SENATOR
Entertainment AG

ANNUAL REPORT 2014

SENATOR
Entertainment AG

INDEX

1 TO OUR SHAREHOLDERS

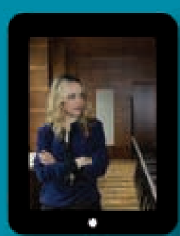
2 GROUP MANAGEMENT REPORT

3 CONSOLIDATED FINANCIAL STATEMENTS

4 CONSOLIDATED STATEMENTS OF THE AG


Von Bestsellerautor
John le Carré
Ein Film von
Anton Corbijn
A
MOST
WANTED
MAN
OSCAR® PREISTRÄGER PHILIP
SEYMOUR HOFFMAN
RACHEL
McADAMS
WILLEM
DAFOE
DANIEL
BRÜHL
ROBIN
UND WRIGHT


A
MOST
WANTED
MAN
12



1 TO OUR SHAREHOLDERS

LETTER TO THE SHAREHOLDERS

Dear shareholders,
Dear business partners,

Today, in the spring of 2015, Senator Entertainment AG has been completely realigned. We are delighted to have completed the business combination with our French partner Wild Bunch S.A. a few weeks ago. I would also like to take this opportunity to welcome my new management board colleagues to the Company. With their many years of experience they will make a major contribution towards the successful further development of our Group in a changing film market. Together, we are now focusing all of our efforts on bundling the competencies of our two organizations, thus further expanding our position as one of the leading independent filmed entertainment companies in Europe.

In the past fiscal year, the “old Senator” performed important restructuring measures that were announced here in April 2014. Above and beyond that, we have also reached a milestone in the strategic realignment of the Group with the Wild Bunch business combination.

As a result, 2014 was geared to the financial and strategic realignment and was as expected a transitional year. We have successfully implemented important recapitalization steps for Senator with capital measures. In this context, we have demanded a great deal of support you, our shareholders. We would like to take this opportunity to thank you for your trust and patience.

In the 2014 transitional year, at € 20.4 m, our revenue was down 25 % on the prior year. On the other hand, we were able to improve EBIT significantly from € -25.7 m to € -12.6 m, although this continues to be burdened by considerable non-recurring effects in connection with restructuring costs and impairment.

We are confident that your and our commitment in the past few months was worth it: The newly formed group operates in the most important European film markets in Germany, France, Italy, Spain and the UK. Our library of exploitation rights for films and series has been broadened to around 2,200 titles. This harbors enormous potential, which we plan on exploiting on the global markets.

The combination of our strong teams will support us in this. In this context, we are currently combining all of the Group's business in Germany under the umbrella of Wild Bunch Germany. At the same time, we aim to further strengthen our position as a pan-European player on both the film and capital markets. Building on this significantly broader base, we therefore see good prospects to position the Group as a sustainably profitable filmed entertainment company.

We will also follow the trend towards digitalization in the industry even more strongly in the future. The mobile consumption of films, series or videos is increasing rapidly, and at the same time, there is a current shift from traditional linear to on-demand TV consumption. We are already well positioned in this context with a proprietary VoD/SVoD platform in France. We also plan to expand our position on the market for high-quality TV series.

The various measures are expected to begin bearing fruit this year: We anticipate considerable growth in revenue for the new Group as a whole (including Wild Bunch and its subsidiaries from the time the transaction was completed). In the 2015 fiscal year, revenue is expected to grow by a factor of six to seven compared to 2014.

The operating result before special effects is to continue increasing significantly and is expected to be positive in the 2015 fiscal year. Additional integration costs from the business combination are expected as special effects this year. The management board plans to make its forecasts more precise over the remaining course of the year and with the continuing integration of Wild Bunch S.A.

We have already taken numerous important steps; an exciting journey certainly still lies ahead. Together, we aim to grow further in the coming months and years and defend our position as leading pan-European supplier on the global film market. We would be delighted if you continued to share this journey with us.

Kind regards from Berlin,

Max Sturm

REPORT OF THE SUPERVISORY BOARD

In the following, the supervisory board reports on its activities in fiscal year 2014, including the nature and extent of its activities to monitor the Company's management, discussions within the supervisory board, compliance with the provisions of the German Corporate Governance Code, the audit of the financial statements of Senator Entertainment AG and the Group, and personnel changes in the Company's governing bodies.

The supervisory board has a sufficient number of independent members in line with the recommendations of the German Corporate Governance Code.

Collaboration between the supervisory board and management board

In 2014, the supervisory board performed its functions and met its obligations in accordance with the law and the Company's articles of incorporation and bylaws. It continuously monitored the management board's management of the Company, and provided regular support with the management and strategic direction of the Company in an advisory capacity.

The supervisory board received regular, prompt and comprehensive reports (both written and verbal) from the management board. These reports contained all relevant information on the progress of business and the situation of the Group, including the risk situation and risk management. Discrepancies between the actual course of business and the ratified plans were presented, explained and discussed. The management board coordinated the Group's strategic direction with the supervisory board and consulted with it on all of the Company's important business transactions – including the Group's future strategic direction. The supervisory board was consulted on all decisions of fundamental importance to the Company.

The management board also reported to the supervisory board on the most important financial performance indicators, and submitted business transactions requiring the supervisory board's approval or that were particularly important to the supervisory board in good time for resolution. The management board also reported in detail to the supervisory board between meetings on special intentions and projects that were urgently necessary for the Company, and the supervisory board issued a written opinion if required to do so. The chairman of the supervisory board also received regular reports on the current state of business and important transactions at the Company outside the meetings of the supervisory board.

In addition to the activities described separately in this report, the supervisory board performed its monitoring function by receiving and discussing reports from the management board, employees and external auditors.

Meetings of the supervisory board

The supervisory board was convened sixteen times in 2014. All members of the supervisory board attended more than half of the meetings of the supervisory board in 2014.

Committees

The supervisory board has established the following committees in order to facilitate the efficient performance of its duties: audit and accounting committee.

The audit and accounting committee convened once in 2014.

Discussions within the supervisory board

The performance of the Group's and Company's revenue and earnings, the situation with respect to finance and liquidity, and the Group's strategic direction (including with respect to the acquisition of shares in other companies) were the subject of regular reports from the management board and discussions at meetings of the supervisory board. The meetings focused on the ongoing preservation of liquidity, structural measures and capital measures as well as specific questions associated with these issues such as the contents of a securities prospectus and the holding of shareholder meetings, personnel matters and the Company's merger with its French competitor Wild Bunch S.A. as well as details regarding the structuring of the merger.

The advice provided to the management board by the supervisory board centered around the transaction to acquire a 100 % share in Wild Bunch S.A. – which was tied to the implementation of restructuring measures – and specifically the requirements associated with implementation as well as the advantages and disadvantages of the merger and stand-alone scenarios. Another focus was on providing advice regarding the Company's overall financing, specifically by issuing a corporate bond as well as advice on alternative sources of (bank) financing. The advice provided also concentrated on the termination of the output agreement with the producer Relativity Media LLC in the US.

In addition to the topics already mentioned, the following subjects of discussion at the meetings of the supervisory board deserve particular mention:

› Advising the management board on providing notice in accordance with Sec. 92 AktG ["Aktiengesetz": German Stock Corporation Act] and convening the annual general meeting

› Discussion of procedure following a review of the annual financial statements for 2011 and 2012 and the identification of errors by the German Financial Reporting Enforcement Panel ["Deutsche Prüfstelle für Rechnungslegung e.V." (DPR)].

› Negotiation of a termination agreement with former CEO Helge Sasse.

› As a result of the departure of CEO Helge Sasse, advising the management board on the conclusion of a framework agreement for taking on the film productions initiated by Helge Sasse during his time as CEO of Senator with the company Tempest Film GmbH, established by Mr. Sasse.

› Advising the management board on the operating integration of Wild Bunch Germany GmbH and the consolidation of Wild Bunch S.A., including the question of timing and implementation and the plans drafted for the individual Senator entities and their employees.

Resolutions of the supervisory board

The supervisory board also passed resolutions outside its meetings, including in April 2014 on the corporate governance declaration of compliance and in September 2014 on its amendment, on the issue of partial collateralized debt obligations in June 2014, a resolution on the agenda for the extraordinary general meeting in July 2014 and consent to the implementation of capital measures in accordance with the resolutions of the extraordinary general meeting in October 2014.

Corporate governance

The supervisory board repeatedly addressed issues of corporate governance at the Company in its meetings. The management board and the supervisory board agreed to update the declaration of compliance with the German Corporate Governance Code, and issued the joint declaration of compliance pursuant to Sec. 161 AktG in April 2014. The declaration is permanently available for public inspection on Senator Entertainment AG's Internet page, together with earlier versions of the document. In it, the management board and supervisory board declare that the recommendations of the German Corporate Governance Code as of 26 May 2010 and 15 May 2012 have been complied with since the most recent declaration of compliance on 28 April 2013, and will continue to be, with the exceptions referred to in the declaration.

In both June 2014 and September 2014, the supervisory board updated the declaration of compliance with the German Corporate Governance Code.

The declaration of compliance dated 28 April 2013 provides information on compliance with the German Corporate Governance Code for the period prior to March 2014. The management board and supervisory board comment on corporate governance separately in the corporate governance report.

Comments pursuant to the German Act Implementing Takeover Guidelines

The supervisory board has examined the information provided in the management report of Senator Entertainment AG and the group management report in accordance with Secs. 289 (4) and 315 (4) HGB ["Handelsgesetzbuch": German Commercial Code], as well as the management board's comments in this respect. Please refer to the pertinent comments in the (group) management report. The supervisory board has examined and adopted the information and comments in question, and considers them to be complete.

Composition of the supervisory board

The following changes in the composition of the Company's supervisory board occurred in fiscal year 2014. Mr. Paolo Barbieri stepped down from the supervisory board on 5 March 2014. Mr. Robert Basil Hersov stepped down from the supervisory board on 29 May 2014. As a result, and at the instigation of the Company, Mr. Tarek Malak was appointed to succeed Mr. Robert Basil Hersov as a member of the supervisory board by a resolution of Charlottenburg local court dated 5 June 2014, and elected to the supervisory board by the extraordinary general meeting on 12 September 2014 in accordance with the provisions of the German Stock Corporation Act. Prof. Dr. Katja Nettesheim was elected to succeed Mr. Paolo Barbieri by the extraordinary general meeting on 12 September 2014 in accordance with the provisions of the German Stock Corporation Act. Dr. Thomas Middelhoff stepped down from the supervisory board on 18 December 2014.

Composition of the management board

The composition of the Company's management board changed in fiscal year 2014. Mr. Helge Sasse stepped down as CEO as of 20 June 2014. Mr. Markus Maximilian Sturm, who had previously been serving as the board member responsible for finance, assumed the function of CEO at that time. As a result, the management board only consisted of one person from when Mr. Helge Sasse stepped down until the end of the reporting year.

Audit of the financial statements of Senator Entertainment AG and the Group as of 31 December 2014

On 12 September 2014, Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, Berlin, was appointed by the extraordinary general meeting and engaged by the supervisory board as auditors for the fiscal year from 1 January 2014 to 31 December 2014, as auditors of the consolidated financial statements, and as auditors for the potential review of interim financial reports for the same fiscal year. The subject of the audit activities were the financial statements of Senator Entertainment AG and management report for fiscal year 2014, which were submitted by the management board and prepared in accordance with the provisions of HGB, and the consolidated financial statements and group management report for 2014, which were prepared in accordance with the standards issued by the International Accounting Standards Board (IASB) as well as the provisions of commercial law to be applied in accordance with Sec. 315a (1) HGB. Unqualified audit opinions were issued for the annual financial statements of Senator Entertainment AG and the consolidated financial statements.

The annual financial statements of Senator Entertainment AG and the management report, as well as the consolidated financial statements and group management report for fiscal year 2014, were submitted to all members of the supervisory board. They were the subject of the meeting of the supervisory board held on 27 April 2015, which was also attended by representatives of the auditors who were on hand to answer questions. The supervisory board acknowledged the result of the audit with approval. According to the conclusive findings of its own review, there were no objections to be raised. The supervisory board approved the financial statements, management report, consolidated financial statements and group management report prepared by the management board. This means that the financial statements for fiscal year 2014 have been ratified.

Following a very negative year in 2013, 2014 was characterized by fundamental changes. Financing, restructuring and streamlining measures were discussed and agreed on, with the changes at the company level being mainly personnel-related, financial and structural in nature while the focus at the shareholder level was on preparations for substantial and complex capital increases. The realignment of the Company as a result of the now completed merger with the much larger French company Wild Bunch S.A., and the associated expansion of the management board, mark a completely new chapter in Senator's history. At the operating level, the company's results for 2014 continue to suffer the consequences of past product decisions, and among other things the associated adjustments to the valuation of Senator Entertainment AG's film library. The basis of Senator's business will be completely different in the years ahead as a pan-European player.

The management board implemented the recovery plan using suitable measures, particularly in the field of financing. In the course of the merger, this also resulted in the reduction of the workforce. The supervisory board was heavily involved and supported the restructuring measures introduced by the management board in both a monitoring and an advisory capacity.

Review of the dependent company report prepared by the management board

Due to the investment of SWB Entertainment Investment B.V., Schipol, Netherlands, of 66 % (31 December 2014: 61.95 %) in the Company, Senator Entertainment AG is a company dependent on one individual shareholder. There is no domination and/or profit and loss transfer agreement in place.

Pursuant to Sec. 312 AktG ["Aktiengesetz": German Stock Corporation Act], the management board of Senator Entertainment AG as a result prepared a dependent company report for the 2014 fiscal year. The management board submitted the dependent company report to the supervisory board within the prescribed period.

The Company's auditors reviewed the dependent company report and issued the following audit opinion:

"Based on the results of our audit, the dependent company report does not give rise to any reservations. We have therefore issued the following audit opinion:

Based on our audit and assessment, which were carried out in accordance with professional standards, we confirm that

› the factual statements made in the report are correct

› the payments made by the Company in connection with transactions detailed in the report were not unreasonably high or any disadvantages have been offset,

› there are no circumstances that would require a materially different assessment of the measures listed in the report than that of the management board.

Berlin, 27 April 2015

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Glöckner	Schmidt
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]"

The auditor submitted the review report to the supervisory board. The dependent company report and the review report thereon were made available to all supervisory board members in good time.

In their meeting on 27 April 2015, the supervisory board members discussed the dependent company report in detail with the members of the management board. The auditor, who also took part in the meeting, reported on the audit and the significant audit findings. The supervisory board members have come to the conclusion that the review report complied with legal requirements. As part of its own review, the supervisory board did not find any evidence suggesting inaccuracies or incompleteness or any other discrepancies. The supervisory board approved the findings of the auditor's review of the dependent company report. According to the final conclusion of the supervisory board's review of the dependent company report, there were no objections to the declaration by the management board on the dependent company report.

The supervisory board would like to thank the management board, managers and employees for their high levels of motivation and their tremendous individual efforts in a challenging environment.

The supervisory board

Berlin, 30 April 2015

Dr. Andreas Pres
Chairman

CORPORATE GOVERNANCE REPORT

In the following report, the management board and supervisory board report on the corporate governance of the Senator Entertainment AG in accordance with no. 3.10 of the German Corporate Governance Code (GCGC).

Senator Entertainment AG with registered offices in Berlin is subject to the provisions of German stock corporation and capital market law as well as the provisions contained in the articles of incorporation and bylaws. With the two bodies, the management board and the supervisory board, the Company has a two-tiered management and oversight structure. In addition, there is the annual general meeting at which the owners of the Company take part in decisions of fundamental significance for the Company. Together, these three bodies are committed to safeguarding the shareholders' and the Company's interests.

1. The management board

The management board runs the Company and manages its business. It is bound to act in the interest of the Company and to increase its long-term value. The management board is appointed by the supervisory board. The supervisory board has set an age limit of 75 years for members of the management board. The selection is made with a focus on the knowledge, abilities and technical experience needed to fulfill their duties as members of the management board.

After Mr. Helge Sasse stepped down from his office as management board member with effect as of 20 June 2014, the management board comprised one member, Mr. Markus Maximilian Sturm. From 5 February 2015, the management board has four members, Mr. Vincent Grimond (CEO), Mr. Brahim Chioua (COO), Mr. Markus Maximilian Sturm (CFO) and Mr. Vincent Maraval (CCO).

Further information is available at
http://www.senator.de/en/companygroup/der-konzern

The management board develops the Company's strategy, consults with the supervisory board on this and ensures that it is implemented. In addition, it ensures appropriate risk management and risk controlling as well as compliance within the organization and regular, timely and comprehensive reporting to the supervisory board. The business plans and potential deviations from these are regularly described and explained to the supervisory board in detail. Certain management board transactions and measures are subject to the approval of the supervisory board.

The management board discloses any conflicts of interest that might arise immediately to the supervisory board. Significant transactions of management board members or related parties, e.g., taking up secondary employment outside of the Company, are also subject to the approval of the supervisory board.

A D&O insurance policy with a deductible has been taken for the management board.

2. The supervisory board

The following supervisory board members have stepped down since the last corporate governance report:

Mr. Robert Basil Hersov stepped down with effect as of 29 May 2014

Dr. Thomas Middelhoff stepped down with effect as of 18 December 2014

The following persons were appointed to the supervisory board since the last corporate governance report:

By resolution of the Charlottenburg local court, Mr. Tarek Malak was appointed to succeed the supervisory board member Mr. Robert Basil Hersov as of 5 June 2014. The appointment was approved by the extraordinary general meeting on 12 September 2014.

Professor Dr. Katja Nettesheim was elected to succeed the supervisory board member Mr. Paolo Barbieri by the extraordinary general meeting on 12 September 2014.

Currently, the supervisory board is composed of five members and one representative (further information is available at http://www.senator.de/en/companygroup/der-konzern#board).

All members are elected by the annual general meeting in accordance with the provisions of the AktG ["Aktiengesetz": German Stock Corporation Act].

The age limit for members of the supervisory board is set at 75 years. The selection is made with a focus on the knowledge, abilities and technical experience needed to fulfill their duties.

Against the backdrop of the Company's operating activities and the international nature of its business, a supervisory board of six members aims to include:

- at least two supervisory board members with professional experience in the media sector, ideally in the film industry
- at least one member that is primarily employed outside Germany
- at least two independent members as set forth in no. 5.4.2 of the GCGC
- at least one female member as of year-end 2016
- no members that exceed the age limit of 75 years

All of these aims have been fulfilled with the exception of a member that is primarily employed outside of Germany. The supervisory board intends to take this criterion into consideration when exercising its right to propose a new candidate for the supervisory board.

The supervisory board advises the management board in their managerial activities and monitors the management's compliance with the law, articles of incorporation and bylaws and rules of procedure. It works closely with the management board in the interest of the Company and is involved in all decisions of fundamental significance. It appoints and exonerates members of the management board and concludes the remuneration system for the management board and calculates the remuneration of the individual members.

The supervisory board has an audit committee and an investment committee. The supervisory board's rules of procedure contain a catalog of management board transactions subject to the approval of the supervisory board.

The supervisory board constantly monitors efficiency and performance, both with respect to the board as a whole and as regards individual members and the management board. The supervisory board is satisfied that (a) the organization and work flows are structured in an efficient manner and performance is at the highest of standards and (b) the composition of the supervisory board is structured in such a way that the experience, know-how and specialist knowledge of the members reflect the required efficiency criteria.

3. Annual general meeting

The shareholders exercise their rights in the annual general meeting, where they also exercise their voting rights. Each share carries one vote.

The annual general meeting typically takes place annually in the first eight months of the fiscal year. The annual general meeting's agenda including resolutions proposed by management and the reports and documents required for the annual general meeting are made available on the Company's website. They can also be sent by post if requested.

The Company offers its shareholders the option of being represented at the annual general meeting by a proxy appointed by the Company with authorization to cast votes.

Additional information on corporate governance at Senator

The combined number of shares held in the Company by all members of the management board and the supervisory board is itemized in note 47 in the notes to the consolidated financial statements.

Detailed information on the activities of the supervisory board and the collaboration of the supervisory board and the management board is included in the report of the supervisory board.

Berlin, April 2015
SENATOR Entertainment AG

The management board
The supervisory board

THE SHARE

Share price performance (January 2, 2014 – April 22, 2015)*

* Adjusted for capital measures

Key data

Wertpapierkennnummer (German Securities Code)	A13SXB
ISIN	DE000A13SXB0
Ticker symbol	SMNK
Trading segment	Regulated Market (General Standard)
Type of shares	No par value ordinary bearer shares
Share capital (since 27. Februar 2015)	74.330.015
Initial listing	February 25. 2008
Market cap (April 22. 2015)*	€ 188.8 m

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

The development of the Senator share was significantly impacted in the course of the year by various restructuring and capital measures, above all by the capital decrease at a ratio of 4:1 as well as the subsequent capital increases.

Senator Entertainment AG also implemented a further capital measure after the end of the reporting period. The planned business combination with Wild Bunch S.A. was completed on 5 February 2015 with a non-cash capital increase and the contribution of all shares. As of that date, the total number of voting rights stands at 74,330,015. The share price rose as a result considerably and is now quoted around € 2.50. The market capitalization of the now significantly larger Group now comes to € 180m.

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

Capital measures

In the course of the financial and strategic realignment, Senator Entertainment AG implemented various capital measures in 2014 and the current fiscal year. These served both the restructuring as well as the completion of the business combination with Wild Bunch S.A.

After the Company's share capital was completely exhausted by the high net loss for the Group for 2013 and the share price fell below the nominal value (€ 1.00), a simplified capital decrease at a ratio of 4:1 was initially performed. As a result, Senator Entertainment AG's share capital was reduced from € 29,945,424 to € 7,486,356.00. Share capital was then increased again to € 14,392,612 by means of a subsequent cash contribution by issuing 6,908,671 new shares with a nominal value of € 1.00 per share at an issue price of € 2.36 per share.

As a next step, a non-cash capital increase by means of a debt-to-equity swap resulted in a further increase in share capital. This involved offering holders of debt securities under the 2011/2016 bond the option of exchanging them for a total of 4,229,237 shares in the Company for a subscription price of € 2.36 per new share. This offer was accepted by about 96 % of all bond holders, as a result of which the share capital rose by a further € 4,062,200 to € 18,454,812.

Due to the non-cash capital increase as part of the acquisition of all shares in Wild Bunch S.A., share capital was increased significantly again to the current amount of € 74,330,015.

Financial calendar 2015

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


MICHAEL DOUGLAS
DIANE KEATON
EIN FILM VON ROB REINER
DAS GRENZT AN LIEBE
DIE NEUE KOMÖDIE NACH
WIE BEIM ERSTEN MAL UND WAS DAS HERZ BEGEHRT
FSK
ab
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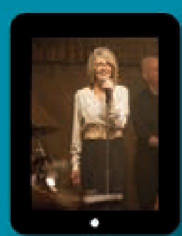
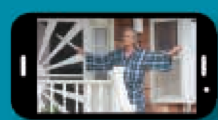
freigegeben
SENATOR





2 GROUP MANAGE-MENT REPORT

COMBINED MANAGEMENT REPORT FOR THE COMPANY AND THE GROUP FOR FISCAL YEAR 2014

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 business development as well as its results of operations, net assets and financial position are based on the consolidated financial statements prepared on the basis of International Financial Reporting Standards (IFRSs), as applicable in the EU. The comments about the business development and results of operations, net assets and financial position of Senator AG relate to the Company's separate financial statements prepared on the basis of the HGB ["Handelsgesetzbuch": German Commercial Code].

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

The comments mainly relate to Senator Entertainment AG as of the reporting date of 31 December 2014. Additional explanations are provided for recent developments at various points in order to provide a better understanding of the underlying issues. All significant changes that took place within the Group after the reporting date are also detailed in the report on subsequent events.

1. FUNDAMENTAL INFORMATION ABOUT THE GROUP

1.1. Group business model

1.1.1. Business activities

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

The primary core business is supplied not only by the development and implementation of projects realized by Senator film productions, but also by the acquisition of film rights from Europe and the US. The special aspect of the Senator Group lies in its deliberate selection of film projects that combine high cinematic standards with commercial appeal.

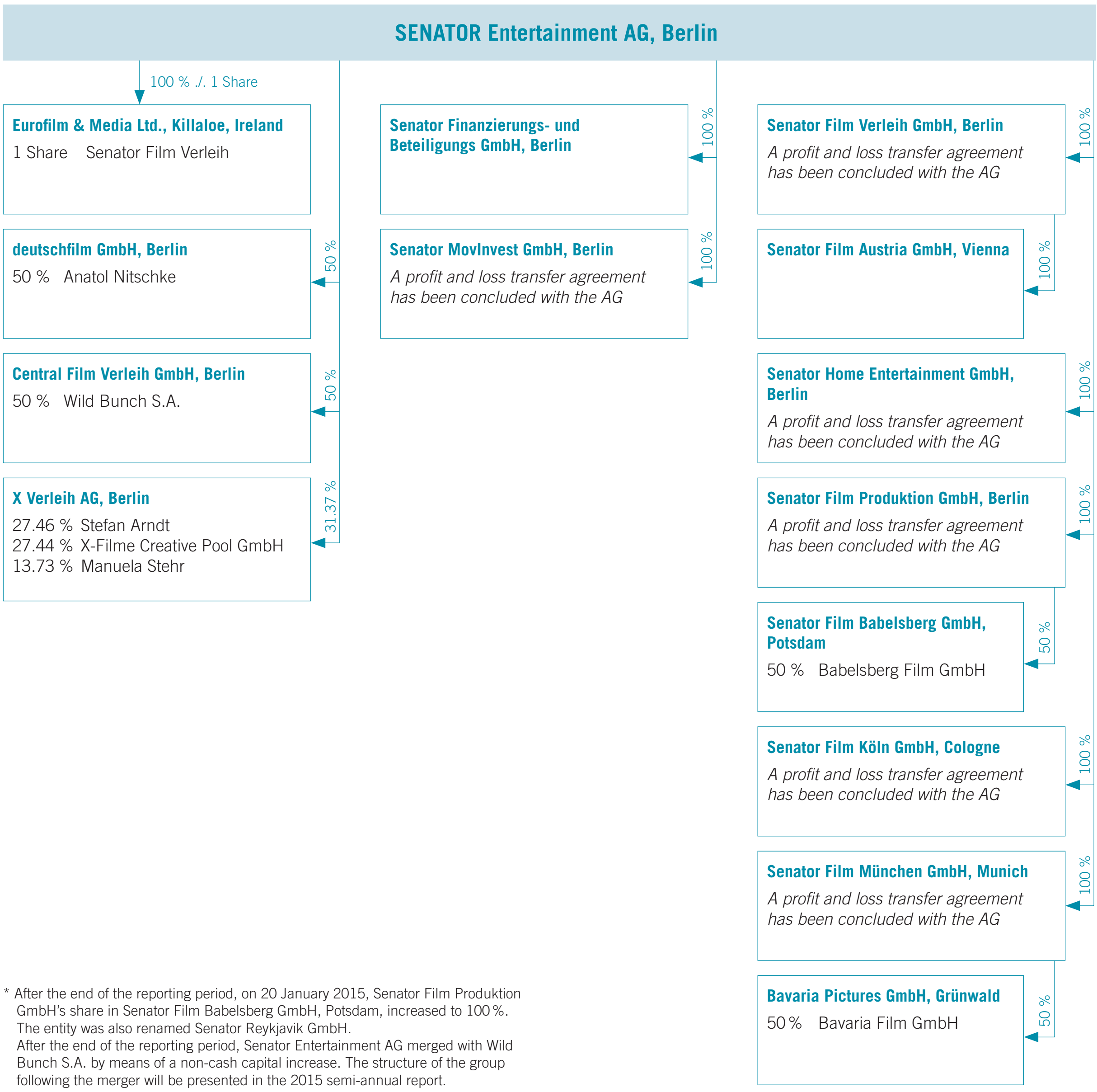
As of 31 December 2014, Senator had a rights library comprising around 390 (prior year: 385) film and series titles covering highly varied genres and subjects. At the end of the exploitation chain, film distribution rights transfer to the constantly growing library allowing further income to be generated from the exploitation of rights in the medium and long term.

