement strategic objectives.

b) The parties who are obligated to make the announcement have no particular plans to acquire further voting rights either through purchase or in another manner within the next twelve months.

c) The parties who are obligated to make the announcement are endeavouring to achieve representation on the company's Supervisory Board in accordance with the significance of their interest in Senator Entertainment AG. Above and beyond this, they do not aim to influence the composition of, or dismiss, the executive, managerial and Management Board bodies of the issuer.

d) The parties that are obligated to make the announcement are not striving for a significant modification to the capital structure of Senator Entertainment AG, especially relating to the relationship between equity and debt financing, and the dividend policy.

2. Origin of the funds utilised to purchase the voting rights (Section 27a (1) Clause 4 of the German Securities Trading Act [WpHG])

Pacific Capital S.à.r.l. financed the purchase of the shares 100 % from equity.

A. August 24, 2012

1. Pacific Capital S.à.r.l., Luxembourg, Luxembourg, notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that its voting rights interest in Senator Entertainment AG exceeded the threshold of 3 % on August 24, 2012, and amounted to 4.60 % (1,376,007 voting rights) as per this date.
2. Wolf Capital S.à.r.l., Luxembourg, Luxembourg, notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that its voting rights interest in Senator Entertainment AG exceeded the threshold of 3 % on August 24, 2012, and amounted to 4.60 % (1,376,007 voting rights) as per this date. Of these voting rights, 4.60 % (1,376,007 voting rights) are to be attributed to it through Pacific Capital S.à.r.l. pursuant to Section 22 (1) Clause 1 No. 1 of the German Securities Trading Act (WpHG).
3. S.M.S. Finance S.A., Luxembourg, Luxembourg, notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that its voting rights interest in Senator Entertainment AG exceeded the threshold of 3 % on August 24, 2012, and amounted to 4.60 % (1,376,007 voting rights) as per this date. Of these voting rights, 4.60 % (1,376,007 voting rights) are to be attributed to it through Pacific Capital S.à.r.l. and Wolf Capital, S.à.r.l. pursuant to Section 22 (1) Clause 1 No. 1 of the German Securities Trading Act (WpHG).
4. Mrs. Monica Aschei, United Kingdom, notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that her voting rights interest in Senator Entertainment AG exceeded the threshold of 3 % on August 24, 2012, and amounted to 4.60 % (1,376,007 voting rights) as per this date. Of these voting rights, 4.60 % (1,376,007 voting rights) are to be attributed to her through Pacific Capital S.à.r.l., Wolf Capital, S.à.r.l. and S.M.S. Finance S.A. pursuant to Section 22 (1) Clause 1 No. 1 of the German Securities Trading Act (WpHG).

B. August 27, 2012

1. Pacific Capital S.à.r.l., Luxembourg, Luxembourg, notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that its voting rights interest in Senator Entertainment AG exceeded the thresholds of 5 % and 10 % on August 27, 2012, and amounted to 11.40 % (3,414,014 voting rights) as per this date.

2. Wolf Capital S.à.r.l., Luxembourg, Luxembourg, notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that its voting rights interest in Senator Entertainment AG exceeded the threshold of 5 % and 10 % on August 27, 2012, and amounted to 11.40 % (3,414,014 voting rights) as per this date. Of these voting rights, 11.40 % (3,414,014 voting rights) are to be attributed to it through Pacific Capital S.à.r.l. pursuant to Section 22 (1) Clause 1 No. 1 of the German Securities Trading Act (WpHG).

3. S.M.S. Finance S.A., Luxembourg, Luxembourg, notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that its voting rights interest in Senator Entertainment AG exceeded the thresholds of 5 % and 10 % on August 27, 2012, and amounted to 11.40 % (3,414,014 voting rights) as per this date. Of these voting rights, 11.40 % (3,414,014 voting rights) are to be attributed to it through Pacific Capital S.à.r.l. and Wolf Capital, S.à.r.l. pursuant to Section 22 (1) Clause 1 No. 1 of the German Securities Trading Act (WpHG).