Effective 5 February 2015, Senator Entertainment AG merged with the French Wild Bunch S.A. (Wild Bunch). The aims of this merger included putting the Company's business on a more international footing, taking advantage of synergies and the bundling of expertise, gaining more power on the market and positioning the Company as a pan-European player on both the film and capital markets. The new Group has a presence in the most important European film markets (Germany, France, Italy, Spain) and has a rights library comprising around 2200 films and series, most of which can be marketed internationally via all distribution channels.

1.1.2. Group structure and segments

As of 31 December 2014, 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 operate in the market as producers and co-producers of feature films in their own right. Other group companies acquire licenses 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 others, being responsible for group financing, for example. The diagram below presents the group structure in detail.



* After the end of the reporting period, on 20 January 2015, Senator Film Produktion GmbH's share in Senator Film Babelsberg GmbH, Potsdam, increased to 100 %. The entity was also renamed Senator Reykjavik GmbH.
After the end of the reporting period, Senator Entertainment AG merged with Wild Bunch S.A. by means of a non-cash capital increase. The structure of the group following the merger will be presented in the 2015 semi-annual report.

1.1.3. Personnel changes on the management board and supervisory board

Helge Sasse stood down as CEO of Senator Entertainment AG on 20 June 2014, and left the Company on 30 June 2014 after serving as its CEO for more than eight years. As the only management board member, Markus Maximilian Sturm was acting CEO from 21 June 2014 until 5 February 2015 – the day of the merger between Senator Entertainment AG and Wild Bunch S.A. Since 5 February 2015, the management board of Senator Entertainment AG consists of Vincent Grimond (Chief Executive Officer), Vincent Maraval (Chief Content Officer), Brahim Chioua (Chief Operating Officer) and Markus Maximilian Sturm (Chief Financial Officer).

Since Paolo Barbieri of Luxembourg, Luxembourg stood down from office on 5 March 2014, the supervisory board only consists of five members until the extraordinary general meeting on 12 September 2014.

Robert Basil Hersov of London, UK, also stood down from the supervisory board as of 29 May 2014. In response to an application from the Company, Charlottenburg local court appointed Mr. Tarek Malak of Berlin to succeed Mr. Robert Basil Hersov as a member of the supervisory board by means of a resolution dated 5 June 2014. At the extraordinary general meeting on 12 September 2014, Mr. Malak was elected onto the supervisory board for the rest of the departing member Robert Basil Hersov's term of office, i.e., until the end of the annual general meeting that passes the resolution on exoneration for fiscal year 2015.

At the extraordinary general meeting on 12 September 2014, Prof. Dr. Katja Nettesheim was also elected onto the supervisory board for the rest of the departing member Paolo Barbieri's term of office, i.e., until the end of the annual general meeting that passes the resolution on exoneration for fiscal year 2015.

Dr. Thomas Middelhof of Bielefeld stood down from the supervisory board on 18 December 2014. At present, the management board has five members in total.

1.1.4. Employees

The Senator Group employed an average of 45 staff in the reporting year, excluding trainees and interns. This represents a fall of 8.2 % compared with the prior year (49 staff). On average, the Group employed 28.5 (prior year: 32) women and 16.5 (prior year: 17) men. As of 31 December 2014, Senator's staff had been employed for an average of six years (prior year: five years).

1.1.5. Research and development

The Senator Group does not have any research and development activities in the narrow sense of the term. As a result, no research and development expenses are incurred.

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 audience, user and customer research is of great significance for Senator (please also refer to the comments on market research and development in the report on the economic position).

2. REPORT ON ECONOMIC POSITION

2.1. Macroeconomic and sector-specific environment

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 the Group.

According to the assessment of the European Commission, the delayed implementation of economic policy reforms and growing geopolitical uncertainty led to modest economic growth in 2014. GDP is reported to have risen by 1.3 % in the EU as a whole and 0.8 % in the eurozone over the past year. Experts are forecasting moderate growth of 1.3 % for the eurozone in 2015, which they then expect to rise to 1.9 % from 2016. The European Commission expects Germany's economy to grow by 1.5 % this year and 2.0 % in 2016.[1]

The German economy has managed to overcome the weakness seen in recent years. GDP rose 1.5 % in real terms in 2014 – stronger than in the prior year and also above the average for the last ten years (1.2 %). The rate of growth was much lower in the last two years (2013: 0.1 % and 2012: 0.4 %).[2] This was due in part to the positive climate for consumption, which was supported by the favorable outlook for income and employment as well as falling energy prices.[3]

Despite the continuation of the European Central Bank's policy of low interest rates, the rate of inflation in Germany fell from 1.5 % in 2013 to 0.9 % in 2014.[4] The ECB reduced its base interest rate in two stages in 2014 (to 0.15 % in June and 0.05 % in September) in order to provide a boost to the stagnating economy of the eurozone.[5] The consumer climate index calculated by Gesellschaft für Konsumforschung (GfK), on the other hand, hit a 13-year high of 9.3 points in January 2015[6] (January 2014: 7.7 points).[7] GfK attributes this to the positive outlook for the economy and incomes, as well as an increased readiness to purchase goods. Reduced expenditure on fuel, for example, led to an increase in disposable incomes and left consumers with more money for other purchases. Consumers see low energy prices as an important economic indicator, and therefore consider the economy to be on the ascent again, GfK goes on to write.[8]

The number of unemployed people in Germany averaged 2.9 million in 2014 – a decline of 52,000 in comparison to the prior year.[9] The unemployment rate stood at 7 % in January 2015, down 0.3 percentage points in comparison to January 2014.[10]

2.1.2. Sector-specific environment

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 spending generally reacts faster to fluctuations in economic growth than consumer spending, for instance in the cinema or home entertainment area.

[1] European Commission, Winter Forecast 2015, 5 February 2015
[2] German Federal Statistical Office (DESTATIS), press release, 15 January 2015
[3] Deutsche Bundesbank, Monthly Report for January 2015
[4] German Federal Statistical Office (DESTATIS), Consumer Price Index, https://www.destatis.de/DE/ZahlenFakten/GesamtwirtschaftUmwelt/Preise/Verbraucherpreisindizes/Tabellen_/VerbraucherpreiseKategorien.html?cms_gtp=145114_list%253D2%2526145110_slot%253D2&https=1
[5] European Central Bank, Key ECB interest rates, https://www.ecb.europa.eu/stats/monetary/rates/html/index.en.html
[6] GfK, press release, 28 January 2015
[7] GfK, press release, 29 January 2014
[8] GfK, press release, 28 January 2015
[9] German Federal Employment Agency, press release, 7 January 2015, http://www.arbeitsagentur.de/web/content/DE/Presse/Presseinformationen/ArbeitsundAusbildungsmarkt/Detail/index.htm?dfContentId=L6019022DSTBAI716019
[10] German Federal Statistical Office (DESTATIS), Employment Market, https://www.destatis.de/DE/ZahlenFakten/Indikatoren/Konjunkturindikatoren/Arbeitsmarkt/arb210.html

In line with last year's economic recovery in Germany, auditors PwC calculated that the entertainment and media sector generated revenue of around € 66.3 b, according to a recently published market study for 2014 (2013: € 65.1 b). The experts also expect the revenue generated by the sector to continue growing in the future, with total revenue of € 71.1 b projected for 2018. This corresponds to average annual growth of 1.8 %. Disproportionately strong growth is also expected in the field of online advertising, where revenue is expected to rise by an average of 6.1 % each year over the next four years. According to an online study conducted by the ARD/ZDF broadcasting organizations in 2014, 79 % of all German households have an internet connection (prior year: 77 %), and this figure is set to continue rising.[11] The Senator Group aims to benefit from this growth through expanding marketing via video-on-demand (VoD) channels that are making up an ever larger share of revenue within the home entertainment sector. In this context, the Group is not only benefiting from the improved connection of households to the internet, but also the improved equipment of households with VoD-compatible receiver technology.[12]

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

The year 2014 closed with a significant decline of 3.4 % in the cinema sector. Germany's cinemas generated revenue of around € 981 m in 2014, down from € 1,016 m in 2013. In a ten-year comparison with 2004 (€ 886 m), cinema revenues rose 10.7 % despite a 23.4 % fall in attendance during the same period.[13] This was due to the growing digitalization and success of 3D cinema, which caused average ticket prices to rise. Germany's cinemas recorded a total of 121.7 million visitors in 2014, a year-on-year decline of 6.2 % (129.7 million visitors).[14]

German films recorded their second-highest market share ever in 2014. With a market share of 26.7 % (prior year: 26.2 %), German cinema productions achieved their second-best result since 2009 (27.4 %). A total of 32.1 million cinemagoers went to see German films. Eight German films passed the one million mark for cinema audiences.[15]

The first three places in the German cinema charts in 2014 were occupied by the films THE HOBBIT: THE BATTLE OF THE FIVE ARMIES (USA, 4.7 million visitors), THE HUNGER GAMES – MOCKINGJAY PART 1 (USA, 4.4 million visitors) and MONSIEUR CLAUDE AND HIS DAUGHTERS (F, 3.1 million visitors). The best German film was THE PHYSICIAN (D, 2.6 million visitors), which ranked fifth.[16]

HOME ENTERTAINMENT

With revenue of € 1,642 m in 2014, the German video sector fell slightly short of the all-time record of € 1,723 m achieved in 2013, according to the latest data recorded by GfK Panel Services Deutschland on behalf of the German Federal Film Board (FFA). The revenue generated by the video buying market (€ 1,370 m) was 5 % below the figure for the prior year (€ 1,445 m), while the rental business only contracted by 2 %.

Revenue from the sale of DVDs fell from € 984 m in 2013 to € 899 m – a decline of 9 %. Blu-ray only lost one percentage point during the same period, with revenue of € 405 m. The EST (Electronic Sell-Through) digital purchasing market experienced a very positive trend, with revenue rising 29 % to € 67 m (2013: € 52 m).[17]

In the video rental market as well, the revenue generated from DVDs fell 16 % to € 132 m (2013: € 158 m). The rental of Blu-rays, on the other hand, rose by 6 % year-on-year in 2014, from € 53 m to € 56 m. The strongest growth was seen in the digital lending format "TVoD" (Transactional Video on Demand), which grew by 21 %. Revenue in this sector rose from € 68 m in 2013 to € 83 m in 2014.[18]

[11] ARD/ZDF 2014 online study, press release, 5 September 2014
[12] PWC – German Entertainment and Media Outlook 2014–2018, October 2014
[13] PWC – German Entertainment and Media Outlook 2014-2018, October 2014
[14] German Federal Film Board (FFA), press release, 9 February 2015, http://www.ffa.de/index.php?page=presse_detail&news=1209
[15] German Federal Film Board (FFA), press release, 9 February 2015, http://www.ffa.de/index.php?page=presse_detail&news=1209
[16] German Federal Film Board (FFA), Info Compact 2014, 9 February 2015
[17] German Audio-Visual Media Association (BVV), press release, 12 February 2015
[18] German Audio-Visual Media Association (BVV), press release, 12 February 2015

TV

Despite strong competition, the attractiveness of the TV market lies in the overall high level of television viewing. In 2013 and 2014, the average daily viewing period per person in Germany amounted to 221 minutes.[19] The marketing of TV film licenses nevertheless remains challenging. There are many TV stations offering programs of all types – whether for free or charged, via cable or satellite, or as IP TV 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 productions – 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 shows, series and proprietary productions. Demand for feature films has weakened accordingly. A further factor is that high-end productions (which are a focus of Senator's portfolio) are not suitable for all TV station formats. The market environment in the TV area is therefore to be regarded as challenging.

2.2. Course of business

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. Revenue metrics and the share of profit/loss attributable to shareholders comprise the key control parameters within the Senator Group in this context. The key indicators of operating profit (EBIT), earnings before interest, tax, depreciation, amortization and impairment losses (EBITDA) and net debt (cash and cash equivalents less financial liabilities) are also regularly calculated to control and steer the operating segments.

Key indicator	Value in €k in 2014	Value in €k in 2013
Revenue	20,395	27,072
Share of profit/ loss attributable to shareholders	–14,793	–27,381
EBIT	–12,589	–25,694
EBITDA	–1,054	–4,948
Net debt	–9,253	–13,195

NON-FINANCIAL PERFORMANCE INDICATORS AND SUCCESS 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.

Box office figures

In the Senator Group's "Distribution" segment, box office business that a film generates is one of the decisive factors, as cinema success generally also affects the subsequent exploitation 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 gaged only to 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 box office figures. In the fiscal year, this planning uncertainty was reflected in the box office figures for Senator films of 2.7 million (prior year: about 2.5 million). In the year 2014 as a whole, due to the aforementioned reason as well as rescheduling and changes in programming, viewing figures fell short of both the original target of 4.6 million viewers and the adjusted forecast in the 2014 semi-annual report of just under 4.0 million viewers.

[19] AGF in collaboration with GfK, TV Scope, 1 January 2014 to 31 December 2014

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 experienced screenplay writers, directors and producers both in Germany and abroad who have significant 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 utilization behavior and the shift toward the utilization of cross-platform offerings. The recruitment, promotion and retention 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, are also 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.

Market research and development

The gathering 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 the respective sectors segments and to changes in customer behavior, 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 specialized companies. In the market research area, these are MediaConsult, Rentrak and the German Federal Film Board (FFA). In the home entertainment area, it is 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, proprietary productions are subject to public testing in the context of screenings. Awareness figures are also collected for current cinema launches in order to assess the impact of marketing activities for the respective film, and to optimize 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 proprietary products.

2.2.2. 2014 business trends

2014 TARGETS: COMPARISON OF ACTUAL VERSUS PROJECTED VALUES

Senator Entertainment AG failed to meet most of the targets set in the 2013 annual report. The financial performance indicators are explained and the extent to which they were achieved is assessed in the following:

› At around € 20.4 m, the consolidated revenue of the Senator Group was below the forecast of between € 25 m and € 30 m. This was in particular due to the drop in revenue in the “Distribution” core segment as a result of film releases being rescheduled and changes to programs.

› Investments in acquiring licenses from third-party productions as well as in proprietary and co-productions were slightly above the forecast of € 15 m to € 17 m, coming to a total of € 17.7 m. This includes not only films that are already being distributed but also those that are to be released in the current year.

› At approximately € 13.3 m, release costs were in line with planning.

- Restructuring costs were expected to be in the low to mid single-digit million euro range. The amount was to depend on the scope of and the timing of implementing the planned restructuring measures. Any expenses for potential strategic investments were also not taken into account here. In the fiscal year 2014, restructuring costs came to a total of € 5.9 m, € 3.3 m of which was recognized directly in equity, thus roughly on a level with the forecast.
- At around € –12.6 m, earnings before interest and taxes (EBIT) fell short of the target set. Here, the management board had expected negative EBIT in the low single-digit million euro range. This development can be explained by restructuring costs and the unplanned expenses for strategic investments, particularly in connection with the merger with Wild Bunch S.A., Paris, as well as additional non-recurring effects such as write-downs on film assets.

RESTRUCTURING AND MERGER WITH WILD BUNCH S.A.

In addition to the continuation of operating activities in the "Film production" and "Distribution" segments as described below, fiscal year 2014 was marked by financial and strategic restructuring for Senator Entertainment AG. Various capital measures were used to streamline the Company while also preparing for the merger with Wild Bunch S.A. in France, which was completed in February 2015.

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. Senator Film München GmbH, 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 fiscal year 2013, also operates in film production and acquisition.

A total of three proprietary productions/co-productions premiered in German cinemas in 2014: DER KOCH based on Martin Suter's bestseller, including Jessica Schwarz in one of the principal roles, the comedy MISS SIXTY, and DIE GELIEBTEN SCHWESTERN. DIE GELIEBTEN SCHWESTERN by Dominik Graf was Senator's most successful co-production of the year, with more than 250,000 tickets sold. It was also chosen by an independent panel from among 17 submitted German productions to represent Germany in the competition for the 87th Oscar® for the best foreign-language feature-length film.

Production of the drama EIN ATEM, which is being directed by Christian Zübert, started on schedule in the fall of 2014. The feature, which is being filmed in Frankfurt and Athens, is scheduled to debut in cinemas in the summer of 2015.

The Film Production segment generated revenue of € 478 k in fiscal year 2014 – slightly more than in the prior year (2013: € 225 k).

DISTRIBUTION

The Distribution segment, which is of material importance to the Senator Group, fell short of management's expectations and the results achieved in the prior year in fiscal year 2014.

Cinema

With roughly 2.7 million cinemagoers, the Company fell short of both its original target for 2014 (4.6 million cinemagoers) and its revised forecast for just under four million cinemagoers issued half-way through the year. This was mainly due to the much lower number of film releases than originally planned. In 2014, for example, only 18 productions made it into cinemas instead of 28. A total of five new launches, including THE BEST OF ME (cinema release date: 8 January 2015), SAMBA (cinema release date: 26 February 2015) and DESSAU DANCERS (anticipated cinema release date: 16 April 2015), were postponed until the current fiscal year

2015. The decision was made not to release a further six productions in cinemas, while one release originally planned for 2015 was brought forward to the fourth quarter of 2014.

The Senator Group's most popular films in 2014 included FREEBIRDS with a total cinema audience of about 520,000 in Germany and Austria, PETTERSSON & FINDUS – KLEINER QUÄLGEIST, GROSSE FREUNDSCHAFT with almost 650,000 tickets sold and A MOST WANTED MAN, which was seen by about 270,000 cinemagoers.

In 2014, the Senator Group generated a total of € 8,172 k from cinema releases, compared with € 7,323 k in 2013.

TV

Following a strong TV business in 2013 with revenue of € 5,521 k, in 2014 the revenue in this segment was substantially below the prior-year figure at € 2,436 k.

Home entertainment (video)

In its Home Entertainment area, the Senator Group published 27 titles over the past fiscal year. A total of 40 films were published in this area in the prior year. Of these, 24 titles were new publications and three were re-releases of older titles. Five titles were released directly on video and Blu-ray without previously being distributed to cinemas. Revenue totaling € 8,639 k was generated from exploitation in this segment in 2014. Although slightly above expectations, this still represents a significant decline of 36.4 % in comparison to the same period in the prior year (2013: € 13,579).

Overall, viewer interest fell significantly short of forecasts in the Distribution segment. With € 19,814 k of revenue, the segment generated less revenue than in the prior year (€ 26,746 k). In addition to the disappointing viewing figures in the cinema segment, this was also partly due to the postponement of TV sales.

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

2.3.1. Group results of operations

In fiscal year 2014, the Senator Group generated € 20,395 k of revenue on the basis of IFRS accounting. This represents a decline of 24.7 % compared with the prior year's € 27,072 k. This fall was mainly due to lower TV and video revenue in comparison to the prior year, especially during the first half of 2014.

An examination of the individual segments shows that the decline in group revenue is chiefly attributable to the largest segment, "Distribution", which generated revenue of € 19,813 k (prior year: € 26,746 k). The two other segments "Film production" and "Other" contributed € 478 k (prior year: € 225 k) and € 104 k (prior year: € 101 k) respectively to revenue. Within the "Distribution" segment, revenue was attributable to the three largest divisions as follows: cinema € 8,172 k (prior year: € 7,323 k), TV € 2,436 k (prior year: € 5,521 k) and video € 8,639 k (prior year: € 13,579 k).

Other operating income rose from € 1,116 k in the prior year to € 2,690 k. This mainly arises from the reversal of provisions in connection with a settlement reached with a licensor in the second quarter of the fiscal year. Own work capitalized decreased from € 2,457 k to € 1,792 k, reflecting a lower level of activity in the field of proprietary productions.

The cost of purchased services, which is linked in part to the Group's earnings, came to € 15,941 k in fiscal year 2014, down from € 23,965 k in the prior year. They comprise costs including the release costs for films, costs for marketing and producing DVDs/Blu-rays, licensor fees and expenses for other profit participations. The resulting fall in the cost of materials came to 33.5 %, a far higher percentage decrease than that in revenue. This can be attributed to higher licensing costs in the prior year, especially in connection with the film "THE INTOUCHABLES". As a result of the fall in expenses, the ratio of cost of materials to revenue improved significantly from 88.5 % in the prior year to 78.2 %. Personnel expenses rose from € 3,164 k to € 4,623 k, mainly due to severance payments amounting to € 700 k for the former board member Helge Sasse. The item also includes newly created provisions for severance payments and restructuring measures that were implemented in the first four months of the fiscal year 2015.

At € 11,535 k in fiscal year 2014, the amortization of film exploitation rights was lower than in the prior year (prior year: € 20,746 k), due in part to lower write-downs on film exploitation rights as well as a reduction in the TV sales of upscale cinema films.

Other operating expenses fell significantly year-on-year. While provisions for potential losses and the impairment of receivables resulted in expenses totaling € 8,464 k in the prior year, in fiscal year 2014 the same expenses amounted to € 5,368 k. Other operating expenses were particularly influenced by advisory costs and transaction costs in connection with restructuring that could not be offset against equity.

EBITDA improved from € –4,948 k to € –1,054 k in fiscal year 2014 thanks to lower costs and former non-recurring costs, although the figure is still under the influence of increased expenses as a result of the initiated restructuring measures. Restructuring expenses totaled € 5,942 k (prior year: € 0 k). Due to the reduced amortization of intangible assets, EBIT rose from € –25,694 k to € –12,589 k in fiscal year 2014.

The reduced financial result of € –2,278 k (prior year: € –1,679 k) was mainly due to an increase in interest expenses as a result of issuing a short-term bond in order to improve the Company's liquidity. Lower interest income and a negative currency result also had a negative impact on the financial result.

Overall, this led to Group earnings before taxes (EBT) of € –14,867 k, up from a net loss of € –27,373 k in the prior year. As a result of the loss situation, tax expenses were minimal, as a result of which the Group generated a net loss for the year of € 14,869 k in fiscal year 2014 (prior year: net loss of € 27,381 k). Based on an average total of 8,465,836 shares outstanding, this corresponds to a loss per share (basic/diluted) of € –1.75 (prior year: € –3.66 based on a total of 7,483,941 shares outstanding).

Key Group financials

in € k	**2014**	2013*	Change
Revenue	20,395	27,072	–6,677
EBITDA	–1,054	–4,948	3,894
EBIT	–12,589	–25,693	13,104
EBT	–14,867	–27,373	12,506
Group net profit/loss	–14,869	–27,381	12,512
EPS (€)	–1.75	–3.66	1.91

* In order to ensure comparability of the figures, EPS was restated for the fiscal year 2013 as a result of the capital reduction in 2014.

2.3.2. Segment results of operations

The following table shows the results of operations by segment:

	Production		Distribution		Other		Total	
In € k	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
Segment revenue	2,106	941	25,063	29,863	104	101	27,273	30,905
Intersegment revenue	–1,628	–716	–5,250	–3,117	0	0	–6,878	–3,833
Revenue = allocable income	478	225	19,813	26,746	104	101	20,395	27,072
Own work capitalized	1,792	2,457	0	0	0	0	1,792	2,457
Allocable expenses								
Amortization and depreciation	–2,442	–1,219	–8,867	–19,258	–146	–146	–11,455	–20,623
thereof impairment	*–16*	*–782*	*–5,811*	*–10,022*	*0*	*0*	*–5,827*	*–10,804*
Exploitation and production cost	–1,903	–2,303	–14,033	–21,661	–5	0	–15,941	–23,964
Personnel expenses	–151	–267	–1,837	–1,243	0	0	–1,988	–1,510
Total	–4,496	–3,789	–24,737	–42,162	–151	–146	–29,384	–46,097
Net gain/loss	–2,226	–1,107	–4,924	–15,416	–47	–45	–7,197	–16,568
Non-allocable income and expenses								
Other operating income							2,690	1,116
Personnel expenses							–2,635	–1,654
Amortization, depreciation and impairment							–79	–123
Other operating expenses							–5,368	–8,464
							–12,589	–25,693
Other interest and similar income							22	139
Interest and similar expenses							–2,580	–1,327
Profit/loss from associates accounted for using the equity method							337	332
Impairment losses on investments and on securities classified as current assets							0	–912
Currency result							–57	88
Result from ordinary activities							**–14,868**	**–27,373**

2.3.3. Group net assets

The Group's total assets rose from € 27,821 k to € 37,965 k as of the reporting date 31 December 2014. On the equity and liabilities side, this was mainly due to the financial restructuring measures carried out, and especially the issuance of a short-term bond with a nominal volume of € 10,000 k. On the assets side, the Group in turn invested in new film projects as planned.

There was a corresponding increase in non-current assets from € 14,666 k to € 20,327 k. This increase primarily consists of acquired film exploitation rights that will be exploited during the next few months and years and therefore represent an important source of future revenue. The item also includes prepayments made for film rights that have not yet been supplied and projects in production that are capitalized in full until they are exploited. A total of around € 17,700 k (prior year: € 12,600 k) was invested in new film projects in fiscal year 2014, including "THE BEST OF ME", "SAMBA", "MANDELA", "DER KLEINE MEDICUS" and "PRIDE". This was offset by amortization of intangible assets amounting to € 11,469 k (prior year: € 20,645 k). Overall, the statement of financial position item for intangible assets increased from € 10,771 k as of 31 December 2013 to € 16,460 k at the end of fiscal year 2014. Property, plant and equipment fell from € 306 k to € 225 k as a result of depreciation. Financial assets as a component of non-current assets rose marginally from € 3,589 k to € 3,643 k.

Current assets amounted to € 17,638 k as of the reporting date (31 December 2013: € 13,155 k). This increase was mainly due to a € 6,603 k increase in cash and cash equivalents, which was offset by a € 3,043 k reduction in trade receivables. Trade receivables amounted to € 3,623 k as of the reporting date (31 December 2013: € 6,666 k). Cash and cash equivalents rose to € 9,053 k (31 December 2013: € 2,450 k), mainly as a result of the successful cash capital increase.

The restructuring measures decided on by the extraordinary general meeting held on 12 September 2014 and subsequently implemented resulted in significant changes to the equity and liabilities side of the statement of financial position. Issued capital fell from € 29,935,765 on the reporting date for the prior year to € 18,454,812 as of 31 December 2014. While the issued capital was initially reduced to € 7,483,941 by means of a simplified capital reduction at a ratio of 4:1, it was increased again to € 14,392,612 by means of a subsequent cash contribution by issuing 6,908,671 new shares with a nominal value of € 1.00 at an issue price of € 2.36. As a next step, a non-cash capital increase by means of a debt-to-equity swap resulted in a further increase in share capital. This involved offering holders of debt securities under the 2011/2016 bond the option of exchanging them for a total of 4,229,237 shares in the company for a subscription price of € 2.36 per new share. This offer was accepted by about 96 % of all bond holders, as a result of which the share capital rose by a further € 4,062,200 to € 18,454,812.

As a result of the 4:1 capital reduction described above, the accumulated loss of € 87,698 k as of the prior-year reporting date was reduced to € 31,679 k, taking the group net loss for the year of € –14,869 k into account. In total, as a result of the capital increases described, the equity reported in the statement of financial position improved to € –3,668 k as of the end of fiscal year 2014 (31 December 2013: € –11,439 k). This corresponded to an equity ratio of –9.7 % (31 December 2013: –41.1 %). We refer in this context to the report on subsequent events and the merger with Wild Bunch S.A. after the reporting date described there, as a result of which the equity of the new entity improved significantly after the reporting date.

Liabilities rose slightly in comparison to 31 December 2013, from € 39,260 k to € 41,633 k. Total non-current liabilities fell from € 10,169 k to € 1,217 k as of 31 December 2014 as a result of the debt-to-equity swap. Current liabilities rose from € 29,091 k to € 40,416 k. Among other things, this can be attributed to an increase in current financial liabilities to € 17,406 k (prior-year reporting date: € 5,868 k), which includes the nominal value of € 10,000,000 for the bond issued during the year.

The Group's total net debt was reduced from € 13,195 k to € 9,253 k, due in no small part to the implementation of the debt-to-equity swap. Trade payables rose from € 6,344 k to € 9,189 k due to the high consulting services in connection with the capital measures that were incurred in the fourth quarter of the year and had not yet been settled as of the reporting date. In comparison to 31 December 2013, other provisions mainly fell as a result of the utilization and reversal of licensor provisions after a settlement was reached. Prepayments received came to € 6,249 k (prior-year reporting date: € 4,432 k). These mainly consist of a prepayment received from a distribution partner (Universum Film GmbH) in the DVD sector.

2.3.4. Group financial position

The Senator Group's cash flow from operating activities stood at € –3 k in the 2014 fiscal year. This represents a decrease compared to the prior year (€ 4,461 k) despite a considerably improved net loss for the year. This development is attributable to lower amortization and depreciation with an effect on cash, net reversal of provisions as well as other non-cash expenses.

The cash flow from investing activities came to € –17,491 k in the reporting period (prior year: € –8,169 k), € 17,748 k (prior year: € 12,602 k) of which the Company invested in film exploitation rights that will be exploited over the next few years in the individual value added stages. Of this amount, € 15,142 k was invested in the "Distribution" segment (prior year: € 12,057 k). The remaining € 2,615 k related to the "Production" and "Other" segments (prior year: € 570 k).

At € 24,097 k, the cash flow from financing activities developed particularly positively (prior year: € 2,468 k), which primarily relates to the cash received from capital increase of € 16,304 k (prior year: € 0 k) and net new borrowing of loans of € 11,044 k (prior year: € 2,468 k).

As of 31 December 2014, the Company had unused credit lines of € 3,373 k (prior year: € 5,765 k).

The Group's cash and cash equivalents rose from € 2,450 k as of 31 December 2013 to currently € 9,053 k due to the capital measures implemented.

For the further development of the Senator Group, the Group has already entered into obligations that will require a significant amount of liquidity. Based on current company planning, the Company assumes it will continue as a going concern and that it is able to finance corporate growth.

PRINCIPLES AND GOALS OF FINANCIAL MANAGEMENT

Senator Entertainment AG's financial management is organized centrally at group level. The Group applies value-based financing principles in order to ensure liquidity at all times and minimize financial risks. It also aims to maintain a balanced maturities profile.

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's revenue fell sharply in comparison to the prior year, from € 2,802 k to € 127 k on fiscal year 2014. The revenue generated in 2013 was much higher on account of the acquisition and exploitation of the film rights for the title SIDE EFFECTS. In 2014, other operating income at € 1,745 k remained roughly on a par with the prior year (€ 1,749 k), and includes intercompany allocations owed to Senator Entertainment AG for its services as a holding company in the field of administration and financing.

Cost of materials fell in comparison to the prior year as a result of the significant decline in revenue. The total cost of materials came to € 56 k for fiscal year 2014 (prior year: € 1,172 k). This figure was also influenced in the prior year by expenses for the production of the title SIDE EFFECTS. This was also one of the reasons why the amortization of intangible assets and depreciation of property, plant and equipment fell from € 2,004 k to € 519 k. As in the prior year, this item also includes straight-line amortization of music rights.

Excluding board members, Senator Entertainment AG employed an average of 16 staff during fiscal year 2014 (prior year: 16). Long-serving CEO Helge Sasse left Senator Entertainment AG in 2014, as a result of which former CFO Markus Maximilian Sturm took charge of the company as its sole board member. Personnel expenses rose from € 1,646 k to € 2,617 k due to severance payments for Mr. Sasse (€ 700 k) and the recognition of provisions in connection with restructuring (€ 210 k).

Other operating expenses rose sharply year-on-year by € 6,344 k to their current level of € 7,954 k. These include costs for the capital measures implemented as well as costs for the operating business such as rental expenses, costs for the annual general meeting and the supervisory board as well as travel expenses and other administrative costs.

Impairments of current assets in the fiscal year 2014 were again attributable to receivables from the investee deutschfilm GmbH, Berlin, (€ 156 k; prior year; € 2,421 k) as well as receivables from the Irish subsidiary Eurofilm & Media Ltd., Killaloe, Ireland (€ 3,139 k; prior year: € 5,097 k).

Income from equity investments fell from € 657 k to € 314 k, and stemmed from a payout from the associate X-Verleih AG, Berlin. Senator Entertainment AG has concluded profit transfer agreements with various subsidiaries, although this also imposes an obligation on the Company to absorb any losses they may generate. This resulted in loss absorption expenses amounting to € 7,510 k (prior year: € 11,603 k) due to the recognition of various extraordinary impairment charges by the subsidiaries. The largest items were € 6,314 k for Senator Film Verleih GmbH, Berlin, € 757 k for Senator Film München GmbH, Munich and € 362 k for Senator Film Produktion GmbH based in 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 € 939 k in fiscal year 2014 (prior year: € 787 k) while interest and similar expenses came to € 3,059 k (prior year: € 1,342 k).

Especially due to the one-off expenses for the AG and its equity investments, a result from ordinary activities (EBT) and a net loss of € –21,737 k was incurred in fiscal year 2014 (prior year: net loss of € –24,526 k).

2.4.2. Net assets and financial position of Senator Entertainment AG

The total assets of Senator Entertainment AG rose sharply as of the reporting date of 31 December 2014, due in particular to the wide range of restructuring and financing measures. They amounted to € 26,922 k, up from € 18,897 k as of 31 December 2013. Non-current assets were down slightly on the prior year at € 13,347 k (31 December 2013: € 13,878 k) due to the depreciation of property, plant and equipment and amortization of intangible assets. Non-current assets comprise intangible assets (primarily music and film rights) amounting to € 245 k (31 December 2013: € 712 k), property, plant and equipment amounting to € 176 k (prior year: € 241 k) and financial assets (mainly consisting of shares in affiliates and associates) amounting to € 12,925 k (prior year: € 12,925 k).

Current assets rose sharply from € 4,757 k to € 13,191 k. This was due to an increase in receivables from affiliates as well as an increase in cash and cash equivalents as a result of the capital measures implemented. As of 31 December 2014, receivables from affiliates totaled € 4,546 k (31 December 2013: € 1,761 k). Together with significantly reduced trade receivables of € 26 k (31 December 2013: € 359 k) and other assets, receivables and other assets totaled € 6,114 k as of 31 December 2014 (31 December 2013: € 3,434 k). Cash and cash equivalents rose to € 7,060 k as of the end of the fiscal year (31 December 2013: € 1,306 k) due to the capital measures implemented.

Senator Entertainment AG's share capital was completely exhausted in fiscal year 2013. This prompted the management board to draw up a recovery concept that was presented to shareholders at the annual general meeting. The various capital measures proposed – including a capital reduction based at a ratio of 4:1 and subsequent capital increases – were ratified by shareholders at the extraordinary general meeting on 12 September 2014 and subsequently implemented. As a result, the Company's reported equity as of 31 December 2014 improved significantly, although it was still negative as of the end of the fiscal year at € –3,184 k after € –7,338 k as of 31 December 2013.

A special item for investment subsidies, which the Company uses to disclose subsidies from the "Improving regional commercial infrastructure" program, fell from € 348 k in the prior year to € 282 k as a result of its reversal. Provisions amounted to € 636 k at the end of the fiscal year (prior year: € 574 k), and included provisions for outstanding invoices, auditing costs, vacation and restructuring provisions.

Senator Entertainment AG's liabilities rose 15.3 % as of 31 December 2014, from € 25,313 k to € 29,188 k. While the bonds are now reported with a slightly higher value of € 11,065 k (31 December 2013: € 10,118 k), rises were seen in liabilities to affiliates and trade payables in particular. Liabilities to affiliates rose from € 14,683 k to € 15,808 k (mainly due to the profit transfer agreements already in place and the obligation to absorb losses), while trade payables rose from € 423 k as of 31 December 2013 to their current level of € 2,092 k for reasons relating to the reporting date.

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

For Senator Entertainment AG, the 2014 fiscal year was characterized by various capital measures, the financial restructuring of the Group as well as securing the merger with the French company, Wild Bunch S.A. At the same time, the Company continued to drive forward operating activities, e.g., the production and distribution of films in the areas of cinema, TV and home entertainment, as planned. At € 20,395 k, revenue was below the prior-year figure (€ 27,072 k). This was due to a lower than planned number of cinema releases, modest box office figures and the postponement of TV projects. EBIT totaled € –12,589 k and improved significantly on the prior year (€ –25,694 k) primarily on account of significantly lower amortization of intangible assets.

On 5 February 2015, Senator Entertainment AG acquired the French company Wild Bunch S.A. (see report on subsequent events). The new Senator Group is now significantly larger, is aligned internationally with activities in Germany, France, Italy and Spain and can distribute their growing library of around 2,200 films and series via all channels in numerous countries.

In light of this, the management board views the business development of both the Group and the Company to be positive. The Company is well-positioned to achieve additional synergies and take advantage of the growth potential of the market.

3. SUBSEQUENT EVENTS

Information about and effects of transactions of particular significance after the reporting date

TERMINATION OF THE OUTPUT AGREEMENT WITH RELATIVITY

On 5 January 2015, Eurofilm & Media Ltd. or "Eurofilm", based in Ireland, exercised its contractual right to prematurely terminate the output agreement that had been in place with the US-based producer RML-Distribution International LLC or "Relativity" since 2011. As a result of exercising this right of termination, Eurofilm no longer has the exclusive right or obligation to distribute Relativity's future film productions in German-speaking European countries via Senator, or make the associated guarantee payments, from 1 February 2015.

ACQUISITION OF WILD BUNCH S.A.

Upon entry of the non-cash capital increase in the commercial register on 5 February 2015, Senator AG, Berlin, acquired 100 % of the shares in Wild Bunch S.A., Paris, France ("Wild Bunch S.A."), a European film distribution company. Wild Bunch S.A.'s share capital amounts to € 187,750.00 and is divided into 18,775 no-par value shares with a nominal value of € 10.00. One share is held by Wild Bunch S.A. itself. The acquisition was performed as a non-cash capital increase. At the extraordinary general meeting of 12 September 2014, the shareholders of Senator AG approved the contribution of all shares in Wild Bunch S.A. in exclusion of subscription rights by issuing 55,872,788 new Senator AG shares. The new shares were provided and listed on 6 February 2015 following the entry of the non-cash capital increase in the commercial register on 5 February 2015. The shares issued in the course of the capital increase were exclusively issued to owners of Wild Bunch S.A., mainly to Vincent Grimond, Brahim Chioua, Vincent Maraval, Alain de la Mata and SWB Entertainment Investment B.V. (formerly: Sapinda Entertainment Investment B.V.).

With the performance of a non-cash capital increase, the Company completed the first large step in implementing the internationalization strategy of Senator AG. At European level, Wild Bunch S.A. is one of the leading film distribution companies with more than a dozen subsidiaries, in France, Italy, Spain and Germany, among others. With the acquisition of Wild Bunch S.A., the Company expects to achieve the strategically necessary company size, purchasing and market power in order to generate consistent proceeds from film distribution on the aimed-at broader and less volatile basis.

Pursuant to International Financial Reporting Standards (IFRSs), Senator AG's acquisition of Wild Bunch S.A. by way of a non-cash capital increase through the issue of new Senator AG shares in return for the contribution of shares to Wild Bunch S.A. fulfills the criteria of a reverse acquisition as the owners of Wild Bunch S.A. receive the majority voting rights in the combined entity following the business combination and Wild Bunch S.A. is significantly greater than that of Senator AG with respect to business value, assets, revenue or profit. As a result, in the business combination of Senator AG and Wild Bunch S.A., Wild Bunch S.A. (legal acquiree) is therefore considered to be the economic acquirer of Senator AG (legal acquirer) for accounting purposes.

ACQUISITION OF SENATOR FILM BABELSBERG GMBH

With effect as of 20 January 2015, Senator Film Produktion GmbH increased its shareholding in the associate Senator Film Babelsberg GmbH from 50% to 100%. The purchase price amounted to € 12,500.

PERSONNEL CHANGES TO THE MANAGEMENT BOARD

The previous members of management of Wild Bunch S.A. were appointed as management board members of Senator AG on 5 February 2015; whereby Vincent Grimond serves as CEO (Chief Executive Officer), Vincent Maraval as CCO (Chief Content Officer) and Brahim Chioua as COO (Chief Operating Officer) in the newly formed management board.

REFINANCING OF THE CURRENT BOND 2014

On 24 March 2015, Senator AG successfully placed a bond offer in a private placement. Institutional investors issued bonds with a term of 12 months for a total nominal amount of around € 11.8m. The proceeds serve to secure liquidity, repay existing liabilities and finance operating activities until the comprehensive realignment of the financing structure of the much larger group since the business combination with Wild Bunch S.A. has been implemented.

REPAYMENT OF THE 8% BOND 2011/2016

On 27 March 2015, Senator AG publicly announced the termination and repayment of the entire remaining 8% bond 2011/2016 as of the interest payment date of 29 April 2015.

There were no other events after the reporting date which could have a material influence on the net assets, financial position and results of operations of the Senator Group.

4. REPORT ON FORECAST, OPPORTUNITIES AND RISKS

4.1. Forecast report

4.1.1. Trends in the market environment

GERMANY

According to estimates by advisory firm PwC, Germany's entertainment and media industry will see steady growth in the years ahead, which will be driven in particular by the growth of the digital exploitation of independently produced or acquired content and licenses. Cinema tickets and video sales will continue to generate the greatest proportion of revenue on the exploitation market in Germany. Overall, PwC sees this segment increasing at annual growth rates of around 2.6 %, boosting the 2013 market volume of € 2.86 b to € 3.25 b by 2018. This growth is to stem mainly from gradual growth in cinema revenue, including through higher average ticket prices, reflecting, for instance, an increasing number of 3D cinemas. As many as 14 % of cinemagoers cited the existence of a 3D version as their reason for going to the cinema in 2013[20], and 22.3 % of the films viewed in German cinemas in 2014 were 3D titles (prior year: 24.4 %).[21]

Both PwC and the market research institution GfK forecast much stronger rates of growth for video-on-demand (VoD) services. The average annual growth of revenue in the digital market is expected to stand at 28.1 % by 2018. This would mean that the digital sales and distribution market would already account for almost 20 % of the entire home entertainment market in 2018.[22]

The sale of film licenses remains challenging in the free TV segment, particularly because 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. Non-linear TV is also on the rise. According to PwC's estimates, TV revenue in Germany is set to rise by 2.0 % each year, from about € 12.95 b in 2013 to approximately € 14.32 b in 2018. At the same time, revenue from subscription and pay TV services is outperforming the market with average annual growth of 4.2 %. This revenue is set to make up more than a third of all TV revenue by 2018. The strongest demand in Germany is still for TV series, and high-quality TV series and viewer involvement (social TV) are enjoying increasing popularity among audiences.[23]

INTERNATIONAL

Thanks to the merger with Wild Bunch, the Group as a whole can now enjoy much stronger growth on international markets. PwC also sees considerable potential in this area: According to a current study, the total revenue on the global film market is expected to exceed the US$ 100 b mark in 2017 for the first time. Both in the developed regions such as the US, Europe and Japan as well as up-and-coming film markets such as China, growth would remain high.

Notwithstanding the continuing increase in cinema revenue, which also remains the main source of income according to forecasts in 2018, the significant increase in the electronic consumption of video-on-demand offerings is particularly noticeable, growing annually by an average of around 20 %. According to PwC estimates, this area is expected to replace the sale and distribution of physical film mediums (DVDs and Blu-Rays) as the second largest revenue driver as early as 2018. Revenue worldwide of more than $ 30 b is expected to be generated through streaming platforms and the sale of digital content.[24]

[20] PricewaterhouseCoopers (PwC), German Entertainment and Media Outlook: 2014–2018, October 2014
[21] German Federal Film Board (FFA), press release, 9 February 2015, http://www.ffa.de/index.php?page=presse_detail&news=1209
[22] PricewaterhouseCoopers (PwC), German Entertainment and Media Outlook: 2014–2018, October 2014
[23] PricewaterhouseCoopers (PwC), German Entertainment and Media Outlook: 2014–2018, October 2014
[24] PricewaterhouseCoopers (PwC), Global Entertainment and Media Outlook: 2014–2018, October 2014

4.1.2. Group orientation in FY 2015

With the completion of the merger between Senator Entertainment AG and the French company Wild Bunch S.A. in February 2015, the Group's focus is shifting from a primarily national film distribution company to a European one with operations in the major film markets of Germany, France, Italy and Spain as well as a significant presence in the area of global distribution. While the focus for the weeks and months ahead will mainly be on realizing synergies (including by combining the operating activities of Senator and Wild Bunch Germany), in the medium term the Group hopes to position itself as one of Europe's leading independent film distributors.

In addition to increasing its penetration of existing markets, part of the Group's growth strategy involves developing new ones. Specifically, the Group's activities on its core markets are to be expanded by reinforcing its competitive position and increasing the marketing of content via digital channels. The FilmoTV VoD/SVoD platform is currently used in France, but this form of film distribution will also be possible in other countries in the medium term. In this way, Senator is following the trend towards digitalization, the mobile consumption of content and the shift from traditional linear to on-demand TV consumption. Senator is also planning to expand its position on the market for high-quality TV series for marketing. There is a dedicated department based in Paris responsible for this business segment.

The business model successfully established in the Group's core markets is also to be expanded to include other European markets in the medium term. This could also involve taking advantage of partnerships and further acquisitions.

4.1.3. Expected development of the Senator Group

The business activities of the Senator Group were extended with the takeover of the considerably larger company, Wild Bunch S.A. In particular, a significantly higher number of films and series can now be offered in additional markets. From the group perspective, this will result in higher income and earnings as well as, more importantly, to a unique market position in Europe, not only in terms of size and geographic reach, but also in terms of the resulting film library.

Based on the fiscal 2014 figures (prior to consolidation of Wild Bunch S.A. and its subsidiaries), the management board anticipates considerable growth in revenue for the new Group as a whole (including Wild Bunch S.A. and its subsidiaries from the time the transaction was completed). In the 2015 fiscal year, revenue is expected to grow by a factor of six to seven compared to 2014. In order to achieve this increase in revenue, the investment volume will also increase significantly.

The challenge in 2015 will be combining the two groups and realizing the associated synergy effects. Non-recurring integration and merger costs, which have yet to be calculated in detail, will also arise from the combination process. Despite these effects, the management board also anticipates a significant increase in the operating result compared to 2014 for the Senator Group. This is expected to be positive in the 2015 fiscal year. The management board plans to make its forecasts more precise over the remaining course of the year and with the continuing integration of Wild Bunch S.A.

4.1.4. Overall statement by the management board about the Group's development

The Senator Group has grown considerably on account of the merger with Wild Bunch S.A. and internationalized its business activities in the process. Building on this significantly broader base, the management board sees good prospects to position the Group as a sustainably profitable company in the film market.

4.2. Risk report

The success of the Senator Group depends on various risks whose probability of occurrence and effects on the net assets, financial position and results of operations can be gaged only with difficulty, and which the Senator Group can only influence to a certain degree, if at all.

4.2.1. Regulatory risks

STATUTORY FRAMEWORK, LEGAL PRECEDENT AND PUBLIC-SECTOR REGULATORY INTERVENTION

The revised version of the German Film Subsidy Act (FFG) that has been valid since 1 January 2014, was approved by the Lower House of the German Parliament on 12 June 2013 and by the Upper House on 5 July 2013. The new version of this act is valid for three years, instead of the previously customary 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 digitalization of older films in the list of tasks of the German Federal Film Board (FFA).

The German Federal Constitutional Court confirmed the constitutionality of the German Film Subsidy Act on 28 January 2014. Among other things, the German Film Subsidy Act stipulates that film subsidies are to be paid as levies by cinema film exploiters according to certain criteria. The plaintiffs argued that such levies are not spread equally between sub-sectors (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 had ruled that the German Film Subsidy Act is impermissible, this would have effectively called into question German film subsidies in their entirety. The positive decision has now eliminated that risk.

In 2012, the German government provided around € 30m for the production of German films through subsidy programs and awards. It also provided € 70m for the German Federal Film Fund (DFFF), which reimburses up to 20% of producers' film production costs. The German government's 2014 budget reduces the contribution to the DFFF to € 60m, and the 2015 budget provides for a further reduction to € 50m. 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 subsidized films according to the German Film Subsidy Act (12 months after cinema launches for pay-TV, 18 months on free-to-view TV).

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 subsidized 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 subsidized 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 film production areas.

The Senator Group monitors the relevant rulings and maintains contact with official and political decision-makers in order to reduce its regulatory risks.

4.2.2. Market and business risks

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

The business model of the Senator Group depends on successfully gaging customer taste, serving consumers' utilization behavior, and responding quickly to changes. The Group mainly monitors the following factors in this context:

- Advancing digitalization combined with growth in additional offerings and distribution spaces is feeding through to constant change in media utilization behavior.
- Due to the rising supply of non-linear offerings (e.g., online mediatheques, video-on-demand offerings and Internet video channels), consumers are increasingly relinquishing the utilization of linear TV stations with predetermined programming content in favor of the self-determined utilization 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 user behavior 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 achieve correspondingly planned revenue.

Senator endeavors to anticipate future trends through targeted market research and utilization analyses. In the film area, product attractiveness is boosted by developing programs and materials in keeping with target groups. The impact of piracy is reduced through the rigorous 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 works, 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.

As a buyer of film rights, a distributor of rights, and a trader in licenses, 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 will attempt to occupy the product market served by the Company. As these rival companies command greater financial power, the risk exists that crowding-out competition will prove 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 or even declining slightly. Group planning imputes various market shares and visitor figures, as well as revenues from the other distribution steps that are of relevance for expected revenue. If such assumptions are not realized, it may also prove impossible to reach the budgeted revenue level. Greater competition to acquire cinema visitors, or for revenue 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 limited exploitation window and dependency on a limited number of products. In the past, economic crises have frequently negatively affected demand in individual exploitation steps, and consequently represent a risk factor. Especially in the cinema area, revenue 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 costly and associated with corresponding financial risk. The period between the initial idea and the final marketing step can last for several years. Production costs for an average German film have ranged between € 2.5 m and € 7.5 m in the past, with international productions costing many times more.

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 realize major international projects if significant sales successes could 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 endeavors to work together with renowned and experienced production partners that have the corresponding expertise in cinema film production, and demonstrate the requisite reliability.

FILM PURCHASING RISKS

In the license 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 license payment to be paid) and a qualitative risk (attractiveness of the film for distribution) also exist for film purchasing.

The purchase approval process established by the Senator Group has a risk-mitigating effect in this particular context. Statistically-based purchasing calculations are also deployed in this context to help boost forecasting quality. The Company also endeavors to additionally reduce the risk of film purchasing at the time of purchasing through pre-sales of TV licenses and DVD revenue advances.

In addition, the Senator Group endeavors to develop and realize a sufficient number of proprietary 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 licenses of high-quality third-party productions that exhibit acceptable risk-return relationships.

RISKS ASSOCIATED WITH THE CONCLUSION OF OUTPUT AGREEMENTS

The Relativity Media output agreement between Relativity and Eurofilm & Media Ltd., a wholly-owned subsidiary of Senator AG, includes a significantly higher risk for Eurofilm compared to the customary individual film exploitation agreements. The risk lies in the nature of output agreements that pose a significantly higher risk compared to the customary individual film exploitation agreements. If the profit contributions of these films fail to meet expectations, it may result in a considerable divergence from earnings forecasts and additional financing may have to be secured. The output agreement was terminated prematurely on 5 January 2015. As a result, Eurofilm no longer has the exclusive right or obligation to distribute Relativity's future film productions in German-speaking European countries via Senator, or make the associated guarantee payments, from 1 February 2015.