4. Mrs. Monica Aschei, United Kingdom, notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that her voting rights interest in Senator Entertainment AG exceeded the thresholds of 5 % and 10 % on August 27, 2012, and amounted to 11.40 % (3,414,014 voting rights) as per this date. Of these voting rights, 11.40 % (3,414,014 voting rights) are to be attributed to her through Pacific Capital S.à.r.l., Wolf Capital, S.à.r.l. and S.M.S. Finance S.A. pursuant to Section 22 (1) Clause 1 No. 1 of the German Securities Trading Act (WpHG).

C. August 28, 2012

1. Pacific Capital S.à.r.l., Luxembourg, Luxembourg, notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that its voting rights interest in Senator Entertainment AG exceeded the threshold of 15 %, 20 % and 25 % on August 28, 2012, and amounted to 29.89 % (8,952,021 voting rights) as per this date.

2. Wolf Capital S.à.r.l., Luxembourg, Luxembourg, notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that its voting rights interest in Senator Entertainment AG exceeded the threshold of 15 %, 20 % and 25 % on August 28, 2012, and amounted to 29.89 % (8,952,021 voting rights) as per this date. Of these voting rights, 29.89 % (8,952,021 voting rights) are to be attributed to it through Pacific Capital S.à.r.l. pursuant to Section 22 (1) Clause 1 No. 1 of the German Securities Trading Act (WpHG).

3. S.M.S. Finance S.A., Luxembourg, Luxembourg, notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that its voting rights interest in Senator Entertainment AG exceeded the thresholds of 15 %, 20 % and 25 % on August 28, 2012, and amounted to 29.89 % (8,952,021 voting rights) as per this date. Of these voting rights, 29.89 % (8,952,021 voting rights) are to be attributed to it through Pacific Capital S.à.r.l. and Wolf Capital, S.à.r.l. pursuant to Section 22 (1) Clause 1 No. 1 of the German Securities Trading Act (WpHG).

4. Mrs. Monica Aschei, United Kingdom, notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that her voting rights interest in Senator Entertainment AG exceeded the thresholds of 15 %, 20 % and 25 % on August 28, 2012, and amounted to 29.89 % (8,952,021 voting rights) as per this date. Of these voting rights, 29.89 % (8,952,021 voting rights) are to be attributed to her through Pacific Capital S.à.r.l., Wolf Capital, S.à.r.l. and S.M.S. Finance S.A. pursuant to Section 22 (1) Clause 1 No. 1 of the German Securities Trading Act (WpHG).

On July 11, 2012, HSW GmbH, Berlin, Germany, notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that its voting rights interest in Senator Entertainment AG, Berlin, Germany fell below the thresholds of 5 % and 3 % on July 5, 2012, and amounted to 2.88 % (863,618 voting rights) as per this date.

On July 11, 2012, Paroli Publishing Musik, Media- und Verlags GmbH, Berlin, Germany, notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that its voting rights interest in Senator Entertainment AG, Berlin, Germany fell below the thresholds of 5 % and 3 % on July 5, 2012, and amounted to 2.88 % (863,618 voting rights) as per this date.

On July 11, 2012, Mr. Helge Sasse, Berlin, Germany, notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that his voting rights interest in Senator Entertainment AG, Berlin, Germany fell below the thresholds of 5 % and 3 % on July 5, 2012, and amounted to 2.88 % (863,618 voting rights) as per this date.

HSW GmbH, Berlin, Germany, notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that its voting rights interest in Senator Entertainment AG fell below the threshold of 15 % on January 23 2012, and amounted to 11.46 % (2,288,416 voting rights) as per this date.

HSW GmbH, Berlin, Germany, notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that its voting rights interest in Senator Entertainment AG fell below the thresholds of 15 % and 10 % on January 23, 2012, and amounted to 9.46 % (1,888,416 voting rights) as per this date.