DEPENDENCE ON SUBSIDIES

The Senator Group partially finances German proprietary productions and co-productions, as well as production costs, through subsidies granted by subsidizing institutions. An unfavorable 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 pay-outs and utilization are not complied with. An infringement of such regulations can entail an obligation to repay the corresponding subsidies.

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 guarantee 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 this risk, the Senator Group endeavors to offer an attractive working environment, compensation commensurate 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 misappropriation of corporate data or the manipulation of the IT infrastructure could negatively affect business operations and consequently earnings.

Risks relating to unauthorized 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 counteract obsolescence.

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 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.

The Senator Group had no liquidity issues as of the reporting date. The Company nevertheless endeavors to maintain and expand its market position, for which considerable financial cash and cash equivalents are needed to be able to market the acquired film rights accordingly. If expected earnings contributions from these acquisitions fail to develop as planned and the operating activities of the subsidiaries fall considerably short of expectations, the Company's ability to continue as a going concern from the end of the first quarter of 2016 would depend on whether additional financing in the necessary amount can be secured. Due to the financing agreements in place as of the reporting date, we do not expect any liquidity-related threat to the Company's ability to continue as a going concern based on conservative earnings and liquidity planning.

IMPAIRMENT OF ASSETS

As of the reporting 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 information available at any given time.

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.

CURRENCY RISKS

Currency risks exist particularly in relation to the US dollar. Most of the film rights purchased on international film markets are paid for in US dollars. The revenue from the exploitation of the rights is mostly generated in euros, on the other hand. 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 endeavors to reduce currency risks by 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 will prove sufficient, and the Senator Group cannot guarantee that exchange rate fluctuations will not negatively affect its earnings.

CREDIT 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 by obtaining credit ratings.

Default on receivables by customers could negatively affect earnings.

INTEREST RATE CHANGES

Interest rate fluctuation risks primarily relate to financial liabilities. The Senator Group currently has variable-interest, short-term financial liabilities. 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 unprotected from 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 in some cases.

Risks arising from changes to the interest rates for financial liabilities can negatively affect earnings.

OBLIGATIONS TO ABSORB LOSSES

Senator Entertainment AG is exposed to risks in connection with the profit and loss transfer agreements in place with Senator Film Verleih GmbH, Senator Film Produktion GmbH, Senator Home Entertainment GmbH, Senator Film München GmbH, Senator Film Köln GmbH and Senator MovInvest GmbH, which require it to absorb any losses incurred by said companies. Senator's obligation to absorb any losses that are incurred can have a significant negative impact on Senator's net assets, financial position and results of operations as well as its ability to continue as a going concern, especially if such obligations to absorb losses are incurred cumulatively.

In the opinion of the Company, the profit and loss transfer agreements in place between the Company and Senator Film Verleih GmbH, Senator Film Produktion GmbH, Senator Home Entertainment GmbH, Senator Film München GmbH, Senator Film Köln GmbH and Senator MovInvest GmbH have been effectively concluded, and have thus far and will in future be executed in a way that achieves the effect of fiscal unity for the purposes of corporate income tax and trade tax. The tax authorities have acted accordingly thus far. However, there is no guarantee that previous or future agreements or the execution of existing agreements will not result in different treatment by the tax authorities. This is particularly true for the profit and loss transfer agreement in place between Senator and Senator Film Verleih GmbH. Different treatment by the tax authorities can significantly increase the Company's tax burden, which could in turn have a negative impact on its net assets, financial position and results of operations.

COLLATERAL

The Senator Group has provided its material assets as collateral for financing and operating agreements. There is therefore a risk that it may not be possible to conclude further financing agreements or extend existing ones due to a lack of collateral. This could have a negative impact on the net assets, financial position and results of operations of the Senator Group and the Company.

There is also a risk that the Senator Group may have used the same assets as collateral multiple times, and in so doing have violated contractual clauses granting contracting partners and creditors in particular a right of termination. If such a right of termination is exercised, the resulting repayment obligation could have a negative impact on the Senator Group's net assets, financial position and results of operations.

RISKS IN CONNECTION WITH FUTURE TAX FIELD 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.

RISKS IN CONNECTION WITH THE MERGER WITH WB

Further risks may arise for the Senator Group through the acquisition of Wild Bunch S.A. Business combinations are in general exposed to considerable risk and may have a severe impact on the net assets, financial position and results of operations of the acquiring company. As a result, there is a risk that the expected success of the acquisition of Wild Bunch S.A. may not materialize. If the business activities of Wild Bunch S.A. fail to develop as planned, the Company may need additional investment or financing. Similarly, the Company may not be able to realize expected synergy potential. Moreover, there is also a risk that Wild Bunch S.A. may not be able to make a positive contribution to the earnings of the Senator Group. This could also result in the need to record an impairment loss on the investment in Wild Bunch S.A. after the acquisition in the Company's statement of financial position or write the investment off in full, or the need to sell the investment at a loss.

Furthermore, the integration of Wild Bunch S.A. places a great demand on management and the internal corporate organization. The integration of the Wild Bunch Group may potentially require management capacity or company resources at the Senator Group on unforeseeably large scale.

RISKS IN CONNECTION WITH OTHER ACQUISITION ACTIVITIES

Further acquisitions could be assessed and implemented as part of the growth strategy. The acquisition of companies generally entails a substantial level of risk. As a result, the Senator Group has potential investments subjected to an extensive due diligence review by internal and external experts in the fields of finance, law, mergers & acquisitions and tax. Nevertheless, it is never entirely possible to rule out the possibility that risks to which the target entity is exposed are not recognized or incorrectly assessed.

Specifically, there are risks associated with the possibility that the prospects for the future are incorrectly evaluated, or that some of the company's liabilities, obligations and other burdens are not known or not identifiable at the time of the acquisition despite a careful investigation. If the achievable market position, potential revenue, profitability, potential for growth or other significant success factors are incorrectly assessed, this has consequences for the company's operating performance and therefore the return on the investment. The Group's profitability in subsequent fiscal years could also be impacted by write-downs.

POTENTIAL TAX BURDEN FROM THE CONTRIBUTION OF COLLATERALIZED DEBT OBLIGATIONS FROM THE 2011/2016 WARRANT BOND

There is a risk that the collateralized debt obligations from the 2011/2016 warrant bond, which are to be contributed as part of the exchange offer in connection with the (non-)cash capital increase, are not recoverable in full. Based on an appraisal prepared by an auditor, the issuer assumes that the value of the collateralized debt obligations to be contributed is at least equivalent to the minimum issue value of € 1.00 per new share. However, it cannot be ruled out that a court investigation could find them to be impaired.

Any impairment in value would represent taxable extraordinary income for Senator. Due to statutory requirements on minimum taxation it would not be possible to fully offset any such extraordinary income against tax loss carryforwards, resulting in a tax burden for Senator. The manifestation of this risk could have a negative impact on the Senator Group's net assets, financial position and results of operations.

4.2.5. Legal risks

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 must 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 required by Freiwillige Selbstkontrolle Fernsehen e.V. (FSF – German Voluntary Self-Regulation of Television Association). The Senator Group is also required to comply with the regulations of the German Copyright Protection Act. Unforeseeable and important changes to the aforementioned areas could have an impact on the net assets, financial position and results of operations of the Senator Group.

RETROACTIVE ASSERTION OF CLAIMS BY COPYRIGHT HOLDERS

Under German copyright law, film copyright holders are entitled to both appropriate compensation and additional compensation if the proceeds from the exploitation of a film can be considered extraordinarily high in relation to the original compensation. As a result, Senator Entertainment AG and its subsidiaries could be exposed to claims from film copyright holders to subsequent payments.

RISKS FROM GRANTING GUARANTEES

In 2008, the Senator Group sold a film rights package to MPG Secure Tow LLC (MPG II). MPG II took out a loan to finance the acquisition of film rights. Senator AG and various subsidiaries have issued different guarantees related to financing, for example, to settle the exploitation of film rights. At the moment, it cannot be fully excluded that payments under the guarantees will have to be made by companies of the Senator Group. This could have a significant impact on the net assets, financial position and results of operations of the Senator Group.

LITIGATION RISKS

The Senator Group is exposed to legal risks. These include but are not limited to risks arising from the areas of copyright law, company law, securities trading law and labor law. It is frequently impossible to predict the outcomes 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, to the serious detriment of the Company.

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

COMPLIANCE RISKS

Despite the Senator Group's existing control systems, it is possible that these will prove insufficient to prevent infringements of the law by staff, representatives or partners – especially when securing business – or to expose infringements of the law.

The Senator Group has no way of comprehensively monitoring activities by its staff, representatives and partners when securing business with clients. If it should emerge that individuals whose activities are attributable to the Senator Group receive or grant fraudulent benefits connected with securing 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 result in damage to the Senator Group's reputation.

4.2.6. Overall risk assessment

In line with the Group risk guidelines, the opportunities and risks reported by the individual risk officers are aggregated, consolidated and assessed at Group level. The risks newly assumed during the reporting period, or risks whose measurements have changed notably, derive primarily from significant events during the course of business, especially the insufficient market acceptance of the Senator Entertainment AG's film titles in fiscal year 2014, the restructuring measures and a resultant liquidity risk.

On the basis of this information and the estimates, especially the probabilities of occurrence, the maximum loss level, and the effect of the countermeasures that have been initiated, 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 could constitute going-concern risks. This applies for the individual and aggregated risks, to the extent that the effect of the aggregated risk can be simulated or 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 behind expectations, the continuation of the company from the end of the first quarter of 2016 with the existing volume of business would depend significantly on the extent to which the additional funds in the requisite scope can be raised, despite the financing agreements that have been concluded (please see the report on subsequent events).

The Group management identifies further risk factors in the anticipation of consumer taste, future media utilization and regulatory intervention. They are 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 the successful merger with Wild Bunch S.A., the resulting synergies and potential for growth, and the stabilization of revenue. There are also opportunities in collaborating with screenplay writers, directors and producers both in Germany and abroad, as well as recourse to attractive content and licenses, greater collaboration with talented individuals, and an expansion of the business model through the internationalization of production and marketing activities, as well as further potential strategic acquisitions. Above and beyond this, Senator has 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, use is also made of 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

Based on 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 licenses, formats and material, as well as their integration into an established network

Especially since the merger with Wild Bunch S.A., the Senator Group holds a large number of distribution and/or marketing rights for its operating activities in various segments, especially film rights and material, in part significantly beyond the planning horizon. This provides a basis for continuing to generate revenue beyond the planning horizon. The Group image and the maintenance of an established network facilitate access to such rights in the future.

The exploitation 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 revenue that is higher than planned. Attractive material and film rights may meet customer taste to a higher-than-expected degree, resulting in revenue across the entire distribution chain that is higher than planned.

The Senator Group sees opportunities in reinforcing its market position, among other things in negotiations with rights holders, producers, actors and customers

The merger with Wild Bunch S.A. and the resulting significant reinforcement of the Group's position on the market can give rise to more substantial synergies than planned, especially on the procurement, cost and financing side. The much larger size of the company and its international alignment, which also give it a stronger position in negotiations, could allow more advantageous conditions than planned to be negotiated for rights and contracts. As a result, access to and the promotion of young talent could lead to business opportunities that are not taken into account in the current planning.

The Senator Group sees opportunities in the further internationalization of business, including the development of new markets

Following the merger with Wild Bunch S.A., the Senator Group now has a foothold in the most important European film markets (Germany, France, Italy and Spain). In addition to increasing the penetration of these core markets, exporting the established business model to new markets (including the UK, Scandinavia, the Benelux countries and eastern Europe) offers opportunities that could be more substantial than currently planned. Other substantial opportunities could arise in the medium term from the development of rapidly growing regions such as China, India or South America. Depending on how the potential market entries are implemented, these measures could lead to higher revenue than planned.

The Senator Group sees opportunities in further partnerships and business combinations

Mergers and acquisitions that are not yet included in current planning can generate considerable synergies and lead to the stronger and accelerated internationalization 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 producers.

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

Senator Entertainment AG is required pursuant to Secs. 289 (5), 315 (2) No. 5 HGB to describe in its separate and Group management reports the significant characteristics of its internal control 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 Sec. 175 (2) Sentence 1 AktG ["Aktiengesetz": German Stock Corporation Act].

The aim of the accounting-related internal control and risk management system is to ensure that all events and transactions are reported completely within the financial accounting function, are recognized 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 throughout 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 centralized at its headquarters in Berlin. This makes it easier to apply standard and uniform processes and to utilize standardized 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 control 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 standardized reporting format. The controlling department also reports in a standardized 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, authorization concepts for orders and the conclusion of contracts, signing authorizations 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 centralization of the financial accounting function, Senator Entertainment AG has not prepared an accounting manual.

Senator Entertainment AG uses SAP R/3 as its ERP system. In addition, data from other systems are monitored as to their correct transfer to and processing in SAP R/3. The IT systems utilized for financial reporting are protected from unauthorized access. Senator Entertainment AG has an authorization 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 SECS. 289 (4), 315 (4) HGB AND SEC. 120 (3) NO. 2 AKTG

Pursuant to Sec. 289 (4) and Sec. 315 (4) HGB, public stock corporations that utilize organized markets in the meaning of Sec. 2 (7) WpÜG ["Wertpapiererwerbs- und Übernahmegesetz": German Securities Purchase and Takeover Act] through voting-entitled shares that they issue, must make the following disclosures in the management report:

› Composition of issued capital:

  The share capital of Senator Entertainment AG amounts to € 18,457,227.00, and is divided into 18,457,227 no-par value bearer shares. No differing share classes exist. Please refer to the notes to the consolidated financial statements for information about contingent and authorized 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 communicated that their voting rights share in Senator Entertainment AG exceeds ten percent:

  SWB Entertainment Investment BV, Schiphol, Netherlands, 66 %

› Holders of shares with special rights endowing controlling authorizations:

  Special rights endowing controlling authorizations do not exist.

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

  The management board is not aware that employees participate in the capital and do not directly exercise their control rights.

› Statutory regulations and provisions of the company bylaws concerning the appointment and removal from office of management board members, and concerning modifications to the company bylaws:

  The appointment and removal from office of management board members is performed on the basis of Secs. 84, 85 AktG. Amendments to the company bylaws are based on Secs. 179, 133 AktG, whereby the supervisory board is also authorized to approve amendments to the company bylaws that affect only their wording.

› Authorizations of the management board, especially relating to their capacity to issue or repurchase shares:

  The management board of Senator Entertainment AG has been authorized to purchase treasury shares by various annual general meeting resolutions. Treasury shares were purchased at various times during fiscal year 2000. Senator Entertainment AG reports 2,414 treasury shares as of the reporting 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 bid:

  There were no significant company agreements subject to a change of control due to a takeover bid.

- Company compensation agreements that have been entered into with management board members or employees for the instance of a takeover bid:

  Compensation agreements with management board members or employees for the instance of a takeover bid do not exist.

7. CORPORATE GOVERNANCE STATEMENT PURSUANT TO SEC. 289A HGB

Reporting pursuant to Sec. 289a HGB can be downloaded from the Internet at http://www.senator.de/en/investor-relations/corporate-governance#governance-reports.

8. DEPENDENT COMPANY REPORT

The management board prepared a dependent company report in accordance with Sec. 312 AktG, containing the following final statement:

"We state that the Company, in the circumstances known to it at the date on which it entered into the relevant transaction or undertook or refrained from undertaking the relevant act, received adequate consideration for each transaction and did not suffer any disadvantage, by reason of undertaking or refraining from undertaking the act with the controlling company or affiliates.

In the reporting period, we did not undertake, or refrain from taking, any reportable actions motivated by or in the interest of the controlling company or its affiliates."

9. REMUNERATION REPORT

The management board members receive a fixed annual salary (including a pension supplement, and, potentially, allowances for sickness and care benefits), and in some cases a bonus that takes appropriate account, in compliance with Sec. 87 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 € 250 k or € 500 k respectively per year.

The management board service agreements do not include any explicit settlement commitment if the management board members terminate their service agreements early. A settlement can nevertheless arise from a termination agreement that is concluded on an individual basis. Helge Sasse received a severance payment of € 700 k in the fiscal year as a result of his premature departure from the management board.

The supervisory board members receive fixed compensation, the level of which is determined by a resolution of the annual general meeting. They are also reimbursed for any expenses connected with their activities as well as the VAT incurred on these payments.

Please refer to note 46 "Total remuneration of the supervisory board and the management board" in the consolidated financial statements for more information.


Hamza
Jeetooa
Jessica
Schwarz
Der Koch
Ein Film von Ralf Huettner (Vincent will Meer)
nach dem Drehbuch von Ruth Toma
Basierend auf dem
Weltbestseller von
Martin Suter
Martin Suter
Der Koch
Der Original-Soundtrack
zum Kinofilm als CD
und Download erhältlich
www.derkoch.senator.de


Der Koch

3 CONSOLIDATED FINANCIAL STATEMENTS

SENATOR ENTERTAINMENT AG, BERLIN
IFRS CONSOLIDATED STATEMENT OF INCOME FOR FISCAL YEAR 2014

	Note	**2014 in €**	2013 in € k
Revenue	6	20,395,434	27,072
Other operating income	8	2,689,852	1,116
Own work capitalized	7	1,792,446	2,457
		24,877,732	30,645
Cost of materials			
Cost of purchased services	9	–15,941,105	–23,965
Personnel expenses			
a) Wages and salaries		–4,187,282	–2,780
b) Social security, pension and other benefit costs		–435,655	–384
Amortization of intangible assets and depreciation of property, plant and equipment	14	–11,534,762	–20,746
Other operating expenses	10	–5,367,937	–8,464
		–37,466,741	–56,339
Interest and similar income		22,050	139
Interest and similar expenses		–2,580,289	–1,326
Share of profit of an associate or joint venture	15	337,227	332
Write-downs on financial assets	15	0	–912
Currency result	11	–57,332	88
		–2,278,344	–1,679
Result from ordinary activities		**–14,867,353**	**–27,373**
Income taxes	12	–1,438	–8
Net income/loss for the Group/total comprehensive income		**–14,868,791**	**–27,381**
Net income/loss attributable to non-controlling interests		–75,595	0
Shareholders' share of profit/loss		–14,793,196	–27,381
Weighted average number of shares [no.]		8,465,836	7,483,941
Potential number of diluted shares [no.]		0	0
Total weighted average number of shares [no.]		8,465,836	7,483,941
Earnings per share			
Basic earnings per share [€ per share]	13	–1.75	–3.66
Diluted earnings per share [€ per share]	13	–1.75	–3.66
Earnings per share for continuing operations			
Basic earnings per share [€ per share]	13	–1.75	–3.66
Diluted earnings per share [€ per share]	13	–1.75	–3.66

SENATOR ENTERTAINMENT AG, BERLIN
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2014

Assets	Note	**31.12.2014 in €**	31.12.2013 in € k
Non-current assests			
Intangible assets	14	16,459,598	10,771
Property, plant and equipment		224,982	306
Financial assets			
Investments in associates	15	3,642,519	3,589
Total non-current assets		**20,327,099**	**14,666**
Current assets			
Inventories			
Merchandise	16	716,257	977
Trade receivables and other receivables			
Trade receivables	17	3,623,310	6,666
Receivables from related parties	18	53,028	93
Income tax receivables		299,076	227
Other financial assets	19	2,251,444	2,052
Sundry assets	20	1,641,998	690
		7,868,856	9,728
Liquide Mittel	33	9,053,027	2,450
Cash and cash equivalents		**17,638,140**	**13,155**
Total assets		**37,965,239**	**27,821**

SENATOR ENTERTAINMENT AG, CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 31 DECEMBER 2014

Equity and liabilities	Note	**31.12.2014 in €**	31.12.2013 in € k
Equity and reserves			
Issued capital	21	18,454,812	29,936
thereof contingent capital 9,981,909 (2008/I)			
thereof contingent capital 4,990,803 (2012/I)			
Capital reserves	22	9,556,620	46,223
Accumulated loss		–31,679,342	–87,698
Other comprehensive income	23	0	100
Total equity		**–3,667,910**	**–11,439**
Non-current liabilities			
Financial liabilities	28	900,000	9,777
Sundry liabilities and deferrals	32	317,053	392
Total non-current liabilities		**1,217,053**	**10,169**
Current liabilities			
Other provisions	27	6,555,302	11,534
Financial liabilities	28	17,405,683	5,868
Prepayments received	29	6,249,388	4,432
Trade payables		9,188,657	6,344
Liabilities to related parties	30	87,601	108
Other financial liabilities	31	483,804	605
Sundry liabilities and deferrals	32	445,661	200
Total current liabilities		**40,416,096**	**29,091**
Total equity and liabilities		**37,965,239**	**27,821**

SENATOR ENTERTAINMENT AG, BERLIN
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS OF 31 DECEMBER 2014 (IFRS)

	Number of shares outstanding	Issued capital (Note 1)	Capital reserves (Note 2)
	No.	€ k	€ k
As of 1 January 2013	**29,935,765**	**29,936**	**46,223**
Total comprehensive income	0	0	0
As of 31 December 2013	**29,935,765**	**29,936**	**46,223**
As of 1 January 2014	**29,935,765**	**29,936**	**46,223**
Capital reduction	–22,451,824	–22,452	–46,223
Cash capital increase	6,908,671	6,909	6,896
Non-cash capital increase	4,062,200	4,062	4,773
Total comprehensive income	0	0	0
As of 31 December 2014	**18,454,812**	**18,455**	**11,669**

Accumulated loss	Other comprehensive income (Note 23)	Share attributable to owners of Senator Entertainment AG	Share of other shareholders (Note 24)	**Consolidated equity**
€ k	€ k	€ k	€ k	€ k
–60,317	**100**	**15,942**	**0**	**15,942**
–27,381	0	–27,381	0	–27,381
–87,698	**100**	**–11,439**	**0**	**–11,439**
–87,698	**100**	**–11,439**	**0**	**–11,439**
68,775	–100	0	0	0
0	0	13,805	0	13,805
0	0	8,835	0	8,835
–14,869	0	–14,793	–76	–14,869
–33,792	**0**	**–3,592**	**–76**	**–3,668**

SENATOR ENTERTAINMENT AG, BERLIN
CONSOLIDATED STATEMENT OF CASH FLOWS FOR 2014

in € k	Note	2014	2013
Cash flow from operating activities			
Income before non-controlling interests		–14,869	–27,381
Write-downs of non-current assets and securities classified as current assets	14	11,535	21,658
Increase / decrease in provisions	27	–2,473	6,632
Other non-cash income and expenses		–1,968	3,388
Gain/loss from equity measurement	15	–337	–332
Currency translation differences	11	57	–88
Decrease/increase in inventories, trade receivables and other assets not allocable to investing or financing activities		3,343	–883
Decrease/increase in trade payables and other liabilities not allocable to investing or financing activities		4,709	1,467
Cash flow from operating activities	34	**–3**	**4,461**
Cash flow from investing activities			
Cash received from the sale of film exploitation rights, other intangible assets and property, plant and equipment		65	17
Cash paid for investments in film exploitation rights and other intangible assets	14	–17,748	–12,602
Cash paid for investments in property, plant and equipment	14	–8	–25
Cash paid for the addition of other financial assets and securities classified as current assets	15	–30	–7
Cash received from the disposal of other financial assets and securities classified as current assets		0	3,785
Dividends received	15	230	656
Cash received from transfers from subsidiaries		0	7
Cash flow from investing activities	35	**–17,491**	**–8,169**
Cash flow from financing activities			
Cash received from the capital increase	21, 22	16,304	0
Cash paid in connection with the capital increase	22	–2,500	0
Cash paid in connection with the debt-to-equity swap	22	–751	0
Cash received from loans	28	19,517	5,494
Cash paid from the repayment of loans	28	–8,473	–3,026
Cash flow from financing activities	**36**	**24,097**	**2,468**
Cash and cash equivalents at the end of the period			
Changes in cash and cash equivalents (subtotal of 1 to 3)		6,603	–1,240
Cash and cash equivalents at the beginning of the period		2,450	3,690
Cash and cash equivalents at the end of the period		9,053	2,450
Composition of cash and cash equivalents			
Cash and cash equivalents		9,053	2,450
Cash and cash equivalents = cash and cash equivalents at the end of the period	**33**	**9,053**	**2,450**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED 31 DECEMBER 2014

(A) BASIS OF PRESENTATION

1. General information

Senator Entertainment AG, Berlin ("Senator AG" or the "Company") is a publicly listed stock corporation with registered offices 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 exploitation of film rights. Within the Senator Group, several subsidiaries act as independent producers and co-producers of feature films on the market. Other group companies acquire licenses and extensively market their own film productions, co-productions and third-party productions.

The Company is registered in the commercial register of the Berlin-Charlottenburg local court under commercial register number HRB 68059 B. The registered offices of Senator AG are located at Schönhauser Allee 53, 10437 Berlin, Germany.

The Company is listed on 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 exploitation of film rights, as well as the management of such companies. The Company is also entitled to purchase, sell or exploit in another commercial manner copyrights and other rights of all types connected with trademarks. The Company can implement any measures that serve its corporate objective. To this end, it can establish, acquire or hold interests in other companies in Germany or abroad.

SWB Entertainment Investment B.V., Schiphol, Netherlands (formerly: Sapinda Entertainment Investment B.V.), has been the majority shareholder and parent company of Senator AG since November 2014. Consortia Partnership Limited, Saint Helier, Jersey, Channel Islands, is the ultimate parent company. The figures of Senator AG are not fully consolidated at the level of the parent companies.

The management board authorized the issue of the consolidated financial statements of Senator AG for the fiscal year as of 31 December 2014 on 27 April 2015 and presented them to the supervisory board for review and approval.

2. Basis of preparation of the consolidated financial statements

Pursuant to Sec. 315a HGB ["Handelsgesetzbuch": German Commercial Code], the consolidated financial statements were prepared on the basis of the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB), as well as the Interpretations of the International Financial Reporting Standards Interpretations Committee (IFRS IC) as approved by the IASB, that are valid on the reporting date and endorsed by the European Union (EU). All IFRS/IAS and IFRIC/SIC that require mandatory application as of 31 December 2014 were complied with.

These notes include a list of all subsidiaries, joint ventures and associates included in the consolidated financial statements. The section “Basis of consolidation and consolidation methods” (see section 3) presents the effects of first-time consolidation and deconsolidation of subsidiaries, joint ventures and associates.

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

The separate financial statements of the entities included in the consolidated financial statements are prepared on the basis of uniform accounting methods.

The consolidated financial statements were generally prepared applying the cost principle based on historical cost. This does not apply to derivative financial instruments and available-for-sale financial assets which are measured at fair value.

The consolidated financial statements of Senator Entertainment AG for the fiscal year from 1 January to 31 December 2014 were prepared on the assumption of the Company’s ability to continue as a going concern.

In light of the loss and the complete exhaustion of Senator Entertainment AG’s share capital in 2014, the management board has drawn up a recovery plan.

On 24 March 2015, Senator Entertainment AG successfully placed a bond offer as part of a private placement. Institutional investors issued bonds with a term of 12 months for a total nominal amount of around € 11.8m. The proceeds serve to secure liquidity, repay existing liabilities and finance operating activities until the comprehensive realignment of the financing structure of the much larger group since the business combination with Wild Bunch S.A. on 5 February 2015 has been implemented.

In October and November 2014, a simplified capital reduction with a subsequent capital increase was performed. A 4:1 capital reduction was performed, reducing the number of shares to around 7.486 million. The Company’s share capital was increased subsequently by issuing 6.909 million new no-par value bearer shares in return for contributions in cash. Furthermore, more than 90 % of the outstanding bearer bonds were contributed as non-cash contributions in the form of debt for equity swaps in December 2014. The shareholder SWB Entertainment Investment B.V., Schiphol, Netherlands (Sapinda) supported these measures, as a result of which Sapinda acquired a majority shareholding of more than 50 % of voting rights.

Senator completed the restructuring of the financing situation on 5 February 2015 with the acquisition of 100 % of the shares in Wild Bunch S.A., Paris, (“Wild Bunch S.A.”), a European film distribution company. Wild Bunch S.A.’s share capital amounts to € 187,750.00 and is divided into 18,775 no-par value shares with a nominal value of € 10.00. One share is held by Wild Bunch S.A. itself. The acquisition was performed as part of a non-cash capital increase by issuing 55,872,788 new Senator AG shares (see note 48 “Subsequent events”).

The consolidated financial statements are prepared in euro, which is the functional and reporting currency of the ultimate parent company. All values are rounded to the nearest thousand (€k) in accordance with commercial practice unless otherwise indicated. Due to rounding differences, figures may differ slightly from the actual figures.

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

3. Basis of consolidation and consolidation methods

DISCLOSURES ON THE BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of Senator AG and the entities it controls as of 31 December 2014. A group has control when it is exposed, or has rights, to variable returns from its involvement with the investee and can also influence these returns by exercising its power over the investee. In particular, a group has control over an investee if, and only if, it has all of the following:

› Power over the investee (i.e., the Group has the possibility to control any of the investee's activities that have a material impact on returns as a result of its current rights)

› Exposure, or rights, to variable returns from its involvement with the investee

› The ability to influence the returns by exercising its power over the investee

If the Group does not hold the majority of the voting rights or comparable rights in an investee, it considers all relevant issues and circumstances when determining whether or not it has control over the investee. These include:

› A contractual agreement with the other holders of voting rights

› Rights resulting from other contractual agreements

› Voting rights and potential voting rights of the Group

If the issues and circumstances result in indications that there have been changes to one or more of the three control elements, the Group has to reassess whether or not it has control over an investee. The consolidation of a subsidiary begins on the day on which the Group obtained control over the subsidiary. It ends when the Group loses control over the subsidiary. A subsidiary's assets, liabilities, revenue and expenses that were purchased or sold during the reporting period are recognized in the statement of financial position or the statement of income from the day on which the Group obtained control over the subsidiary until the day on which the control ends.

The profit or loss and each component of other comprehensive income are allocated to ordinary equity holders of the parent and non-controlling interests, even if this results in a negative balance of non-controlling interests.

A change in the ownership interest of a subsidiary which does not involve a loss of control is accounted for as an equity transaction. If the parent company loses control over a subsidiary, it:

› Derecognizes the assets (including goodwill) and liabilities of the subsidiary

› Derecognizes the carrying amount of any non-controlling interest in the former subsidiary

› Derecognizes the cumulative translation differences recorded in equity

› Recognizes the fair value of the consideration received

› Recognizes the fair value of any investment retained

› Recognizes any surplus or deficit in profit or loss

› Reclassifies the components of other comprehensive income attributable to the parent company into the statement of income or into revenue reserves, as would be required if the Group had directly sold the corresponding assets or liabilities

Investments in associates or joint ventures

An associate is an entity in which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over the entity in decision-making processes.

A joint venture is a joint arrangement where the Group exercises joint control. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the venturers sharing control.

The Group's investment in its associates or joint ventures is accounted for using the equity method of accounting.

Under the equity method, investments in associates or joint ventures are initially recorded at cost. The carrying amount of the investment is adjusted to recognize changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment.

The statement of income reflects the Group's share of the results of operations of the associate or joint venture. Changes in the other comprehensive income of these investees are recognized in the Group's other comprehensive income. Furthermore, where there has been a change recognized directly in the equity of the associates or joint ventures, the Group recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity. Unrealized gains and losses resulting from transactions between the Group and the associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

The Group's total share of profit of an associate or joint venture is presented in the statement of income and represents the profit after tax and non-controlling interests in the subsidiaries of the associate or joint venture.

The financial statements of the associate or joint venture are prepared for the same reporting date as the Group. Adjustments are made where necessary to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. On each reporting date, the Group determines whether there is any objective evidence that the Group's net investment in an associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, then recognizes the loss as "Impairment losses on financial assets" in the statement of income.

Business combinations

Business combinations are accounted for using the purchase method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition-date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interest in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in other operating expenses.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in profit or loss. It is subsequently taken into account when determining the goodwill.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the difference is recognized in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the business combination.

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Basis of consolidation

The table below shows the basis of consolidation of the Senator Group as of 31 December 2014:

in € k	**31.12.2014**	31.12.2013
Fully consolidated entities		
Germany	9	9
Other countries	2	2
Shares in associates		
Germany	4	4
	15	**15**

The following entities were included in the consolidated financial statements:

No.	Fully consolidated entities	Registered offices	Main business activity	Share as a % 2014	Share as a % 2013	Held by	Other notes
	Inland						
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	–
	Other countries						
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	–

No.	Associate	Registered offices	Main business activity	Share as a % 2014	Share as a % 2013	Held by	Other notes
12	Bavaria Pictures GmbH	Munich	Production	50.0	50.0	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 and loss transfer agreement with the parent company
[2] Sec. 264 (3) HGB was applied
[3] Accounted for using the equity method

4. Assumptions and estimation uncertainties

The preparation of consolidated financial statements in accordance with IFRSs requires the management to make estimates and assumptions that affect the reported revenue, expenses, assets, liabilities as well as contingent liabilities and contingent assets as of the reporting date. Such estimates and assumptions reflect best possible assessment by the management based on past experience and other factors, including estimates of future events. The estimates and assumptions are subject to constant review. 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 becomes available. Such changes are reported in the reporting period in which the estimate was adjusted.

The following section presents the most important assumptions regarding future development and the key sources of estimation uncertainty that may require significant adjustments to the recognized assets and liabilities, as well as the reported revenue, expenses and contingent liabilities in the next twelve months.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Goodwill and other intangible assets with indefinite useful lives are tested for impairment at least once a year and whenever there is any indication that they might be impaired. Film assets and other non-financial assets are tested for impairment when there is an indication that their carrying amount might exceed the recoverable amount. In order to assess whether an impairment exists, estimates are made of expected future cash flows of each cash-generating unit from the use and the possible disposal of the assets. The actual cash flows may differ significantly from the discounted future cash flows based on these estimates. Changes to revenue and cash flow forecasts may result in impairment (section 14 “Intangible assets and property, plant and equipment”).

FINANCIAL ASSETS

The fair value of financial assets that are actively traded in organized financial markets is determined by reference to quoted market prices at the close of business at the end of the reporting period. The fair value of financial assets for which there is no active market is determined using valuation methods. Such methods include using recent arm’s length market transactions, reference to the fair value of another instrument which is substantially the same, or discounted cash flow analysis and other valuation models, which are based on assumptions by management. On each reporting date, and whenever corresponding indications exist, the Group determines whether a financial asset or of a group of assets is impaired (note 38 “Financial instruments/management of financial risks”).

PROVISIONS FOR EXPECTED RETURNS

The Group’s provisions for expected returns are based on an analysis of contractual or statutory obligations, historical trends, and the Group’s past experience. On the basis of the information currently available, the management regards the provisions that have been recognized 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 may affect provisions recognized for future reporting periods (note 27 “Other provisions”).

PROVISIONS FOR LICENSOR SHARES

Group entities are exposed to various subsequent claims from licensors relating to their shares resulting 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 not covered by the existing provisions. Such adjustments may affect provisions for licensor shares recognized for future reporting periods (note 27 “Other provisions”).

On 31 December 2013, Senator Entertainment AG remeasured the borrowed funds that were granted to deutschfilm GmbH as a result of the difficult economic position and the development of liquidity. Based on this remeasurement and taking into account the existing company law provisions with the other shareholders of deutschfilm GmbH, Senator Entertainment AG gained control of deutschfilm GmbH as of 31 December 2013.

5. Accounting policies

The accounting and measurement methods applied in the 2014 fiscal year, which are presented in the following, remained unchanged compared to the prior year.

The items in the statement of financial position are classified 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 associated with projects are assigned as senior collateral for project financing facilities. As a result, in individual cases such items are also classified as current that result in cash inflows or cash outflows as part of a business cycle (exploitation of a film right across all product formats).

The mandatory adoption of the following standards and interpretations did not have any effect on the consolidated financial statements as of 1 January 2014:

Standards/amendments/interpretations		Mandatory for reporting periods beginning on or after
IFRS 9	Financial Instruments (2009, 2010) and subsequent amendments to IFRS 9 and IFRS 7 – Mandatory Effective Date and Transition Disclosures	1 January 2018
IFRS 10	Consolidated Financial Statements	1 January 2014
IFRS 11	Joint Arrangements	1 January 2014
IFRS 12	Disclosures of Interests in Other Entities	1 January 2014
Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)		1 January 2014
IAS 32	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (amendment)	1 January 2014
IAS 39	Financial Instruments: Recognition and Measurement – Novation of Derivatives	1 January 2014
IFRIC 21	Levies	17 June 2014
IAS 19	Employee Benefits – accounting treatment of employer contributions	1 July 2014
Annual Improvements to IFRSs 2010–2012 Cycle		1 July 2014
Annual Improvements to IFRSs 2011–2013 Cycle		1 July 2014

IFRS 10 replaces the previous rules on consolidated financial statements (included in IAS 27 "Consolidated and Separate Financial Statements") and special purpose entities (SIC-12 "Consolidation – Special Purpose Entities) and prescribes the control approach as a uniform principle. The standard also contains guidelines for assessing control in cases of doubt. The application of IFRS 10 has not materially impacted the net assets, financial position and results of operations.

IFRS 11 supersedes the requirements concerning the accounting treatment of interests in joint ventures (IAS 31 "Interests in Joint Ventures" and SIC 13 "Jointly Controlled Entities – Non-monetary Contributions by Joint Ventures"). The scope of IAS 28 is also being increased to include requirements governing the accounting treatment for interests in joint ventures. Associates and joint ventures are now accounted for using the equity method. The application of IFRS 11 and the revised IAS 28 has not materially impacted the net assets, financial position and results of operations.

IFRS 12 combines and extends the various disclosure requirements previously found in IAS 27, IAS 28, and IAS 31 on investments in subsidiaries, joint arrangements, associates and non-consolidated structured entities. The required disclosures pursuant to IFRS 12 are presented in note 15 and 24.

STANDARDS RELEVANT TO THE FUTURE CONSOLIDATED FINANCIAL STATEMENTS OF SENATOR ENTERTAINMENT AG

The IASB and the IFRS IC have issued new and amended standards and interpretations, the adoption of which is not yet mandatory in the reporting period. The Group intends to apply those standards and interpretations when they become mandatory.

IFRS 9 Financial Instruments (2010)

IFRS 9 introduces a uniform approach for classifying and measuring financial assets. The standard is based on the characteristics of the cash flows and the business model by which these cash flows are managed. IFRS 9 provides a new impairment model that is based on the expected credit defaults. The standard contains new regulations on the application of hedge accounting in order to better present the risk management activities of an entity, in particular with regard to the management of non-financial risks. The new standard is effective for reporting periods beginning on or after 1 January 2018; early adoption is permitted. The European Financial Reporting Advisory Group has postponed the recommendation to adopt IFRS 9. In due course, the Company will review to what extent adopting IFRS 9 will have an impact on the consolidated financial statements and determine the date on which it will be adopted and, if necessary, the method of transition.

IFRS 15 Revenue from Contracts with Customers

According to this new standard, revenue should be recognized upon transfer of the promised good or service to the customer at the amount of the consideration that the entity expects to be entitled to receive from the transaction. Revenue is recognized when the customer receives the power of disposal over the goods or services. IFRS 15 also contains guidance on the presentation of contract assets or contract liabilities. Contract assets and contract liabilities arise from contracts with customers depending on the relationship between the entity's performance and the customer's payment. In addition, the new standard obliges entities to disclose qualitative and quantitative information to enable readers of financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. IFRS 15 replaces IAS 11 "Construction Contracts" and IAS 18 "Revenue" as well as the associated interpretations. The standard is effective for reporting periods beginning on or after 1 January 2017; early adoption is permitted. In due course, the Company will review to what extent adopting IFRS 15 will have an impact on the consolidated financial statements and determine the date on which it will be adopted and the method of transition.

IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

According to the amendments of these two standards, a depreciation method of property, plant and equipment that is based on revenue is no longer appropriate. An amortization method of intangible assets that is based on revenue is only appropriate in limited circumstances. The amendments are effective for reporting periods beginning on or after 1 January 2016. Early adoption is permitted. The amendments have not yet been endorsed by the EU. The Company assumes that the adoption of the amended standards will not have a significant impact on the consolidated financial statements.

IAS 19 Employee Benefits

The amendments of IAS 19 relate to the recognition of contributions to defined benefit plans that are made by the employee or a third party. The amendment allows such contributions to be recorded as a reduction of current service cost in the period in which the related service is rendered by the employee, provided the contributions are independent of the employee's length of service. The amendments will apply for reporting periods beginning on or after 1 July 2014, with earlier adoption permitted. The amendments were endorsed by the EU in December 2014. The Company assumes that the adoption of the amended standards will not have a significant impact on the consolidated financial statements.

Annual Improvement Process 2010–2012 cycle

A number of smaller amendments were made to seven standards in the course of the annual improvements process 2010–2012 cycle: IFRS 2 "Share-Based Payment", IFRS 3 "Business Combinations", IFRS 8 "Operating Segments", IFRS 13 "Fair Value Measurement", IAS 16 "Property, Plant and Equipment", IAS 24 "Related Party Disclosures" and IAS 38 "Intangible Assets". The amendments are effective for reporting periods beginning on or after 1 July 2014. Early adoption is permitted. The amendments have not yet been endorsed by the EU. In due course, the Company will review what impact the adoption will have on the consolidated financial statements.

Annual Improvement Process 2011–2013 cycle

A number of clarifications and smaller amendments were made to four standards in the course of the annual improvements process 2011–2013 cycle: IFRS 1 "First-time Adoption of IFRSs", IFRS 3 "Business Combinations", IFRS 13 "Fair Value Measurement" and IAS 40 "Investment property". The amendments are effective for reporting periods beginning on or after 1 July 2014. Early adoption is permitted. The amendments have not yet been endorsed by the EU. In due course, the Company will review what impact the adoption will have on the consolidated financial statements.

Annual Improvement Process 2012–2014 cycle

A number of amendments were made to four standards in the course of the annual improvements process 2012–2014 cycle: IFRS 5 "Non-current Assets Held for Sale and Discontinued Operations", IFRS 7 "Financial Instruments: Disclosures", IAS 19 "Employee Benefits" and IAS 34 "Interim Financial Reporting". The amendments are effective for reporting periods beginning on or after 1 January 2016 either retrospectively or prospectively, depending on the amendment concerned. Early adoption is permitted. The amendments have not yet been endorsed by the EU. In due course, the Company will review what impact the adoption will have on the consolidated financial statements.

The IASB and IFRS IC published additional pronouncements that will have no material impact on the consolidated financial statements.

CURRENCY TRANSLATION

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

Gains and losses from the settling 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 foreign-currency items in the separate financial statements:

	Closing rate (based on € 1)	
	31.12.2014	31.12.2013
US dollar	1.2141	1.3791

All of the foreign subsidiaries of Senator AG included in the consolidated financial statements in the fiscal year and in the prior year use the euro as their functional currency.

SEGMENTS

The Group is split into three segments/business units that are managed individually. Financial information on business units and geographical segments are presented in note 37 “Segment reporting”.

The distinction between the segments and segment reporting occurs on the basis of internal reporting by the organizational units to the group management in relation to the allocation of resources and the measurement of profitability. The Group’s segments are determined based on the organizational units, and the allocation of the organizational units to the segments is based on internal reporting to the management. The Group the following segments: Production, Distribution and Other. Group functions are reported under unallocable income and expenses. These comprise the actual group management itself, legal, group accounting, controlling, IT and HR.

FAIR VALUE MEASUREMENT

The Group assesses financial instruments, including derivatives and non-financial assets and liabilities that are measured at fair value at each reporting date.

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at 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 not available, the most beneficial market for the fair value measurement is utilized. The fair value of an asset or liability is measured based on the assumption that market participants act in their best economic interest when setting the price for the asset or liability.

Measurement of the fair value of a non-financial asset takes into account the ability of the market participant to generate economic benefit through the highest and best use of the asset or by selling it to another market participant that will find the highest and best use for the asset. As of 31 December 2014, no non-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 assumed 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 31 December 2014, no non-financial liabilities or own equity instruments were measured at fair value.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value. The use of authoritative observable input factors should be as high as possible, while the use of input factors not based on observable data should be as low 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 for identical assets or liabilities for the Group on the measurement date
- Level 2: Input factors other than market prices included in Level 1 that are directly or indirectly observable for assets or liabilities (e.g., yield curves, forward exchange rates)
- Level 3: Input factors that are not 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 amortized cost for the disclosures in the notes to the financial statements is determined by discounting the expected future cash flows with the current prevailing interest rates for similar financial instruments with comparable residual terms, if level 1 measurement is not possible. The interest rates with appropriate maturities are calculated annually on the reporting 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 as to whether transfers occurred between the levels of the fair value hierarchy and were based on the lowest input factor that is significant overall for measurement.

REVENUE RECOGNITION/PREPAYMENTS RECEIVED

In accordance with IAS 18, revenue is recognized if all of the following conditions are fulfilled:

(a) The Senator Group has passed the significant risks and rewards of ownership of the goods to the buyer.

(b) The Senator Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the assets or rights sold.

(c) The amount of revenue can be measured reliably.

(d) It is sufficiently probable that economic benefits attributable to the sale will flow to the Group.

(e) The costs incurred and the costs to complete in respect of the transaction can be measured reliably.

Revenue is recognized when both the risks and rewards incidental to ownership and the economic and legal titles have been transferred. If the Company retains significant risks connected with ownership, the revenue resulting from the transaction is not recognized.

If the Group receives payments from licensees before revenue is recognized, these payments are initially booked as prepayments 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 recognized from the time when the film is released in cinemas. The level of revenue depends directly on the number of cinema-goers. As is typical of the sector, the film rental fees that are paid by cinema operators to the distributor are offset against share of the total cinema revenue. Film rent is determined on the basis of a percentage of the revenue from the sale of cinema tickets. Under certain circumstances, the Senator Group receives a non-payable guarantee, which is calculated as a percentage of box office revenue.

Revenue from both a portion box office revenue and from the guaranteed amounts are reported on the date when the film is released. Non-repayable guarantees are deferred in the financial statements and recognized as revenue on the release date. Guarantees that mainly comprise the complete proceeds 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 program material as the sale of a right or a group of rights.

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

(a) The license fee for each film is known.

(b) The costs of each film and the costs associated with the sale are known or can be measured reliably.

(c) The collectability of the entire license fee is sufficiently certain.

(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. Notwithstanding this, provided that a third-party license that overlaps with the sold license does not exclude use by the licensee, contractual limitations in the license agreement or another license agreement with the same licensor regarding the broadcasting date do not affect these conditions.

(3) Home entertainment

The video/DVD rights of group entities are exploited via Senator Home Entertainment GmbH. An exclusive distribution 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 use, are recognized as revenue.

(4) Production revenue

In the case of contract production that is mainly awarded by television broadcasting stations, revenue and earnings are recognized in accordance with the percentage of completion method. This entails reporting the contract revenue 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 fulfilled and estimates can be established with sufficient certainty:

(a) The Company must be paid in full for the contract.

(b) The cost must be clear and reliably identifiable.

(c) It must be possible to reliably measure revenue, total costs and degree of completion.

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

All revenue is reported excluding invoiced VAT, any price reductions that have been granted and quantity discounts.

GOVERNMENT GRANTS

Project funding

A distinction is made in funding between project funding that comprises loans and project subsidies that are to be repaid under certain circumstances and film project funding granted as non-repayable subsidies based on the guidelines of the German Federal Commissioner for Culture and Media/BKM (German Federal Film Fund/DFFF).

Project funding as a loan that are to be repaid under certain conditions

Film project funding is granted in the form of non-interest-bearing loans 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 revenue generated by the producer from exploiting the film exceeds a certain level. These constitute government grants for assets. On the statement of financial position, the probable amount that will not need to be repaid is deducted from the carrying amount of the film asset.

The grants are reported through profit or loss over the exploitation cycle of the film applying a reduced amortization amount under capitalized development costs.

The probable amount that will not need to be repaid can typically be determined on the date of cinema release. Should it be determined at a later date that a further portion of the loan has to be repaid, the carrying amount of the film asset is increased by this amount and a liability is also recognized.

Project subsidies (reference film)

Project subsidies are grants that do not have to be repaid, to which a producer is entitled depending on the box office figures for a (reference) film to finance the project costs of a subsequent film. These constitute government grants for assets. In the statement of financial position, project subsidies granted are deducted from the carrying amount of the subsequent film on the date when filming starts.

The grants are reported through profit or loss over the exploitation cycle of the film applying a reduced amortization amount under capitalized development costs.

Film project funding based on the BKM guidelines (DFFF)

Film project funding based on the BKM guidelines (DFFF) comprises loans that do not have to be repaid which are granted to reimburse the production costs of a cinema film when clearly defined preconditions are fulfilled.

These constitute government grants for assets. In the statement of financial position, film project funding granted is deducted from the carrying amount of the film on the date of the cinema release. The grants are capitalized as other receivables prior to the cinema release and deferred income is recognized under other liabilities.

The grants are reported through profit or loss over the exploitation cycle of the film applying a reduced amortization amount under capitalized production costs.

Distribution funding

A distinction is made in funding 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 contingent loan

Distribution funding is granted in the form of non-interest-bearing loans 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 if and when the distributor revenue from exploiting the film exceeds a certain level.

These constitute government grants for expenses that have already been incurred, which are reported as a reduction of distribution costs to the amount that with reasonable certainty will not need to be repaid. The grants are reported in the period in which the corresponding distribution costs are incurred.

The amount that with reasonable certainty will not need to be repaid can typically be determined on the date of cinema release. Should it be determined at a later date that a further portion of the loan has to be repaid, this amount is expensed and recorded as a liability.

Sales subsidies

Sales subsidies are non-repayable grants to which a distributor is entitled depending on the box office figures for a reference film for purposes of financing the release costs for a subsequent film. These constitute government grants for expenses that have already been incurred. The sales subsidies granted are reported through profit or loss by reducing the costs of releasing a film on the date when the subsequent film is released in cinemas.

Senator production entities received government grants of € 1,828 k in the fiscal year (prior year: € 1,822 k).

INVESTMENT SUBSIDIES

Investment subsidies were recognized as liabilities for the first time in the 2000 fiscal year. The Group received further investment subsidies in the 2009 and 2010 fiscal years, primarily for investment measures carried out at a rental property. The subsidy is to be repaid under certain conditions, in particular in connection with a minimum rental term and the creation of permanent jobs. The investment subsidies are released to income on a straight-line basis over the useful life of the subsidized investments.

CO-PRODUCTION CONTRIBUTIONS

Co-production contributions acquired for the Company's proprietary film projects are recognized as liabilities at their expected settlement amount. If repayment is unlikely, the corresponding contributions are recognized as other operating income.

INTEREST

Interest is recognized as an income or expense item in the period to which it relates using the effective interest method as they arise. Please refer to the notes on borrowing costs for more information.

INCOME TAXES

Current taxes are calculated on the basis of the result of the fiscal year and in accordance with the national tax laws of the respective tax jurisdiction. Expected and actual tax backpayments and refunds for prior years are also included.

Income taxes include corporate income tax, trade tax, solidarity surcharge and associated foreign taxes.

In Germany, the corporate income tax rate is currently 15.0 % (2013: 15.0 %) plus solidarity surcharge of 5.5 % (2013: 5.5 %). Depending on the municipality, the trade tax rate is currently between 17.0 % and 19.7 % (2013: between 17.0 % in 19.7 %).

As in the prior year, the expected income tax rate for Senator AG is 30.0 % for 2014.

DEFERRED INCOME TAX ASSETS AND LIABILITIES

Deferred income tax assets and liabilities are accounted for using the liability method. Deferred taxes are set up for temporary differences between the carrying amounts of the tax base of the assets and liabilities as well as for unused tax losses. Deferred tax assets from the recognition of deductible temporary differences and unused tax losses are only recognized in the amount determined with sufficient certainty, that the respective entity can generate sufficient taxable income for the future use of tax losses.

As it is currently impossible to assess conclusively the extent to which unused tax losses can be used for tax purposes, unused tax losses have only been recognized at the level of deferred tax liabilities.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted at the reporting date.

Deferred tax relating to items recognized outside profit or loss is recognized outside profit or loss. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

BORROWING COSTS

Borrowing costs directly associated with the acquisition or production of qualifying assets are added to the production costs of these assets until the period in which the assets are largely available for their intended use or for their sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale. Non-qualified assets are expensed as borrowing costs in the period in which they are incurred.

No borrowing costs were capitalized in the fiscal year.

INTANGIBLE ASSETS

The Senator Group capitalizes acquired and internally generated intangible assets if:

(a) The Company holds economic ownership of the assets on account of past events.