Paroli Publishing Musik, Media- und Verlags GmbH, Berlin, Germany, notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that its voting rights interest in Senator Entertainment AG fell below the threshold of 15 % on January 23, 2012, and amounted to 11.46 % (2,288,416 voting rights) as per this date. Of these voting rights, 11.46 % (2,288,416 voting rights) are to be attributed to it through HSW GmbH pursuant to Section 22 (1) Clause 1 No. 1 of the German Securities Trading Act (WpHG).

Paroli Publishing Musik, Media- und Verlags GmbH, Berlin, Germany, notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that its voting rights interest in Senator Entertainment AG fell below the threshold of 15 % and 10 % on January 23, 2012, and amounted to 9.46 % (1,888,416 voting rights) as per this date. Of these voting rights, 9.46 % (1,888,416 voting rights) are to be attributed to it through HSW GmbH pursuant to Section 22 (1) Clause 1 No. 1 of the German Securities Trading Act (WpHG).

Mr. Helge Sasse, Berlin, Germany, notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that his voting rights interest in Senator Entertainment AG fell below the threshold of 15 % on January 23, 2012, and amounted to 11.46 % (2,288,416 voting rights) as per this date. Of these voting rights, 11.46 % (2,288,416 voting rights) are to be attributed to him through Paroli Publishing Musik, Media- und Verlags GmbH and HSW GmbH pursuant to Section 22 (1) Clause 1 No. 1 of the German Securities Trading Act (WpHG).

Mr. Helge Sasse, Berlin, Germany, notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that his voting rights interest in Senator Entertainment AG fell below the thresholds of 15 % and 10 % on January 23, 2012, and amounted to 9.46 % (1,888,416 voting rights) as per this date. Of these voting rights, 9.46 % (1,888,416 voting rights) are to be attributed to him through Paroli Publishing Musik, Media- und Verlags GmbH and HSW GmbH pursuant to Section 22 (1) Clause 1 No. 1 of the German Securities Trading Act (WpHG).

On December 20, 2013, Prof. Dr. h.c. Roland Berger, Germany, notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that his voting rights interest in Senator Entertainment AG, Berlin, Germany had exceeded the thresholds of 3 % and 5 % on December 19, 2013, and amounted to 6.79 % (2,034,674 voting rights) as per this date.

On July 10, 2012, Prof. Dr. h.c. Roland Berger, Germany, notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that his voting rights interest in Senator Entertainment AG, Berlin, Germany had fallen below the threshold of 3 % on July 5, 2012, and amounted to 2.29 % (684,674 voting rights) as per this date.

On July 6, 2012, Prof. Dr. h.c. Roland Berger, Germany, notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that his voting rights interest in Senator Entertainment AG, Berlin, Germany had fallen below the threshold of 5 % on July 26, 2012, and amounted to 4.33 % (1,295,798 voting rights) as per this date.

On July 5, 2012, Sapinda Holding B.V., Schiphol, Netherlands, notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that its voting rights interest in Senator Entertainment AG, Berlin, Germany had exceeded the thresholds of 3 % and 5 % on July 5, 2012, and amounted to 7.08 % (2,119,376 voting rights) as per this date.

quirin bank AG, Berlin, Germany, notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that its voting rights interest in SENATOR Entertainment AG fell exceeded the thresholds of 3 %, 5 %, 10 %, 15 %, 20 %, 25 % and 30 % on June 25, 2012, and amounted to 33.33 % (9,981,606 voting rights) as per this date.

quirin bank AG, Berlin, Germany, notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that its voting rights interest in SENATOR Entertainment AG fell below the thresholds of 3 %, 5 %, 10 %, 15 %, 20 %, 25 % and 30 % on June 27, 2012, and amounted to 0 % (0 voting rights) as per this date.

Sternenstaub Fund GmbH, Munich, Germany, notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that its voting rights interest in Senator Entertainment AG fell below the threshold of 5 % on November 30, 2012, and amounted to 4.999572 % (1,497,143 voting rights) as per this date.

Stiftung Sternenstaub, Munich, Germany, notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that its voting rights interest in Senator Entertainment AG fell below the threshold of 5 % on November 30, 2012, and amounted to 4.999572 % (1,497,143 voting rights) as per this date. Of these voting rights, 4.999572 % (1,497,143 voting rights) are to be attributed to it through Sternenstaub Fund GmbH pursuant to Section 22 (1) Clause 1 No. 1 of the German Securities Trading Act (WpHG).

Dr. Jürgen Todenhöfer, Munich, Germany, notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that his voting rights interest in Senator Entertainment AG fell below the threshold of 5 % on November 30, 2012, and amounted to 4.999572 % (1,497,143 voting rights) as per this date. Of these voting rights, 4.999572 % (1,497,143 voting rights) are to be attributed to it through Stiftung Sternenstaub and Sternenstaub Fund GmbH pursuant to Section 22 (1) Clause 1 No. 1 of the German Securities Trading Act (WpHG).

Sternenstaub Fund GmbH, Munich, Germany, notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that its voting rights interest in Senator Entertainment AG exceeded the threshold of 5 % on January 23, 2012, and amounted to 9.52 % (1,900,000 voting rights) as per this date.

Stiftung Sternenstaub, Munich, Germany, notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that its voting rights interest in Senator Entertainment AG, Berlin, exceeded the threshold of 5 % on January 23, 2012, and amounted to 9.52 % (1,900,000 voting rights) as per this date. Of these voting rights, 9.52 % (1,900,000 voting rights) are to be attributed to it through Sternenstaub Fund GmbH pursuant to Section 22 (1) Clause 1 No. 1 of the German Securities Trading Act (WpHG).

Dr. Jürgen Todenhöfer, Munich, Germany, notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that his voting rights interest in Senator Entertainment AG exceeded the threshold of 5 % on January 23, 2012, and amounted to 9.52 % (1,900,000 voting rights) as per this date. Of these voting rights, 9.52 % (1,900,000 voting rights) are to be attributed to it through Stiftung Sternenstaub and Sternenstaub Fund GmbH pursuant to Section 22 (1) Clause 1 No. 1 of the German Securities Trading Act (WpHG).

On December 20, 2013, Mr. Wolfgang Mast, Germany, notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that his voting rights interest in Senator Entertainment AG, Berlin, Germany fell below the threshold of 3 % on December 19, 2013, and amounted to 0 % (0 voting rights) as per this date.

On July 11, 2012, KTB Technologie Beteiligungsgesellschaft mbH & Co. KG, 51381 Leverkusen, Germany, notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that its voting rights interest in Senator Entertainment AG, Berlin, Germany, had fallen below the threshold of 15 % on June 26, 2012, and amounted to 10.38 % (3,110,861 voting rights) as per this date.

Capdura Management GmbH (formerly: Lucrum-Management GmbH), Leverkusen, Germany, notified us on June 23, 2010, that it was withdrawing the voting rights notification pursuant to Section 21 (1) of the German Securities Trading Code (WpHG) that it had communicated to us on April 15, 2010, as no obligation to make such an announcement existed as of the announcement date.

Capdura Management GmbH, Leverkusen, Germany, notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that its voting rights interest in Senator Entertainment AG exceeded the thresholds of 5 %, 10 % and 15 % on April 12, 2010, and amounted to 15.58 % (3,110,861 voting rights) as per this date.

Of these voting rights, 15.58 % (3,110,861 voting rights) are to be attributed to Capdura Management GmbH, Leverkusen, Germany, through KTB Technologie Beteiligungsgesellschaft mbH & Co. KG pursuant to Section 22 (1) Clause 1 No. 1 of the German Securities Trading Act (WpHG).