(b) It is assumed that the future economic benefits attributable to the asset will flow to the Company.

In accordance with IAS 38, the Senator Group recognizes an intangible asset at its cost if the Group can demonstrate:

(a) The technical feasibility of completing the intangible asset so that the asset will be available for use or sale.

(b) There is an intention to complete and it is possible to use or sell the asset.

(c) It is clear how the asset will generate future economic benefits.

(d) It is probable that future economic benefits attributable to the asset will flow to the Company.

(e) The ability to measure reliably the costs of the asset.

(f) It is possible to use the intangible asset created.

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

Intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis over their estimated useful lives in accordance with IAS 38. Intangible assets are amortized using the straight-line method from the date on which the asset is available for use for a maximum of twenty years. The expected useful lives, residual values and amortization and depreciation methods are reviewed annually and all necessary changes in estimates are taken into account prospectively. The amortization period and the amortization method are reviewed at the end of each fiscal year.

(1) Patents, brands and licenses

The acquisition and production costs for patents, brands and licenses are capitalized and subsequently amortized on a straight-line basis over the period of expected benefits. The estimated useful life of patents, brands and licenses varies between five and fifteen years. The amortization period begins when the asset is available for use.

Capitalized development costs for 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 initial recognition of project costs, the start of filming of a film or the sale of the rights is sufficiently probable, such costs are written off in full. Impairment losses are recorded if there is an indication of impairment.

(2) Film rights

Film assets include both acquired rights to third-party productions, i.e., films that the Group has not produced itself, as well as the production costs for films that are produced within the Group (proprietary productions 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 minimum guarantees. Individual installments of the minimum guarantee are reported as prepayments and capitalized under film assets with the delivery and acceptance of the material.

Proprietary productions are stated at cost. Production costs also include financing costs attributable to the respective production. Other costs associated with releasing film are also recognized, e.g., advertising and distribution costs. These costs to release a film are not capitalized, but rather included in the cost of materials.

Acquisition and production costs to acquire or produce films are capitalized in accordance with IAS 38 “Intangible Assets”.

Films are amortized based on their distribution. Utilization in this context refers to distribution of German-language cinema, video and TV rights. Amortization of the exploitation steps is generally performed as follows:

in %	**2014**	2013
Cinema release	10	10
Sale of video rights	35	35
Sale of pay-TV rights	10	10
Sale of free TV rights	25	25
Video on demand	10	10
Second exploitation	10	10

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

If indications of impairment exist, an impairment test is also conducted for each film title. A write-down is recorded to the value in use if the acquisition cost or the carrying amount are not covered by the estimated total revenue less any outstanding costs relating to film release taking into account when such costs will be incurred. Value in use is determined by discounting the estimated cash flows by 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 examines and adjusts its expected cash flows on an ongoing basis and revises amortization expenses as soon as there are any changes in the expected figures.

(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 amortization using the straight-line method and impairment losses.

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

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprises land, rights and constructions equivalent to land, leasehold improvements, plant and machinery, other furniture and fixtures, as well as prepayments made and assets under construction.

The acquisition costs of leasehold improvements are generally depreciated over the term of the respective rental contract (up to 10 years). Plant and other furniture and fixtures 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 costs are recognized as expenses at the time when they are incurred. More extensive renovations or improvements are capitalized. Renovations are also depreciated over the aforementioned expected useful lives. Acquisition cost and the associated accumulated depreciation is derecognized upon disposal. The resulting gains or losses are recognized through profit or loss in the fiscal year. If the acquisition cost of certain components of an item of property, plant and equipment is material, such components are recognized and depreciated separately.

IMPAIRMENT OF NON-FINANCIAL ASSETS

At each reporting date, the Group reviews the carrying amount of intangible assets and property, plant and equipment to determine whether there are any indications of impairment. Indications of impairment include a significant reduction in the fair value of an asset, significant changes to the corporate environment, substantial indications of obsolescence, or changes to earnings forecasts. If there are indications of impairment, the net recoverable amount of the asset is assessed to determine the extent of a potential impairment loss. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use. If the recoverable amount is calculated from the value in use, such a calculation is based on expected future cash flows.

Recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. The impairment loss is immediately recorded as an expense.

If the impairment loss reverses in a later period, the carrying amount of the asset or cash-generating unit is written up to the revised estimate of the recoverable amount. This does not include goodwill. The increase in the carrying amount may not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized for the asset or cash-generating unit in prior years. The impairment loss is reversed directly through profit or loss.

In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The Group bases its impairment appraisal on detailed budgets and forecast calculations, which are prepared separately for each of the Group's assets for each of the CGUs to which the individual assets are allocated. The Group's cash-generating units comprise goodwill as well as acquired and internally generated film rights.

The annual impairment test of intangible assets is conducted based on the value in use applying estimated future discounted cash flows that are derived from medium-term planning. The planning horizon for the medium-term planning is five years. Intangible assets with indefinite useful lives are not amortized, but are tested for impairment at least annually, either individually or at the cash-generating unit level. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable.

The calculation of the recoverable amount contains management estimates and assumptions. The estimates and assumptions are based on assumptions that are derived from the current information available. Due to developments that differ from these assumptions as well as 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 use are tested annually for impairment or whenever any indications of impairment exist.

The discounting factor is calculated using the weighted average cost of capital method (WACC). The annual impairment test of intangible assets conducted on 31 December 2014 was based on the discounting factor before tax of 6.96 % (prior year: 8.55 %).

INVENTORIES

Inventories, primarily comprising DVDs and Blu-rays, are measured at the lower of cost or net realizable value (sales-oriented, net realizable value measurement). Production costs contains all specific costs attributable to the creation of goods and services, as well as production-related overhead costs. Net realizable value comprises the sales price achievable 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).

Allowances on goods are calculated based on sales analyses. This entails the management analyzing whether goods have retained their value on the basis of historical movements and products located in the warehouse on an individual product basis. If this analysis reveals that some products have not retained their value, they are written down accordingly. Further write-downs are recognized for damaged or defective merchandise.

FINANCIAL ASSETS

Customary market purchases or sales of financial assets are recognized as of the settlement date.

Available-for-sale financial assets

This category primarily comprises securities and loans reported in the consolidated statement of financial position that are not allocable to any other category under IAS 39.

They are measured at fair value. Subsequent measurement is performed at fair value corresponding to the stock market price on the reporting 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 reporting date is reported directly in equity. If fair value cannot be determined reliably for an equity instrument, it is measured at amortized cost. Only when such financial assets are derecognized does the release of the equity item generate an effect through profit or loss. By contrast, impairments are reported through profit or loss.

If no active market exists, or if an active market no longer exists, the fair value of the financial instrument is calculated by applying generally accepted valuation techniques. Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are valued at acquisition 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 met. Reclassifications are made as of the end of the fiscal year provided they are permissible and necessary. Acquisition cost includes transaction costs.

Available-for-sale financial assets comprise the securities and loans reported in the consolidated statement of financial position.

Held-to-maturity investments

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

As of 31 December 2014, the Company did not have any held-to-maturity investments, as in the prior year.

Loans and receivables

Financial instruments included in this category are measured at amortized cost using the effective interest method.

Current trade receivables and other current receivables are recognized at cost. Non-interest-bearing monetary receivables with a term of more than one year are discounted applying the interest rate appropriate to their maturity.

If there is doubt as to their recoverability, trade receivables are recognized at the lower realizable value. An impairment loss is applied if objective indications – primarily relating to 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 the full amount on the date when they fall due. The reported carrying amounts of the current receivables approximately correspond to their fair values.

Financial assets at fair value through profit or loss

The category of financial assets at fair value through profit or loss typically includes financial assets held for trading and financial assets classified upon initial recognition as at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling in 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).

Upon initial recognition, financial assets are designated as financial assets measured at fair value through profit or loss, if thereby any inconsistencies 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 of financial assets calculated on this basis is submitted internally to key company personnel.

They are measured at fair value. Realized 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 performed at fair value corresponding to the stock market price on the reporting date. If no market value is available, fair value is calculated on the basis of valuation methods. Such techniques include using recent arm's length market transactions, reference to the current market value of another instrument which is substantially the same, or discounted cash flow analysis and other valuation models.

As of 31 December 2014, the Company had no financial assets measured at fair value through profit or loss, as in the prior year.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when one of the three following requirements is met:

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

(b) The Group retains the contractual rights to receive cash flows from financial assets, but assumes a contractual obligation to pay those cash flows to a third party without material delay as part of an agreement that fulfills the conditions in IAS 39.19 (pass-through arrangement).

(c) The Group has transferred the contractual rights to receive cash flows of a financial asset and (a) has transferred substantially all the risks and rewards of ownership of the financial asset or (b) has neither transferred nor retained substantially all risks and rewards of ownership of the asset, but has transferred control of the asset.

DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments to hedge foreign currency exchange-rate fluctuations in the case of purchases of film rights denominated in foreign currencies. These are typically recorded for US dollars. The foreign currency exchange rate risk derives from the fact that the revenues from the exploitation of such rights accrue exclusively in euros.

Hedging is intended to reduce the risk of a change in the fair value of an asset. In this case, fixed obligations are hedged from purchases of film rights that are not yet recognized in the statement of financial position, as such transactions are subject to foreign currency exchange rate fluctuations from the inception of the contract until the contract is satisfied. Forward exchange contracts and options are utilized as hedging instruments.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. This documentation includes identification of the hedging instrument and the hedged item, the nature of the risk being hedged, and how the Group will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value that is attributable to the hedged risk.

Derivative financial instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of forward exchange 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 generally accepted valuation techniques. 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 in derivatives were reported through profit or loss in the fiscal year.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash on hand and current account balances at banks. Such assets are only reported under cash and cash equivalents 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

Outstanding bearer shares are classified as equity. Once the Group purchases treasury shares, the consideration paid including the attributable transaction costs for the respective shares is deducted from equity. When treasury shares are sold or issued, the consideration received is added to equity.

PROVISIONS, CONTINGENT OBLIGATIONS AND CONTINGENT ASSETS

In accordance with IAS 37, provisions are recognized for liabilities of uncertain timing or amount. A provision can only be recognized if:

(a) the Company has a present obligation (legal or constructive) as a result of a past event

(b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation

(c) a reliable estimate can be made of the amount of the obligation

The amount reported as a provision represents the best possible estimate of the amount required to settle the obligation existing as of the reporting date, i.e., the amount that the Company would be required to pay on the basis of reliable observation in order to settle the obligation on the reporting 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 potential losses from onerous contracts are recognized if the unavoidable costs to satisfy the transaction are higher than the expected economic benefits. Before a provision is recognized, impairments relating to assets that are connected with this transaction are applied.

Liabilities arising from a potential obligation due to a past event and the existence of which is contingent on the occurrence or non-occurrence of one or several uncertain future events that 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) it is not probable that an outflow of resources embodying economic benefits will be required to settle this obligation

(b) the amount of the obligation cannot be measured with sufficient reliability

are reported as contingent liabilities unless the probability of the outflow of resources embodying economic benefits for the Company is low.

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

FINANCIAL LIABILITIES

Upon initial recognition, financial liabilities are classified as financial liabilities measured at fair value through profit or loss or as other financial liabilities measured at amortized cost applying the effective interest method.

All financial liabilities are recognized initially at fair value, less directly attributable transaction costs in the case of loans and receivables.

The Group's financial liabilities include trade and other payables, loans and borrowings including derivative financial instruments.

Subsequent to initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the statement of income when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortization is included in finance cost in the statement of income.

The effective interest method is a method used in calculating the amortized cost of a financial liability and allocating 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 derecognized when the obligation under the liability is discharged or canceled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized through profit or loss.

Financial assets and financial liabilities are offset with the net amount reported in the consolidated statement of financial position only if there is a current enforceable legal right to offset the recognized amounts and an intent to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

LEASES

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and a reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability over the term of the lease. Financing costs are reported as finance cost in the statement of income. A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term. As was the case as of the prior-year reporting date, the Company had no finance leases as of 31 December 2014.

Operating lease payments are recognized under other operating expenses in the statement of income on a straight-line basis over the lease term.

(B) NOTES TO INDIVIDUAL STATEMENT OF INCOME ITEMS

6. Revenue

	2014		2013	
	€ k	**%**	€ k	%
Film production	478	2.34	225	0.83
Distribution	19,813	97.15	26,746	98.80
Other	104	0.51	101	0.37
	20,395	**100.00**	**27,072**	**100.00**

Distribution revenue breaks down as follows:

	2014		2013	
	€ k	**%**	€ k	%
Cinema	8,172	41.25	7,323	27.38
TV	2,436	12.29	5,521	20.64
Video	8,639	43.60	13,579	50.77
World distribution	430	2.17	216	0.81
Other	136	0.69	107	0.40
	19,813	**100.00**	**26,746**	**100.00**

7. Own work capitalized

€ k	**2014**	2013
Income from own work capitalized	1,792	2,457

Own work capitalized comprises capitalizable production costs for proprietary productions as well as co-production contributions.

8. Other operating income

Other operating income breaks down as follows:

€ k	**2014**	2013
Gains on the release of provisions	1,723	228
Income from derecognition of liabilities	338	0
Income from reversal of impairment losses on non-current assets	230	0
Income from investment grants	75	75
Income from cost allocations	12	433
Rental income	28	55
Income from the sale of securities	0	118
Sundry income	284	207
	2,690	**1,116**

9. Cost of purchased services

The cost for purchased services breaks down as follows:

€ k	**2014**	2013
Film marketing costs	13,342	14,960
Film production costs	1,890	2,266
Licensor shares	583	6,423
Transfers to film funding agencies	39	179
Other production cost	87	137
	15,941	**23,965**

In the fiscal year, Senator Film Verleih GmbH and Senator Home Entertainment GmbH received total government grants of € 1,416 k (prior year: € 670 k) for releasing films in the cinema and on DVD.

10. Other operating expenses

Other operating expenses comprise the following items:

€ k	2014	2013
Legal and consulting fees	3,125	349
Rent and rent incidentals	450	439
Guarantee fees	200	200
Incidental cost of monetary transactions	171	182
Travel expenses	163	147
Annual general meeting and shareholder meetings	154	40
Representation and advertising expenses	122	101
Financial statement and audit costs	111	112
Provision for potential losses	106	2,362
Supervisory board remuneration	97	106
Donations	90	32
Insurance	76	142
Telephone, postage	76	94
Measurement of receivables	63	3,659
Other personnel expenses	49	34
Maintenance, servicing, rent for office equipment	33	23
Office supplies, specialist literature	32	25
Disposal of assets	23	0
Costs of the vehicle fleet	10	11
Sundry	217	406
	5,368	**8,464**

Note 14 “Intangible assets”, note 17 “Trade receivables” and note 18 “Receivables due from related parties” contain more information about expenses arising from provisions for potential losses and the measurement of receivables.

Lease payments reported through profit or loss in the reporting period amounted to € 341 k (prior year: € 319 k). Of this amount, € 29 k (prior year: € 16 k) is attributable to minimum lease payments and € 312 k (prior year: € 290 k) to conditional rent.

11. Exchange rate gains and losses

Exchange rate gains and losses break down as follows:

€ k	**2014**	2013
Exchange rate gains	88	159
Exchange rate losses	–145	–71
	–57	**88**

12. Income taxes

Actual tax liabilities for the current fiscal year and prior years are measured applying the tax rates applicable on the reporting date to the amounts that are expected to be payable to tax authorities.

The actual tax expense is reconciled from the application of the resulting tax expense at Senator AG as follows:

€ k	**2014**	2013
Earnings before income taxes	–14,867	–27,373
Tax at an effective tax rate of 30%	–4,461	–8,212
Effect of non-taxable earnings on determining the taxable income from equity portion	–96	–95
Effect of non-deductible expenses on determining taxable income:		
Non-deductible expenses	11	410
Losses forfeited during the year due to change in ownership	2,300	0
Unrecognized deferred tax assets for film rights	1,923	0
Recognition/valuation allowance deferred tax assets on unused tax losses	0	–2,852
Unrecognized tax losses	359	7,085
Effect of lower tax rates in Ireland	–21	3,675
Other	–14	–3
Tax expense according to the consolidated financial statements	**1**	**8**
Tax expense for the reporting year	1	8
Tax expense for prior years	0	0

Deferred tax assets and liabilities break down as follows:

€ k	As of 1 Jan 2014	Addition / reversal	**As of 31 Dec 2014**
Deferred tax assets			
Unused tax losses	2,661	–2,661	0
Film exploitation rights	0	544	544
Provision for potential losses	252	–200	52
	2,913	–2,317	596
Deferred tax liabilities			
Film exploitation rights	0	471	471
Financial liabilities	57	68	125
Measurement of receivables	2,856	–2,856	0
	2,913	–2,317	596
Disclosure	**0**	**0**	**0**

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

A harmful acquisition of an investment within the meaning of Sec. 8c (1) and (2) KStG [“Körperschaftsteuergesetz”: German Corporate Income Tax Act”] took place in the assessment year 2014. In this context, more than 50 % of issued capital had been transferred to one acquirer within five years in November 2014, meaning that Senator AG’s unused corporate income tax and trade tax losses (prior year: approx. € 78 m) as well as pre-tax group losses of the subsidiaries are expected to be forfeited in full for the 2014 assessment year. A pro rata share from the 2014 fiscal year of around € 1.2 m can be carried forward as unused tax losses following the acquisition of an investment.

Deferred tax assets stem from varying methods of measuring of rights in film assets, unused tax losses as well as differing recognition criteria for provisions for potential losses in a total amount of € 2.8 m. Deferred tax assets have been recognized in the amount of deferred tax liabilities.

Deferred tax liabilities on receivables no longer apply on account of the changed tax situation in 2014.

The Irish subsidiary has unused tax losses of around € 140 m (prior year: around € 140 m).

13. Earnings per share

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

	For the fiscal year 2014		
	Consolidated net income for the year € k	Weighted average number of shares	Earnings per share €
Net loss for the period attributable to the shareholders	– 14,793		
Earnings per share			
Net loss for the period attributable to the shareholders	– 14,793	8,465,836	– 1.75

	For the fiscal year 2013		
	Consolidated net income for the year € k	Weighted average number of shares	Earnings per share €
Net loss for the period attributable to the shareholders	– 27,381		
Earnings per share			
Net loss for the period attributable to the shareholders	– 27,381	7,483,941*	– 3.66

* In order to ensure comparability of the figures, the weighted average number of shares was restated for the fiscal year 2013 as a result of the capital reduction in 2014.

In the fiscal year, the weighted average number of shares included the capital reduction of 23 October 2014 as well as new shares from the capital increase of 26 November 2014 and the non-cash capital increase of 4 December 2014 on a pro rata temporis basis. Overall, the number of shares decreased from 14,972,712 to 7,486,356 on account of the capital reduction. A total of 6,908,671 new shares were placed as part of the cash capital increase and 4,062,200 new shares were issued in the non-cash capital increase, which were included with only 36 days and 27 days to 365 days in the weighted average calculation due to the issue date.

As of 31 December 2014, there were still 3,942 bonds with a nominal value of € 394.2 k outstanding from the issue of the warrant-linked bond in 2011, which were not changed to new shares because of the non-cash capital increase. On 27 March 2015, Senator AG publicly announced the termination and repayment of the remaining 8 % bond 2011 / 2016 in accordance with the terms of the bond. The warrants expire on 29 April 2016.

(C) NOTES TO INDIVIDUAL STATEMENT OF FINANCIAL POSITION ITEMS

14. Intangible assets and property, plant and equipment

INTANGIBLE ASSETS:

€ k	Film rights from productions	Film rights	Patents, brands and licenses	Prepay-ments made	**2014 Total**	2013 Total
Acquisition cost						
1 January 2014	**68,623**	**252,090**	**948**	**8,009**	**329,670**	**322,572**
Additions	0	11,904	8	4,044	15,956	10,145
Additions own work capitalized	0	0	0	1,792	1,792	2,457
Reclassifications	0	3,036	0	–3,036	0	0
Disposals	0	–2,591	–8	–465	–3,064	–5,504
31 December 2014	**68,623**	**264,439**	**948**	**10,344**	**344,354**	**329,670**
Accumulated amortization and impairment losses						
1 January 2014	**68,622**	**245,120**	**608**	**4,549**	**318,899**	**303,758**
Additions	1	9,573	184	1,711	11,469	20,645
thereof impairment	*0*	*5,203*	*0*	*624*	*5,827*	*10,804*
Revaluations	0	–230	0	0	–230	0
Reclassifications	0	1,144	0	–1,144	0	0
Reclassification potential losses	0	780	0	0	780	0
Disposals	0	–2,551	–8	–465	–3,024	–5,504
31 December 2014	**68,623**	**253,836**	**784**	**4,651**	**327,894**	**318,899**
Net carrying amountt	0	10,603	164	5,693	16,460	10,771
Net carrying amount (prior year)	1	6,970	340	3,460	10,771	

€ k	Film rights from productions	Film rights	Patents, brands and licenses	Prepay-ments made	**2013 Total**	2012 Total
Acquisition cost						
1 January 2013	**70,582**	**243,760**	**1,077**	**7,153**	**322,572**	**318,006**
Additions	0	8,320	8	1,817	10,145	8,005
Additions own work capitalized	0	0	0	2,457	2,457	2,536
Reclassifications	0	3,324	0	–3,324	0	0
Disposals	–1,959	–3,314	–137	–94	–5,504	–5,975
31 December 2013	**68,623**	**252,090**	**948**	**8,009**	**329,670**	**322,572**
Accumulated amortization and impairment losses						
1 January 2013	**70,581**	**230,093**	**554**	**2,530**	**303,758**	**302,184**
Additions	0	17,674	191	2,780	20,645	7,304
thereof impairment	*0*	*8,365*	*0*	*2,439*	*10,804*	*1,421*
Reclassifications	0	667	0	–667	0	0
Disposals	–1,959	–3,314	–137	–94	–5,504	–5,730
31 December 2013	**68,622**	**245,120**	**608**	**4,549**	**318,899**	**303,758**
Net carrying amount	1	6,970	340	3,460	10,771	18,814
Net carrying amount (prior year)	1	13,667	523	4,623	18,814	

As of the reporting date, there were indications of additional impairment of intangible assets due to the fact that some films had not performed as planned in the fourth quarter of 2014 and in January 2015. All film rights and prepayments made for film rights were subsequently tested for impairment. As of 31 December 2014, the impairment test revealed that the recoverable amounts of around 50 films had fallen below their carrying amounts (prior year: 150 films), primarily as a result of changes in the market acceptance assessment of these rights after reviewing the available film material. Accordingly, impairments of € 5,827 k were recorded (prior year: € 10,804 k), € 5,811 k of which relates to the Distribution segment (prior year: € 10,022 k), and € 16 k to the Production segment (prior year: € 782 k).

In the case of film rights with negative recoverable amounts (i.e., disposal costs exceed revenue), a provision for potential losses of € 106 k was recognized for onerous contracts (prior year: € 2,362 k). This provision for potential losses stems from the Group's exploitation and marketing obligations to licensors of the film rights.

The recoverable amount was calculated on the basis of the value in use. The discounted cash flow method that was applied was based on a pre-tax discount factor of 6.96 % (prior year: 8.55 %). The CAPM (capital asset pricing model) method was applied to calculate the cost of capital using 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 five-year planning calculation for each film right. Cash inflows and outflows from the first-time exploitation through the steps of cinema, home entertainment and TV (to the extent that the respective exploitation rights are available) are planned in detail, whereas blanket estimates have been applied to each film right for subsequent exploitation steps. The following films belong to the Distribution segment.

2014 in € k	Impairment losses	Provision for potential losses	**Total**	Recoverable amount
Best of me	1,686	0	1,686	1,344
Der kleine Medicus	659	0	659	99
Der Koch	541	0	541	476
Dr. Proktors Pupspulver	273	0	273	156
And so it Goes	266	0	266	45
Samba	251	0	251	374
Pride	198	0	198	348
Tracers	192	0	192	212
Devil's Knot	177	0	177	507
Under the skin	160	0	160	107
Vijay & I	130	0	130	72
Fallen	113	0	113	266
Rover	94	0	94	60
Sonstige	1,087	106	1,193	–
	5,827	**106**	**5,933**	

Senator released the film BEST OF ME to cinemas at the end of January 2015. Actual box office figures were significantly below management's original expectations. As a result, the planned proceeds from further exploitation steps also needed to be adjusted downward, thus resulting in further impairments for this film.

For the films DER KLEINE MEDICUS and DER KOCH, for which relatively high minimum guarantees were paid, impairment losses were also required on account of changes in the market acceptance assessment.

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

The "Patents, brands and licenses" item chiefly comprises rights to screenplays. Once the rights to screenplays for the production of a film are exploited, such rights are classified as production costs for the respective film and are capitalized under film rights.

2013 in € k	Impairment losses	Provision for potential losses	**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
Sonstige	7,116	349	7,465	–
	10,804	**2,362**	**13,166**	

Senator released the film MANDELA to cinemas at the end of January 2014. Actual box office figures were significantly below management's original expectations. As a result, the planned proceeds from further exploitation steps also needed to be adjusted downward, thus resulting in impairments and the creation of a provision for potential losses for this film in the prior year.

Impairment losses and provisions for potential losses were also required for the films BEST OF ME and DIE MAMBA, for which relatively high minimum guarantees were and are being paid on account of changes in the market acceptance assessment in the prior year.

A total of € 2,369 k (prior year: € 2,187 k) of government grants are included in intangible assets.

PROPERTY, PLANT AND EQUIPMENT (OTHER EQUIPMENT, FURNITURE AND FIXTURES)

€ k	2014	2013
Acquisition cost		
1 January	**946**	**1,172**
Additions	8	25
Disposals	–81	–251
31 December	**873**	**946**
Accumulated depreciation and impairment losses		
1 January	**640**	**780**
Additions	65	94
Disposals	–57	–234
31 December	**648**	**640**
Net carrying amount	**225**	**306**

15. Investments in associates or joint ventures

€ k	As of 1 Jan 2014	Increase in the carrying amount	Share in profit 2014	Dividends received	Impairment losses	As of 31 Dec 2014
Bavaria Pictures GmbH, München	0	30	–30	0	0	0
Central Film Verleih GmbH, Berlin	2,192	0	141	0	0	2,333
Senator Babelsberg Film GmbH, Potsdam	0	0	0	0	0	0
X Verleih AG, Berlin	1,397	0	226	–313	0	1,310
	3,589	**30**	**337**	**–313**	**0**	**3,643**

The Senator Group has a 50 % shareholding in Central Film Verleih GmbH, a Berlin-based joint venture that is responsible for booking and billing for cinema. This joint venture is a joint arrangement whereby the parties have joint control and no shareholder can exercise power over the company alone.

In 2012, Senator Film Produktion GmbH, Berlin, acquired a 50 % shareholding in Senator Film Babelsberg GmbH, a Potsdam-based joint venture that is to realize the international film project entitled Reykjavik. The company belongs to the Production segment of the Group. This joint venture is a joint arrangement whereby the parties have joint control and no shareholder can exercise power over the company alone.

On 20 January 2014, the Group acquired a further 25 % shareholding in Bavaria Pictures GmbH (joint venture), a film production company with registered offices in Munich, for a purchase price of € 30 k. Since then, the Group has had a 50 % shareholding. The Group's shareholding in Bavaria Pictures GmbH is accounted for using the equity method in the consolidated financial statements.

The following section presents a summary of financial information concerning the joint venture based on its financial statements prepared in accordance with IFRSs, as well as a reconciliation of this financial information to the carrying amount of the shareholding in this joint venture in the consolidated financial statements:

Bavaria Pictures GmbH (Production segment) in € k	**2014**	2013
Current assets including cash and cash equivalents of € 1,162 k (prior year: € 743 k) and prepayments of € 49 k (prior year: € 37 k)	3,674	6,484
Non-current assets	3,604	549
Current liabilities including tax liabilities of € 63 k (prior year: € 48 k)	8,817	7,934
Non-current liabilities including deferred tax liabilities of € 0 k (prior year: € 0 k) and a non-current loan of € 0 k (prior year: € 0 k)	0	0
Equity	–1,539	–901
Group shareholding	50 %	25 %
Carrying amount of the investment	0	0
Goodwill at the level of Senator Film München GmbH from share deal	0	0
Accounting using the equity method	0	0
Revenue	1,334	1,580
Own work capitalized	4,355	841
Other operating income	4,592	2,648
Cost of materials	–5,922	–3,524
Personnel expenses	–3,091	–1,092
Amortization, depreciation and impairment	–1,305	–441
Other operating expenses	–529	–144
Interest expense	–70	–29
Earnings before taxes	–637	–161
Income taxes	0	86
Income / loss from continuing operations	–638	–75
Group share in income / loss	–319	–19
Thereof reported through profit or loss	*–30*	*0*

Goodwill at the level of Senator Film München GmbH was impaired on account of the loss incurred by Bavaria Pictures GmbH in the fiscal year and the uncertain future development of the Company in the cinema production area.

The total cumulative amount of unrecognized proportional negative equity from associated production entities stood at € 770 k (prior year: € 225 k).

On account of the acquisition of an additional 25 % of shares in January 2014, the associate is a joint venture in which the parties have joint control and no shareholder can exercise power over the company alone.

The Group has a 31.4 % shareholding in X Verleih AG, a film distribution company with registered offices in Berlin. The Group's shareholding in X Verleih AG is accounted for in the consolidated financial statements using the equity method.

The following section presents a summary of financial information concerning the associate based on its financial statements prepared in accordance with IFRSs, as well as a reconciliation of this financial information to the carrying amount of the shareholding in this joint venture in the consolidated financial statements:

X Verleih AG (Distribution segment) in € k	**2014**	2013
Current assets including cash and cash equivalents of € 5,979 k (prior year: € 6,094 k) and prepayments of € 0 k (prior year: € 0 k)	6,701	6,679
Non-current assets	1,760	1,805
Current liabilities including tax liabilities of € 422 k (prior year: € 297 k)	4,411	4,017
Non-current liabilities including deferred tax liabilities of € 0 k (prior year: € 0 k) and a non-current loan of € 209 k (prior year: € 348 k)	348	487
Equity	3,702	3,980
Group shareholding	31.4 %	31.4 %
Carrying amount of the investment	1,162	1,250
Goodwill at the level of Senator AG from share deal	148	147
Accounting using the equity method	1,310	1,397
Revenue	5,288	5,530
Other operating income	869	1,331
Cost of materials	–3,872	–3,524
Personnel expenses	–869	–920
Amortization, depreciation and impairment	–208	–456
Other operating expenses	–154	–170
Financial result including interest expense of € 21 k (prior year: € 29 k)	–14	2
Earnings before taxes	1,039	1,793
Income taxes	–317	–533
Income / loss from continuing operations	721	1,260
Group share in income / loss	226	395

In the fiscal year, X Verleih AG distributed € 1,000 k to its shareholders, € 313 k was attributable to Senator AG.

The Group also has a 50.0 % shareholding in Central Film Verleih GmbH, Berlin. The Group's shareholding in Central Film Verleih GmbH is accounted for in the consolidated financial statements using the equity method.

The following section presents a summary of financial information concerning the joint venture based on its financial statements prepared in accordance with IFRSs, as well as a reconciliation of this financial information to the carrying amount of the shareholding in this joint venture in the consolidated financial statements:

Central Film Verleih GmbH (Distribution segment) in € k	**2014**	2013
Current assets including cash and cash equivalents of € 766 k (prior year: € 928 k) and prepayments of € 0 k (prior year: € 0 k)	879	1.772
Non-current assets	8	12
Current liabilities including tax liabilities of € 0 k (prior year: € 90 k)	785	1.682
Non-current liabilities including deferred tax liabilities of € 0 k (prior year: € 0 k) and a non-current loan of € 0 k (prior year: € 0 k)	0	0
Equity	493	102
Group shareholding	50.0 %	50.0 %
Carrying amount of the investment	119	51
Goodwill at the level of Senator AG from share deal	2,141	2,141
Accounting using the equity method	2,260	2,192
Revenue	2,922	2,604
Own work capitalized	0	0
Other operating income	49	37
Cost of materials	–1,852	–1,390
Personnel expenses	–709	–713
Amortization, depreciation and impairment	–7	–10
Other operating expenses	–236	–245
Interest income	29	23
Earnings before taxes	196	306
Income taxes	–60	–239
Prior-year income / loss	212	–110
Income / loss from continuing operations	348	–43
Group share in income / loss	141	–22

In the prior year, Central Film Verleih GmbH distributed € 1,314 k to its shareholders, € 656 k was attributable to Senator AG.

Central Film Verleih GmbH's net income / loss for fiscal 2013 had to be adjusted upward after preparing the consolidated financial statements. The € 106 k adjustment for the proportionate income / loss for the Group was reconciled to the consolidated financial statements in the current fiscal year.

The three aforementioned joint ventures have contingent liabilities or capital commitments of € 11,581 k (prior year: € 9,194 k) and € 1,294 k (prior year: € 346 k) as of 31 December 2014 and 31 December 2013.

16. Inventories

The inventories of Senator consist primarily of stocks of audiovisual material in an amount of € 606 k (prior year: € 803 k). Inventories were not secured by collateral.

No write-downs were necessary on inventories in the fiscal year 2014 or the prior year.

Inventories that were expensed in the reporting period amounted to € 1,089 k (prior year: € 1,341 k).

17. Trade receivables

Non-current and current trade receivables break down as follows:

in € k	**2014**	2013
Trade receivables	6,124	9,104
less bad debt allowances	–2,501	–2,438
Net receivables	**3,623**	**6,666**
thereof for construction contracts	0	0

Receivables are recognized at nominal value less bad debt allowances. Bad debts amounted to € 12 k in 2014 (prior year: € 17 k).

Bad debts on trade receivables are based on both a customer-related assessment and recent experience.

As of 31 December 2014, trade receivables with a nominal value of € 63 k were written down in full (prior year: € 1,100 k). These write-downs became necessary due to payment difficulties that arose. Of the total amount, € 63 k relates to the Distribution segment (prior year: € 950 k) and € 0 k to the Production segment (prior year: € 150 k).

The following table shows the development of the valuation allowances recognized on trade receivables:

in € k	**2014**	2013
As of 1 January	2,438	1,818
Utilization	0	480
Additions	63	1,100
As of 31 December	**2,501**	**2,438**

As of 31 December 2014, receivables of € 3,334 k (prior year: € 6,115 k) were neither impaired nor past due. In this context, there were no indications that customers would fail to meet payment obligations as of the reporting date.

Trade receivables that are past due as of the reporting date but are not yet impaired are overdue as follows:

in € k	**2014**	2013
Up to 30 days	51	46
Between 31 and 90 days	105	260
Between 91 and 180 days	68	181
Between 181 and 360 days	13	6
More than 361 days	52	58
	289	**551**

No valuation allowances were recognized for trade receivables of € 289 k (prior year: € 551 k) that were past due as of the reporting date, as there was no significant change to the creditworthiness of these debtors and it is assumed that the outstanding amounts will be settled. The Group does not hold collateral as security for these open items.

18. Receivables from related parties

Receivables from related parties break down as follows:

in € k	**2014**	2014
Receivables from associates accounted for using the equity method	53	93
	53	**93**

In the spring of 2013, Senator AG granted a loan for € 336 k to Senator Film Babelsberg GmbH for the interim financing of preproduction costs for the REYKJAVIK film project. The film project has not yet been realized as the financing has not been raised. Senator AG 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 written off in full as of 31 December 2013.

In the prior year, Senator Entertainment AG remeasured the borrowed funds for the first time that were granted to deutschfilm GmbH, Berlin, as a result of the difficult economic position and the development of liquidity. Write-downs of € 156 k were recorded on receivables due from deutschfilm GmbH, Berlin (prior year: € 2,205 k).

19. Other financial assets

Other financial assets break down as follows:

in € k	2014	2013
Receivables from funding institutions	1,719	858
Receivables from VGF Verwertungsgesellschaft für Nutzungsrechte an Filmwerken mbH	145	145
Security deposits	109	99
Receivables from health insurance companies	109	0
Creditors with debit balances	149	153
Letters of credit	0	375
Loan receivables	0	387
Sundry	20	35
	2,251	**2,052**

20. Sundry assets

Sundry assets break down as follows as of the reporting date:

in T€	2014	2013
Other taxes	1,166	582
Prepaid expenses	455	101
Sundry other	21	7
	1,642	**690**

21. Issued capital

In light of the loss reported in 2013 and the complete exhaustion of Senator Entertainment AG's share capital, the management board has prepared a recovery plan and obtained an external expert opinion for this purpose. The expert opinion arrived at the conclusion that the Senator Entertainment Group is in need of restructuring, and that, on the basis of an objective assessment, there are serious and reasonable prospects for a successful restructuring based on the present recovery plan, as well as the measures that have already been initiated and those that are still planned. The extraordinary general meeting of 12 September 2014 passed resolutions on four capital measures, of which three were implemented in the fiscal year. The fourth measure was successfully implemented as of 5 February 2015. The shareholder SWB Entertainment Investment B.V. (formerly: Sapinda Entertainment Investment B.V.) supported the measures with backstop agreements and has been the majority shareholder since 26 November 2014. BaFin ["Bundesanstalt für Finanzdienstleistungsaufsicht": Federal Financial Supervisory Authority] approved Sapinda Entertainment Investment B.V.'s application in accordance with Sec. 37 (1), (2) WpÜG ["Wertpapiererwerbs- und Übernahmegesetz": Securities Acquisition and Takeover Act] in conjunction with Sec. 9 Sentence 1 No. 3 WpÜG-AV ["WpÜG-Angebotsverordnung": WpÜG Offer Regulations] to be exempted from the obligation to publish any changes in control and to make a public offer to all shareholders pursuant to Secs. 35, 37 WpÜG ("restructuring exemption") should the company obtain direct or indirect control of Senator AG.

The first capital measure was a simple reduction of the share capital from € 29,945,424 by € 22,459,068 to € 7,486,356. The simplified capital decrease was effective as of 23 October 2014 upon entry in the commercial register.

In November 2014, the second capital measure was performed with a cash capital increase by placing 6,908,671 no-par value bearer shares and effective as of 26 November 2014 upon entry in the commercial register. Share capital was thus increased to € 14,395,027.

In addition, the extraordinary general meeting of 12 September 2014 resolved to increase the share capital in return for cash or non-cash contributions by at least € 3,806,313 and a maximum of € 4,229,237. The approved capital increase of € 4,062,200 was performed in return for non-cash contributions and effective upon entry in the commercial register on 4 December 2014. The non-cash contributions consisted of 8 % of the bonds from the 2011 / 2016 warrant-linked bonds as part of the exchange offer including accumulated interest not yet due. Share capital thus increased to € 18,457,227.

On 5 February 2015, upon entry in the commercial register, Senator AG successfully completed the fourth capital measure as approved at the extraordinary general meeting on 12 September 2014 comprising a non-cash contribution of € 55,872,788 through the issue of 55,872,788 new shares in return for all shares in Wild Bunch S.A., Paris (Wild Bunch S.A.). Share capital was thus increased to € 74,330,015. Please refer to note 48 “Subsequent events” for more information.

Stück	**31.12.2014**	31.12.2013
Shares, 18,457,227.00 shares, Authorized capital (2012/I) up to € 14,972,712.00 (prior year: € 14,972,712.00); Contingent capital (2008 /I) up to € 9,981,909; was utilized in 2011 for the issue of warrants granted with the 2011 / 2016 warrant-linked bonds Contingent capital (2012/I) up to € 4,990,803.00;	18,457,227	29,945,424
Treasury shares	−2,415	−9,659
	18,454,812	**29,935,765**

Issued capital is fully paid in and is split into no-par value bearer shares.

Treasury shares are reported in the statement of financial position reducing equity. Treasury shares are reported at cost.

By resolution of the extraordinary general meeting on 7 August 2012, the management board was authorized until 6 August 2017, subject to the approval of the supervisory board, 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. Shares acquired may not at any time amount to more than 10 % of total share capital when taken together with other treasury shares held by the company or allocable to the company in accordance with Sec. 71a et seq. AktG [“Aktiengesetz”: German Stock Corporation Act]. The Company has in turn obliged not to trade in treasury shares and only to sell treasury shares under certain circumstances.

On 31 December 2014, the Company reports 2,415 no-par value shares as treasury shares (prior year: 9,659) to which a nominal amount of € 2,415 or around 0.01 % (prior year: € 9,659 or 0.03 %) of the share capital is attributable as of 31 December 2014.

At the extraordinary general meeting of 7 August 2012, authorized capital 2009 / I that still existed until that date was revoked, to the extent that it had not been utilized. New authorized capital was approved that authorizes the management board, with the approval of the supervisory board, to increase the share capital by an amount of up to € 14,972,712.00 by 6 August 2017 (authorized capital 2012/I).

Contingent capital 2008, which was approved at the annual general meeting of 17 July 2008, was entered in the commercial register on 6 May 2010 with an amendment dated 20 May 2010. The contingent capital was utilized in 2011 in the issue of the 8 % warrant-linked bonds, which is due for repayment on 28 April 2016. At the extraordinary general meeting of 7 August 2012, the management board was authorized, subject to the approval of the supervisory board, to issue once or several times, no-par value or registered convertible bonds or warrant-linked bonds of a total nominal amount of up to € 4,990,803.00 until 6 August 2017. Correspondingly, additional contingent capital was approved supplementing the contingent capital 2008. As a result, the Company's share capital can be increased contingently by up to € 4,990,803.00 by the issue of 4,990,803 new no-par value bearer shares (contingent capital 2012/I). Contingent capital 2012/I will be utilized only to the extent that the holders of convertible or warrant-linked rights utilize their conversion or warrant-linked rights or satisfy the conversion obligations arising from such bonds. Contingent capital 2012/I was entered in the commercial register on 30 August 2012.

22. Capital reserves

The income from the capital reduction of € 22,459,068 in 2014 was transferred to the capital reserves in accordance with the provisions of the German stock corporation law concerning simplified capital reductions. In 2014, capital reserves were reduced due to the simplified capital reduction of € 7,244 for the treasury shares held by Senator AG. Unused tax losses of € 70,787,535 were then deducted from the capital reserves. The fixed fee for the capital reduction to the issuing bank came to € 25,000.

In November 2014, 6,908,671 new shares were placed with a purchase price of € 2.36 per share as part of the cash capital increase. All shares in Senator have an imputed share in capital of € 1.00. The difference of € 1.36 per new share was transferred to the capital reserves, less compensatory transfer amounts of € 3 k and disclosed as issue costs. The costs contain commission of 5 % of total gross issue proceeds (€ 815 k) for the transfer and placement fee of the issuing bank as well as a listing commission of 1 % of the imputed share in capital per issued share (€ 69 k). Moreover, backstop remuneration of 7.5 % of total gross issue proceeds (€ 1,223 k) was paid to Sapinda Entertainment Investment B.V., Amsterdam, Netherlands (Sapinda), who had entered into an agreement with the Company to acquire new shares under normal market conditions that could not otherwise be subscribed after the end of the subscription period of the capital increase itself or to ensure that they were subscribed by a third party. In addition, legal and consulting fees relating to this capital increase of € 390 k were incurred.

The 4,062,200 new shares from the non-cash capital increase in December 2014 were placed at a purchase price of € 2.36 per new share. The difference between the purchase price and the imputed share in capital less a listing commission of 1 % of the imputed share in capital per issued share (€ 40,622 k) was transferred to the capital reserves. Legal and consulting fees as well as the listing fees in connection with this non-cash capital increase amounted to € 751 k.

Overall, € 3,251 k was deducted from the capital reserves for the cost of the capital measures performed in the fiscal year.

23. Other comprehensive income

On 6 May 2011, Senator AG successfully placed a warrant-linked bond. A total of 9,981,000 bearer warrants were issued with the bond. Each warrant granted the bearer the right to subscribe to one share in return for the payment of the warrant price at the time of issue. Upon the issue of the warrant-linked bond, the value of the warrants amounted to € 0.01 per warrant. After performance of the capital decrease, each of the four warrants grants the right to subscribe to one share in return for the payment of the warrant price.

On account of the simplified capital reduction in October 2014 and the non-cash contribution in December 2014, other comprehensive income decreased to € 0k.

24. Non-controlling interests

Non-controlling interests relate to deutschfilm GmbH, Berlin. As of 31 December 2014, the non-controlling interest in deutschfilm GmbH, Berlin, amounted to 50 % (prior year: 50 %), its share in the net income / loss for the Group totaled € –75. deutschfilm GmbH was fully consolidated in the consolidated financial statements of Senator AG for the first time on 31 December 2013. It therefore did not have a share in the net income / loss for the Group in the prior year. Due to the Company's loss situation, no distribution was made.

The financial information of deutschfilm GmbH included in the consolidated financial statements is summarized in the following:

in € k	**2014**	2013
Revenue	323	187
Net income / loss for the year	–151	–315
Current assets	150	142
Non-current assets	148	171
Current liabilities	77	78
Non-current liabilities	0	0
Cash flows	–**5**	2

25. Capital management

Apart from the provisions of the German stock corporation law, Senator AG is not subject to any other requirements from the articles of incorporation and bylaws or contractual obligations relating to its capital maintenance. The key financial indicators used by the Company as part of its corporate management reflect both profitability and cash flows.

The primary aim of the management of Senator is to secure liquidity to ensure its ability to continue as a going concern. In addition to the absolute level of the cash and cash equivalents item, expected cash inflows and cash outflows based on weekly planning as well as a medium-term plan that spans a three-year period are monitored in order to achieve this goal.

A sufficiently high equity ratio is required in order to flexibly exploit equity and debt financing options that arise on the market. Economic equity as a percentage of total assets is monitored in this context. The equity ratio is economic equity at group level as a percentage of total assets. Economic equity comprises equity from the statement of financial position and investment subsidies.

Economic equity and the equity ratio developed as follows:

in € k	**2014**	2013
Equity disclosed in the statement of financial position	–3,668	–11,439
Investment subsidies	317	392
Economic equity	**–3,351**	**–11,047**
Total assets	**37,965**	**27,821**
Equity ratio	**–8.8 %**	**–39.7 %**

Given the fact that the share capital of Senator Entertainment AG has been completely exhausted, the management board has drawn up a recovery plan. This is explained from note 21 to note 23 “Equity” in detail.

There are no non-compliance covenants in place that could potentially result in the termination of loan agreements.

26. Employee benefits

As a state plan, the statutory pension insurance scheme in Germany is treated as a multi-employer plan in the meaning of IAS 19.32. In the 2014 fiscal year, the Company paid € 175 k into the statutory pension insurance scheme for its employees in Germany (2013: € 176 k), which was expensed (employer contributions).

27. Other provisions

in € k	As of 1 Jan 2014	Utiliza-tion	Reversal	Additions	Changes in the basis of consoli-dation	**As of 31 Dec 2014**
Personnel provisions	146	146	0	712	0	712
Provision for potential losses	2,362	2,221	29	106	0	218
Provisions for transfers to licensors	7,599	1,843	1,665	395	0	4,486
Provisions for returns	589	589	0	538	0	538
Provision for outstanding invoices	274	138	14	122	0	244
Sundry provisions	564	339	15	147	0	357
	11,534	**5,276**	**1,723**	**2,020**	**0**	**6,555**

Personnel provisions primarily relate to restructuring expenses and accrued vacation. In the course of the operative restructuring of Senator AG and its subsidiaries following the merger with Wild Bunch S.A., Wild Bunch Germany GmbH will assume all operating activities relating to the acquisition and exploitation of film rights, in the field of cinema and home entertainment in particular, as well as TV marketing as of 1 May 2015. As of 31 December 2014, the Company recognized a provision for the upcoming personnel measures at Senator AG and its subsidiaries.

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

The provision for transfers to licensors decreased primarily on account of the settlement negotiated with a licensor of € 2,665 k in the fiscal year.

Note 14 "Intangible assets" provides more information about the provisions for potential losses.

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

28. Financial liabilities

in € k	**2014**	2013
Bonds	10,679	9,666
Liabilities to banks	7,627	5,979
	18,306	**15,645**

Aging analysis of financial liabilities:

	Carrying amount	2015		2016		2017	
in € k	31.12.2014	Interest	Repay-ments	Interest	Repay-ments	Interest	Repay-ments
Non-derivative financial liabilities							
Bonds	10,679	386	10,679	0	0	0	0
Liabilities to banks	7,627	212	6,727	4	900	0	0

	Carrying amount	2014		2015		2016	
in € k	31.12.2013	Interest	Repay-ments	Interest	Repay-ments	Interest	Repay-ments
Non-derivative financial liabilities							
Bonds	9,666	798	0	798	0	266	9,981
Liabilities to banks	5,979	115	5,867	0	112	0	0

BONDS

Senator AG placed a warrant-linked bond as part of a subscription offer to existing shareholders and qualified investors on 6 May 2011. A total of 99,810 bond notes with nominal amounts of € 100 each were issued with an interest rate of 8 % p.a.; they fall due in 2016 with a total nominal amount of € 9,981,000. The new bonds (ISIN of the cum warrant-linked bond: DE000A1KQX87 / ISIN of the ex warrant-linked bond: DE000A1KQX95) and the warrants (ISIN: DE000A1KQYA1) were listed in the Open Market of the Frankfurt Stock Exchange in May 2011. The bonds are secured by intangible assets. The amount of the bond was reduced to € 400 k with the contribution of the warrant-linked bond 2011/2016 as part of the capital increase by non-cash contribution.

In the fiscal year, Senator AG issued unsecured bearer bond notes with fixed interest of up to € 10,000 k in two tranches of € 5,000 k each on 26 June and 4 September 2014. The bonds bear interest of 12 % annually until the date of repayment and were repaid at 101.5 % of their nominal amount on 25 March 2015. The issuer paid quirin bank AG, Berlin, a placement fee of 5.26 % of the gross issue proceeds for the placement of the bond. The tranche placement fee is 95.00 % and 97.33 % of the nominal amount. The effective interest rate of the two bond tranches came to 27.22 % and 28.53 %, respectively, p.a.

LIABILITIES TO BANKS

Of liabilities to banks as of the prior-year reporting date, an amount of € 993 k related to an unsecured, subordinated loan from the H.E.A.T. Mezzanine program, which was granted to Senator Film Verleih GmbH. The loan became subordinated to the receivables of all existing and future creditors of Senator Film Verleih GmbH with the repayment claim of the nominal amount and the interest payment. Interest was charged at 8.251 %. The subordination remained applicable in insolvency proceedings. The loan was repaid in full on schedule in February 2014.

In the 2011 fiscal year, a money market loan of € 10.0 m (prior year: € 10.0 m) with a multi-year term was concluded with the UK branch of the Israeli bank Bank Leumi (UK) plc, London. The original agreement was extended and increased by € 2.5 m to € 10.0 m in the prior year. The master loan agreement enables Senator Group companies to obtain interim financing for receivables arising from exploitation agreements over a period of up to two years, thereby minimizing the period over which their own capital is tied up. The interest rate on the loan amounted to 5.30 % in the fiscal year. According to the loan agreement, the bank receives a minimum interest rate of 1.30 % plus a 4.00 % margin if LIBOR is below 1.30 %. If LIBOR exceeds 1.30 %, the interest rate is calculated as LIBOR plus a 4.00 % margin. As of the reporting date, € 6,627 k of the lending facility had been drawn (prior year: € 4,251 k). The bank also charges a guarantee fee of 0.75 % p.a. The loan was secured with trade receivables, intangible assets and the shares held in Senator MovInvest GmbH.

In November 2012, Senator Film Köln GmbH, Cologne, received an interim financing loan from KfW Banking Group, Frankfurt am Main, for the 00 SCHNEIDER – IM WENDEKREIS DER EIDECHSE project. The line of credit amounted to € 1,000 k, of which an amount of € 231 k had been utilized as of the prior-year reporting date. In the fiscal year, the interest rate amounted to 4.197 % p.a. (EURIBOR plus 4.00 %). The bank is also entitled to an arrangement fee of 0.25 % per month from the third month after the conclusion of the agreement. The loan was secured by claims against film funding agencies and against Senator Film Verleih GmbH, Berlin, as well as through the assignment as security of all film rights and pledging material from the film project receiving interim financing. The loan was repaid in full in early April 2014.

In June 2013, Senator Film Köln GmbH, Cologne, received a further interim financing loan for the DER KOCH project. The line of credit amounted to € 1,000 k and was repaid in full in the fiscal year. The interest rate stood at 3.301 % p.a. in the fiscal year (EURIBOR plus 3.00 %). The bank is also entitled to an arrangement fee of 0.50 % p.a. from the third month after the conclusion of the agreement. The loan was secured by claims against film funding agencies and against Senator Film Verleih GmbH, Berlin, as well as through the assignment as security of all film rights and pledging material from the film project receiving interim financing.