Lucrum-Management GmbH, Leverkusen, Germany, notified us pursuant to Section 21 (1) of the German Securities Trading Act (WpHG) that its voting rights interest in Senator Entertainment AG, Berlin, exceeded the threshold of 3 % on February 22, 2007, and amounted to 4.98 % (995,000 voting rights) as per this date.

Of these voting rights, 4.98 % (995,000 voting rights) are to be attributed to Lucrum-Management GmbH, Leverkusen, Germany, through KTB Technologie Beteiligungsgesellschaft mbH & Co. KG pursuant to Section 22 (1) Clause 1 No. 1 of the German Securities Trading Act (WpHG).

Ergebnisverwendung

in T€	**Financial year 01.01. - 31.12.2013**	Financial year 01.01. - 31.12.2012
Net result for the year	-24,526	-7,686
Loss carried forward	-61,086	-53,400
Withdrawal from the reserve for treasury shares	0	0
Loss for the period included in retained earnings	-85,612	-61,086

Consolidated financial statements

The company is the parent company for the subsidiaries listed in the list of shareholdings, in the meaning of Section 290 of the German Commercial Code (HGB), which are also consequently associated companies in the meaning of Section 271 (2) of the German Commercial Code (HGB).

Please refer to the separate list of shareholdings for the information about shareholdings required pursuant to Section 285 No. 11 of the German Commercial Code (HGB).

RESPONSIBILITY STATEMENT AS OF DECEMBER 31, 2013

To the best of our knowledge, and in accordance with the applicable reporting principles, the annual financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the company, and the management report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal opportunities and risks associated with the expected development of the company.

Berlin, April 30, 2014
Senator Entertainment AG

Helge Sasse CEO	Markus Maximilian Sturm Management Board member

ANNEX (1) TO THE NOTES

Senator Entertainment AG
Schedule of changes in fixed assets 2013

	Acquisition and production costs				
in €	01.01.2013	Additions	Disposals	Transfers	**31.12.2013**
Intangible assets					
Film distribution rights	6,684,659	1,893,360	0	221,720	8,799,739
Licences	615,598	0	0	0	615,598
Purchased IT software	377,569	7,273	137,275	0	247,567
Advance payments rendered	282,220	0	0	-221,720	60,500
	7,960,046	**1,900,633**	**137,275**	**0**	**9,723,404**
Property, plant equipment					
Other plant, operating and office equipment	**813,445**	**11,360**	**241,592**	**0**	**583,213**
Financial assets					
Interests in affiliated companies	14,532,506	0	0	0	14,532,506
Loans to affiliated companies	2,000,000	0	0	0	2,000,000
Participating interests	3,155,394	0	0	0	3,155,394
Securities held as non-current assets	162,500	0	0	0	162,500
	19,850,400	**0**	**0**	**0**	**19,850,400**
	28,623,891	**1,911,993**	**378,867**	**0**	**30,157,017**

Cumulative depreciation, amortisation and write-downs				Carrying amounts	
01.01.2013	Additions	Disposals	**31.12.2013**	**31.12.2013**	31.12.2012 in T€
6,684,659	1,741,358	0	8,426,017	373,722	0
176,848	146,249	0	323,097	292,501	439
295,680	43,447	137,275	201,852	45,715	82
60,500	0	0	60,500	0	222
7,217,687	**1,931,054**	**137,275**	**9,011,466**	**711,938**	**743**
494,068	**72,692**	**224,470**	**342,290**	**240,923**	**319**
3,464,631	1,298,000	0	4,762,631	9,769,875	11,068
0	2,000,000	0	2,000,000	0	2,000
0	0	0	0	3,155,394	3,155
162,500	0	0	162,500	0	0
3,627,131	**3,298,000**	**0**	**6,925,131**	**12,925,269**	**16,223**
11,338,886	**5,301,746**	**361,745**	**16,278,887**	**13,878,130**	**17,285**

ANNEX (2) TO THE NOTES

Senator Entertainment AG
Shareholdings as of December 31, 2013

As of December 31, 2013, Senator held the following direct or indirect investments:

	Interest	Equity as of 31.12.2013	**Net result 2013**
Gesellschaft	in %	in T€	in T€
Senator Film Köln GmbH, Cologne	100.00	-112	12
Senator Film München GmbH, Munich	100.00	-12	0
Senator Film Produktion GmbH, Berlin[1]	100.00	792	0
Senator Film Verleih GmbH, Berlin[1]	100.00	8,900	0
Senator Finanzierungs- und Beteiligungs GmbH, Berlin	100.00	-19	-2
Senator Home Entertainment GmbH, Berlin[1]	100.00	25	0
Senator MovInvest GmbH, Berlin[1]	100.00	29	236
Eurofilm & Media Ltd., Killaloe, Ireland	100.00	-11,657	-12,229
Senator Film Austria GmbH, Wien, Austria	100.00	121	22
deutschfilm GmbH, Berlin	50.00	-2,205	-315
X Verleih AG, Berlin	31.38	3,980	1,260
Central Film Verleih GmbH, Berlin	50.00	212	67
Bavaria Pictures GmbH, Munich	25.00	-901	-75
Senator Film Babelsberg GmbH, Potsdam[4]	50.00	21	-1

[1] Profit and loss transfer agreement with Senator AG
[2] indirectly through Senator Film Verleih GmbH
[3] indirectly through Senator Film München GmbH
[4] indirectly through Senator Film Produktion GmbH

ANNEX (3) TO THE NOTES

Senator Entertainment AG
Statement of changes in equity
from January 1, 2013 to December 31, 2013

in T€	Subscribed share capital	Capital surplus	Other retained earnings	Balance sheet	**Total equity**
Balance as of January 1, 2012	**19,954**	**46,831**	**10**	**-53,400**	**13,395**
Capital increase	9,981	1,497	0	0	11,478
Net loss for the financial year	0	0	0	-7,686	-7,686
Balance as of December 31, 2012	**29,935**	**48,328**	**10**	**-61,086**	**17,187**
Balance as of January 1, 2013	**29,935**	**48,328**	**10**	**-61,086**	**17,187**
Net loss for the financial year	0	0	0	-24,526	-24,526
Balance as of December 31, 2013	**29,935**	**48,328**	**10**	**-85,612**	**-7,339**

Translation of the German audit opinion concerning the audit of the financial statements and management report prepared in German

AUDIT OPINION

We have issued the following opinion on the financial statements and management report:

“We have audited the annual financial statements, comprising the balance sheet, the income statement and the notes to the financial statements, together with the bookkeeping system, and the management report of Model Company, Location, for the fiscal year from 1 January to 31 December 2013 The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law [and the supplementary provisions of the partnership agreement/articles of incorporation and bylaws] are the responsibility of the Company‘s management. Our responsibility is to express an opinion on the annual financial statements, together with the bookkeeping system, and the management report based on our audit.

We conducted our audit of the annual financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the annual financial statements in accordance with German principles of proper accounting and in the management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the books and records, the annual financial statements and the management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the annual financial statements and management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the annual financial statements comply with the legal requirements and give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. The management report is consistent with the annual financial statements and as a whole provides a suitable view of the Company‘s position and suitably presents the opportunities and risks of future development

Without qualifying this opinion, we refer to the discussion in the sections “Risk report” and “Overall statement on the business and financial position of the Group and of Senator Entertainment AG” in the combined management report. There it is stated that the Group has already entered into obligations that may require a significant amount of liquidity. The management board believes that liquidity is secured based on current general company planning and taking into account measures already implemented in the restructuring plan. However, should the operating business fail to develop as well as expected, the Group’s ability to continue operating as a going concern from mid-2015 will depend on whether additional financing in the necessary amount can be secured.”

Berlin, 30 April 2014

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Glöckner	Schmidt
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

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