In October 2014, Senator Film Köln GmbH, Cologne, received a further interim financing loan for the EIN ATEM project. The line of credit amounts to € 1,000 k and had been utilized in full as of the reporting date. In the fiscal year, the interest rate amounted to 6.58 % p.a. (EURIBOR plus a margin of 6.50 %). The bank is also entitled to an arrangement fee of 0.50 % p.a. from the third month after the conclusion of the agreement. The loan was secured by claims against film funding agencies and against Senator Film Verleih GmbH, Berlin, as well as through the assignment as security of all film rights and pledging material from the film project receiving interim financing.

OTHER NOTES

Assets pledged as collateral total around € 10.4 m (prior year: € 8.3 m).

Apart from those mentioned, the Group has no other lines of credit.

Non-current financial liabilities as of 31 December 2014 comprise the following utilization levels, interest rates and terms:

in € k	**31.12.2014**	Effective interest rate as a %	Matures
Liabilities to banks			
Bank Leumi	900	5.3	January 2016

29. Prepayments received

Prepayments received break down as follows to the primary segments:

in € k	**2014**	2013
Distribution	4,889	4,247
Production	1,360	182
Other	0	3
	6,249	**4,432**

In October 2013, the distribution agreement with Universumfilm GmbH, Munich (Universum), was extended. With this extension, the parties agreed to a prepayment of € 3,000 k from Universum for future proceeds from the distribution of back catalog titles.

30. Liabilities to related parties

Liabilities to related parties break down as follows:

in € k	**2014**	2013
Liabilities to associates accounted for using the equity method	88	87
Liabilities to other related parties	0	20
	88	**108**

31. Other financial liabilities

Other financial liabilities break down as follows:

in € k	**2014**	2013
Liabilities to film funding agencies	185	330
Project development loans	118	118
Liabilities to employees	46	44
Debtors with credit balances	7	15
Security deposits	10	10
Sundry	118	88
	484	**605**

32. Sundry liabilities and deferrals

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

Current sundry liabilities and deferrals break down as follows:

in € k	**2014**	2013
Other tax liabilities	404	131
Liabilities for levies and contributions	33	57
Sundry other	9	12
	446	**200**

(D) NOTES TO THE STATEMENT OF CHANGES IN EQUITY

The Senator Group's equity changed by € 22,640 k on account of the capital measures implemented (see note 21 to note 23) as well as by total comprehensive income of € 14,869 k.

(E) NOTES TO THE STATEMENT OF CASH FLOWS

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.

33. Cash and cash equivalents

Cash and cash equivalents relate to cash on hand and bank balances, as well as current accounts.

As of the prior-year reporting date, the Company reported a balance of US$ 520 k at Bank Leumi, (UK) plc, London, which was used as collateral for a letter of credit. Bank deposits with restricted availability are reported under other financial assets.

34. Cash flow from operating activities

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

in € k	**2014**	2013
Income taxes paid	–83	–183
Income tax refunded	0	0
Interest paid	–1,882	–1,303
Interest received	18	39

35. Cash flow from investing activities

The cash outflow from investing activities is mainly attributable to investments in film exploitation rights and other intangible assets of € –17,748 k (prior year: € –12,602 k) The cash flow from investing activities in the prior year included cash inflows from the disposal of financial assets of € 3,785 k.

36. Cash flow from financing activities

In the fiscal year, loans of € 19,517 k were drawn down (prior year: € 5,494 k), which were counterbalanced by loan repayments of € 8,473 k (prior year: € 3,026 k). Please refer to note 28 "Financial liabilities" for more information.

(F) FURTHER INFORMATION

37. Segment reporting

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

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

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

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

The management board monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

The Senator Group’s activities essentially relate to Germany and other European countries. For the geographic segment information, revenue is segmented according to the registered offices of the customer, and non-current assets according to the registered offices of the Company.

No more than 10 % of revenue was generated with one business partner in the fiscal year. In the Distribution segment, revenue accounting for more than 10 % of total distribution revenue was generated with Telepool GmbH, Munich, in the prior year.

All of the segments’ results fell short of the expectations of the management board.

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 exploitation of cinema films on television, video and DVD. The Other operating segment comprises the distribution of other rights transferred to the Group when film licenses were purchased, as well as music activities.

OPERATING SEGMENTS

	Production		Distribution		Other		Total	
in € k	2014	2013	2014	2013	2014	2013	2014	2013
Segment revenue	2,106	941	25,063	29,863	104	101	27,273	30,905
Intersegment revenue	–1,628	–716	–5,250	–3,117	0	0	–6,878	–3,833
Revenue = allocable income	**478**	**225**	**19,813**	**26,746**	**104**	**101**	**20,395**	**27,072**
Own work capitalized	1,792	2,457	0	0	0	0	1,792	2,457
Allocable expenses								
Amortization and depreciation	–2,442	–1,219	–8,867	–19,258	–146	–146	–11,455	–20,623
thereof impairment	*–16*	*–782*	*–5,811*	*–10,022*	*0*	*0*	*–5,827*	*–10,804*
Exploitation and production cost	–1,903	–2,303	–14,033	–21,661	–5	0	–15,941	–23,964
Personnel expenses	–151	–267	–1,837	–1,243	0	0	–1,988	–1,510
Total	**–4,496**	**–3,789**	**–24,737**	**–42,162**	**–151**	**–146**	**–29,384**	**–46,097**
Net gain/loss	**–2,226**	**–1,107**	**–4,924**	**–15,416**	**–47**	**–45**	**–7,197**	**–16,568**
Non-allocable income and expenses								
Other operating income							2,690	1,116
Personnel expenses							–2,635	–1,654
Amortization, depreciation and impairment							–79	–123
Other operating expenses							–5,368	–8,464
							–12,589	–25,693
Other interest and similar income							22	139
Interest and similar expenses							–2,580	–1,327
Equity result							337	332
Impairment losses on investments and on securities classified as current assets							0	–912
Currency result							–57	88
Result from ordinary activities							**–14,867**	**–27,373**

The associated assets and liabilities, as well as the financial investments within the respective segment, break down as follows:

in € k	2014	2013
Assets		
Production	7,058	3,529
Distribution	18,104	17,546
Other	12,803	6,746
Total	**37,965**	**27,821**

in € k	2014	2013
Liabilities		
Production	3,436	1,814
Distribution	17,657	22,083
Other	20,540	15,463
Total	**41,633**	**39,360**

in € k	2014	2013
Capital expenditures		
Production	2,603	551
Distribution	15,142	12,057
Other	12	19
Total	**17,757**	**12,627**

GEOGRAPHICAL SEGMENTS

in € k	2014	2013
Revenue		
Germany	19,321	26,265
Other countries	1,074	807
Total	**20,395**	**27,072**

in € k	2014	2013
Assets		
Germany	32,564	24,086
Other countries	5,401	3,735
Total	**37,965**	**27,821**

in € k	2014	2013
Capital expenditures		
Germany	9,894	8,451
Other countries	7,863	4,176
Total	**17,757**	**12,627**

SEGMENT INFORMATION

Segment information was calculated based on the accounting methods used for the consolidated financial statements.

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

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

Investments constitute investments in intangible assets and property, plant and equipment.

For the geographical information, revenue is segmented according to the registered offices of the customer, which generally also corresponds to the location of the group entity. Segment assets and segment investments were calculated based on the location of the group entity.

38. Financial instruments / management of financial risks

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

The Senator Group uses forward exchange contracts to manage some of its transaction exposures. The period for which the forward exchange contracts are concluded corresponds to the period in which a foreign currency risk exists for the underlying transactions, generally between one and twelve months. Forward exchange contracts are measured at fair value as of the reporting date. All forward exchange contracts had expired as of 31 December 2014.

The following table presents carrying amounts of financial assets and liabilities:

	31.12.2014			31.12.2013		
in € k	Carrying amount	Amortized cost	Fair value	Carrying amount	Amortized cost	Fair value
Financial assets						
Trade receivables	3,623	3,623		6,666	6,666	
Receivables from related parties	53	53		93	93	
Other financial assets						
Loans and other receivables	2,251	2,251		2,052	2,052	
Cash and cash equivalents	9,053	9,053		2,450	2,450	
Total	**14,980**	**14,980**		**11,261**	**11,261**	

in € k	31.12.2014 Carrying amount	31.12.2014 Amortized cost	31.12.2014 Fair value	31.12.2013 Carrying amount	31.12.2013 Amortized cost	31.12.2013 Fair value
Financial liabilities						
Financial liabilities						
Bonds	10,679	10,679		9,666	9,666	
Liabilities to banks	7,627	7,627		5,979	5,979	
Trade payables	9,189	9,189		6,344	6,344	
Liabilities to related parties	88	88		108	108	
Provisions						
Provisions for transfers to licensors	4,486	4,486		7,599	7,599	
Sundry provisions	142	142		199	199	
Sundry financial liabilities						
Loans and other liabilities	484	484		605	605	
Total	**28,067**	**28,067**		**22,701**	**22,701**	

in € k	31.12.2014 Carrying amount	31.12.2014 Level 1	31.12.2014 Level 2	31.12.2014 Level 3
Assets measured at fair value				
Securities classified as non-current assets	0	0	0	0
Derivative financial instruments	0	0	0	0
Securities classified as current assets	0	0	0	0
Liabilities measured at fair value				
Other financial liabilities				
Currency hedging transactions	0	0	0	0

There were no transfers between the level 1 and level 2 fair value measurement levels in either the fiscal year nor the prior year.

	31.12.2013			
in € k	Carrying amount	Level 1	Level 2	Level 3
Assets measured at fair value				
Securities classified as non-current assets	0	0	0	0
Derivative financial instruments	0	0	0	0
Securities classified as current assets	0	0	0	0
Liabilities measured at fair value				
Other financial liabilities				
Currency hedging transactions	0	0	0	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 in interest rates.

The following section describes

› the risks for the respective risk category that Senator has identified as being relevant for the Group

› the objectives, rules and processes in place 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 manage risks. The risk items derive from the cash-effective inflows and outflows that are applied and planned at group level as market risks relating to changes in interest rates, prices and foreign currency exchange rates. Interest-rate and price risks are managed using a mix of terms as well as fixed and variable interest items.

CREDIT RISK

Credit risk is the risk of a customer or contractual partner of the Senator Group defaulting on payment, resulting in the assets, investments or receivables disclosed in the consolidated statement of financial position having to be written down. Consequently, the risk is limited to the carrying amount of these assets.

Credit risks mainly result from trade receivables. The entities included in the consolidated financial statements monitor their customers' creditworthiness on a regular basis.

There were no indications of defaults of payments for the trade receivables that had not been impaired as of 31 December 2014.

LIQUIDITY RISKS

The Senator Group had no liquidity issues as of the reporting date. The Company nevertheless endeavors to maintain and expand its market position, for which considerable financial cash and cash equivalents are needed to be able to market the acquired film rights accordingly. If expected earnings contributions from these acquisitions fail to develop as planned and the operating activities of the subsidiaries fall considerably short of expectations, the Company's ability to continue as a going concern from the end of the first quarter of 2016 would depend on whether additional financing in the necessary amount can be secured. Due to the financing agreements in place as of the reporting date, we do not expect any liquidity-related threat to the Company's ability to continue as a going concern based on conservative earnings and liquidity planning.

MARKET RISKS

(a) Currency risks

Purchases and sales in foreign currencies can result in risks to the Company depending on the development of exchange rates. Purchases can become more expensive due to exchange rate effects and sales realized in foreign currencies can result in a lower level of revenue in euros.

At Senator, larger foreign currency risks stem primarily from purchasing in US dollars. In the prior year, various hedges were concluded relating to foreign currency purchases in order to reduce currency risks in the fiscal year.

Sensitivity analyses pursuant to IFRS 7 were performed for statement of financial position items in US dollars with the following result: If the exchange rate had been 10 % higher or lower as of the reporting date, earnings would have been € 25 k higher or € 30 k lower (prior year: € 131 k or € 160 k).

(b) Interest rate risks

Fixed and variable interest is agreed for the Company's interest-bearing receivables and liabilities. Changes in market rates for liabilities with fixed interest would only have an impact if these financial instruments were recognized at fair value. As this is not the case, financial instruments with fixed interest that are measured at amortized cost do not constitute interest rate risks as defined by IFRS 7.

Sensitivity analyses pursuant to IFRS 7 were performed for variable-interest financial liabilities with the following result. If the market interest level had been 100 basis points higher in the fiscal year, earnings would have been € 5 k lower (prior year: € 10 k). If the market interest level had been 100 basis points lower in the fiscal year, earnings would have been € 1 k higher (prior year: € 3 k).

39. Employees

The average number of employees breaks down to the fiscal years as follows:

in € k	**2014**	2013
Germany	44	48
Ireland	1	1
	45	**49**

40. Related parties

Related parties in the meaning of IAS 24 are persons or entities that can be influenced by the Senator Group or that can influence the entity unless they are already included in the consolidated financial statements as consolidated entities.

All transactions with related parties are conducted at arm’s length.

Members of the management board and the supervisory board members of Senator AG as well as their close family members are considered related parties (see note 45 “Members of the management board and supervisory board”).

Please refer to note 46 “Total remuneration of the supervisory board and the management board” for more information concerning the total remuneration of the management board and supervisory board of Senator AG. Current liabilities of € 3 k relate to remuneration and travel cost reimbursement for the management board as of 31 December 2014 (prior year: current liabilities of € 4 k). Current liabilities to supervisory board members amounted to € 0 k (prior year: € 20 k).

In January 2013, Mr. Sasse received an advance on the payment of his prior-year bonus in an amount of € 250 k, which was offset when the bonus was paid out at the end of May 2013. This advance bore interest of 3.5 %. Interest payments amounted to € 3 k over the term.

In addition, the Company had business relationships with the following related parties:

The related party, the law firm Sasse & Partner, Hamburg, acted on behalf of group entities in the 2014 fiscal year when prosecuting copyright infringements, principally relating to illegal file sharing. As part of this prosecution, the Company is demanding compensation payments and the compensation of expenses for legal violations from the party infringing the copyrights (e.g., illegal streaming). Compensation payments are forwarded to Senator. As a result, Senator bears no financial burden from the legal action, but rather generates revenue similar to license income of € 285 k (prior year: € 632 k), which is offset by legal and consulting fees for the law firm Sasse & Partner of € 227 k (prior year: € 521 k).

Supervisory board member Robert Basil Hersov is the managing partner of Sapinda U.K., London, UK, which in turn is an affiliate of Sapinda Deutschland GmbH, Berlin. Tarek Malak, Berlin, was appointed as Robert Basil Hersov’s successor as a member of the supervisory board member as of 5 June 2014. Mr. Malak is the managing director of Sapinda Deutschland GmbH with registered offices in Berlin.

In December 2011, Senator and the Hollywood 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 agreed in May 2012. Sapinda Deutschland GmbH, Berlin, Germany, (Sapinda) has undertaken to hold Relativity Media harmless for all payments and obligations of the Group under the output agreement. Senator AG has pledged senior collateral to all rights and claims in connection with the acquired film rights as well as all shares in Eurofilm & Media Ltd. Killaloe, Ireland, to Sapinda. In order to grant the Relativity Media guarantee to Relativity and in order to provide actual collateral and payment, Sapinda receives a commitment or guarantee fee from Senator AG. In 2014, a total of € 200 k was expensed (prior year: € 200 k). In January 2015, the Company exercised the right to terminate the agreement. Please refer to note 48 “Subsequent events” for more information.

In 2014, Sapinda entered into an agreement with Senator AG to acquire new shares from the cash capital increase that could not otherwise be subscribed after the performance of the capital increase itself or to ensure that they were subscribed by a third party (backstop agreement). For this commitment, Sapinda received compensation equivalent to 7.5 % of the gross issue proceeds (€ 1,223 k) from quirin bank AG, Berlin.

41. Other financial obligations

Legal proceedings as well as receivables from litigation from the normal course of business could be asserted against group entities in the future. The related risks are analyzed based on their likelihood of occurrence. Although the results of such legal disputes cannot always be estimated precisely, the management board is of the opinion that any such risks extending beyond those accounted for in the financial statements will not result in significant obligations.

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

	31.12.2014				31.12.2013			
in € k	Total	Up to 1 year	Between 1 and 5 years	More than 5 years	Total	Up to 1 year	Between 1 and 5 years	More than 5 years
Rent and leases	1,776	368	1,408	0	2,179	441	1,635	103
Minimum guarantees	17,703	15,937	1,766	0	26,628	16,487	10,141	0
	19,479	**16,305**	**3,174**	**0**	**28,807**	**16,928**	**11,776**	**103**

In December 2011, Senator and the Hollywood company Relativity Media concluded an output agreement under which Senator undertakes to purchase a certain number of films per year from Relativity Media. The output agreement has a term of 5 years. In the output agreement, Senator undertakes to purchase licenses for up to 12 films per year. In January 2015, Senator exercised its right to prematurely terminate the agreement with effect as of 31 January 2015. Two film titles will still be delivered as part of the output agreement for the fiscal year 2015. Financial commitments from this agreement are included in the financial obligations as of the reporting date.

Furthermore, the Company has contingent liabilities from performance-based repayable subsidy loans in connection with production (€ 8,954 k; prior year: € 8,438 k) and distribution subsidies (€ 4,120 k; prior year: € 2,941 k). However, these subsidy loans are only to be repaid from a percentage of future revenue that exceeds costs. The Company currently does not assume that these loans will need to be repaid.

42. Contingent liabilities

Please refer to note 28 “Financial liabilities” for more information about the collateral provided for liabilities to banks.

In the 2008 fiscal year, as well as in the 2010 fiscal year and in October 2013, Senator AG issued a letter of comfort to Universum Film GmbH, Munich, in which it undertakes in the form of an assumption of debt to be held liable for the obligations from the video distribution agreement concluded between Senator Home Entertainment GmbH and Universum Film GmbH, dated 18 August 2006, and the related long form agreement dated 13 May 2008, as well as the license agreement of 2 December 2010 and a renewed extension of 10 October 2013. The management board does not currently assume that this letter of comfort from Senator AG will be utilized. Senator Home Entertainment GmbH’s obligations to Universum Film GmbH total € 3,291 k as of the reporting date; these are reported under prepayments received.

In the 2009, 2010 and 2013 fiscal years, Senator Home Entertainment GmbH, which has been included in the consolidated financial statements, transferred various collateral assignments to Universum Film GmbH, Munich, to secure prepayments Universum Film GmbH provided to Senator Home Entertainment GmbH under the aforementioned distribution agreement dated 18 August 2006 and 13 May 2008, as well as of 2 December 2010 and 10 October 2013. These collateral assignments comprise the assignment of video materials and reproduction rights in the area of video program distribution relating to various films. Senator AG has issued letters of comfort in this respect. The management board does not currently assume that the collateral assignment will be utilized.

43. Auditor’s fees and services

In the fiscal year the total fees charged by Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft to Senator Group companies breaks down as follows:

in € k	**2014**	2013
Audit services	107	100
Other assurance services	179	9
Tax advisory services	184	0
Other services	908	0
	1,378	**109**

44. Declaration of compliance with the German Corporate Governance Code

The declaration in accordance with Sec. 161 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 Bundesanzeiger (German Federal Gazette).

45. Members of the management board and the supervisory board

Management board:	Helge Sasse, CEO (until 20 June 2014) Attorney Chairman of the management board (CEO)
	Markus Maximilian Sturm, CFO Businessman
	Vincent Grimond, CEO (since 5 February 2015) Businessman Chairman of the management board (CEO)
	Brahim Chioua, COO (since 5 February 2015) Businessman
	Vincent Maraval, CCO (since 5 February 2015) Businessman

In the fiscal year, 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, general manager of Premium Restructuring Office GmbH, Hamburg, and general manager 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, UK (until 29 May 2014) Managing partner Sapinda U.K., London, UK
	Norbert Kopp, Leverkusen Businessman for media, environment and technology General manager of KTB Technologie Beteiligungsgesellschaft mbH & Co. KG, Leverkusen
	Dr. Thomas Middelhoff, Bielefeld (until 18 December 2014) Dipl. Kaufmann (degree in business) Chairman and founding partner of Pulse Capital Partners LLC, New York, USA
	Paolo Barbieri, Luxembourg (from 12 June 2013 to 5 March 2014) CEO, Pacific Capital S.à.r.l., Luxembourg

Tarek Malak, Berlin (since 5 June 2014)
Managing director at Sapinda Deutschland GmbH, Berlin

Prof. Dr. Katja Nettesheim, Berlin (since 12 September 2014)
General manager of MEDIATE Nettesheim & Partner, Unternehmensberater, Berlin

In addition, the following supervisory board members 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 (until 29 May 2014)

› Medikidz Limited, London, UK (chairman)

› Adoreum Partners, London, UK (chairman)

› Digital Media Technologies Limited, Gibraltar, UK (chairman)

› RNTS Media NV, Amsterdam, Netherlands (chairman)

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)

Dr. Thomas Middelhoff stepped down from the supervisory board in 2014.

Paolo Barbieri

› Ichor Coal NV, Amsterdam, Netherlands

Prof. Dr. Katja Nettesheim

› HRpepper GmbH & Co. KGaA, Berlin

› Deutsche Payment A1M AG, Berlin (since 12 August 2014)

46. Total remuneration of the supervisory board and the management board

The following disclosures on management board remuneration are disclosures required by HGB in the notes to the financial statements (cf. Sec. 314 HGB) and disclosures prescribed by provisions of the German Corporate Governance Code.

Helge Sasse stepped down as CEO as of 20 June 2014 and left the Company with effect as of 30 June 2014. Mr. Sasse's fixed remuneration comprised his salary for the 2014 fiscal year until he left the Company (€ 205k; prior year: € 400k), an additional contribution to social security (€ 5k; prior year: € 9k), group accident insurance contributions (€ 1k; prior year: € 1k), life insurance contributions (€ 8k; prior year: € 8k), and an allowance for the use of a vehicle (€ 9k; prior year: € 18k). Moreover, for the premature termination of his service agreement, Mr. Sasse received a severance payment of € 700k and vacation compensation of € 55k for accrued vacation.

Pursuant to his management board contract, Mr. Sasse received a short-term incentive (STI) amounting to 3% of Senator's consolidated EBT according to IFRSs from 2013 based on Senator's audited consolidated financial statements. The bonus to be paid on this basis amounts to a maximum of € 175k p.a. if the Company generates consolidated revenue below € 50m. If consolidated revenue exceeds € 50m, the maximum bonus is € 225k. If consolidated EBT is less than € 1,000k in a given year, the STI is not applicable in that year.

In addition, in the respective subsequent year, Mr. Sasse receives a long-term incentive (LTI) for 2013 equivalent to 4% of the average consolidated EBT according to IFRSs of the respective past three fiscal years beginning with the consolidated EBT according to IFRSs for the years 2011, 2012 and 2013. According to this, the bonus to be paid amounts to a maximum of € 225k p.a. If consolidated revenue exceeds € 50m, the maximum bonus is € 275k. The LTI no longer applies if in a given year the average consolidated EBT falls below € 1,000k for the respective three fiscal years.

Mr. Sturm's fixed remuneration comprised his salary for the 2014 fiscal year (€ 246k; prior year: € 200k), an additional contribution to social security (€ 2k; prior year: € 2k), group accident insurance contributions (€ 1k; prior year: € 1k), life insurance contributions (€ 3k; prior year: € 0k), and an allowance for the use of a vehicle (€ 18k; prior year: € 15k). Senator AG assumed € 9k of Mr. Sturm's moving expenses in the prior year.

Mr. Sturm also received a short-term incentive (STI) amounting to 2% of Senator's consolidated EBT according to IFRSs based on Senator's audited consolidated financial statements. According to this, the bonus to be paid amounts to a maximum of € 125k p.a. If consolidated EBT is less than € 1,000k in a given year, the STI is not applicable in that year. In addition, in the respective subsequent year, Mr. Sturm will receive a long-term incentive (LTI) from 2015 to 2017 equivalent to 2% of the average consolidated EBT according to IFRSs of the respective past three fiscal years beginning with the consolidated EBT according to IFRSs for the years 2013, 2014 and 2015. According to this, the bonus to be paid amounts to a maximum of € 125k p.a. The LTI no longer applies if in a given year the average consolidated EBIT falls below € 1,000k for the respective three fiscal years.

The total remuneration of the members of the supervisory board for the fiscal year from 1 January to 31 December 2014 breaks down as follows:

in €	Remuneration	Cost reimbursements	Total
Supervisory board			
Dr. Andreas Pres	22,000	3,311	25,311
Wolf-Dieter Gramatke	20,000	2,507	22,507
Norbert Kopp	16,000	441	16,441
Tarek Malak	9,468	0	9,468
Prof. Dr. Katja Nettesheim	4,822	0	4,822
Robert Basil Hersov	6,532	0	6,532
Dr. Thomas Middelhoff	15,430	0	15,430
Paolo Barbieri	2,849	0	2,849
	97,101	**6,259**	**103,360**

47. Shares held by board members

As of the 31 December 2014 reporting date, the board members listed below held the following shares in Senator AG:

	Shares	Share in %
Helge Sasse (directly and indirectly via Paroli Publishing Musik, Media- und Verlags GmbH and HSW GmbH)	215,904	1.16
Dr. Thomas Middelhoff	81,537	0.44
Wolf-Dieter Gramatke	19,215	0.10

48. Subsequent events

TERMINATION OF THE OUTPUT AGREEMENT WITH RELATIVITY

On 5 January 2015, the Ireland-based Eurofilm & Media Ltd. “Eurofilm” exercised its right to prematurely terminate the output agreement that has been in place with the US producer RML-Distribution International LLC “Relativity” since 2011. As a result of exercising this right of termination, Eurofilm no longer has the exclusive right or obligation to distribute Relativity’s future film productions in German-speaking European countries via Senator, or make the associated guarantee payments, from 1 February 2015.

ACQUISITION OF WILD BUNCH S.A.

Upon entry of the non-cash capital increase in the commercial register on 5 February 2015, Senator AG, Berlin, acquired 100 % of the shares in Wild Bunch S.A., Paris, France (“Wild Bunch S.A.”), a European film distribution company. Wild Bunch S.A.’s share capital amounts to € 187,750.00 and is divided into 18,775 no-par value shares with a nominal value of € 10.00. One share is held by Wild Bunch S.A. itself. The acquisition was performed as a non-cash capital increase. At the extraordinary general meeting of 12 September 2014, the shareholders of Senator AG approved the contribution of all shares in Wild Bunch S.A. in exclusion of subscription rights by issuing 55,872,788 new Senator AG shares. The new shares were provided and listed on 6 February 2015 following the entry of the non-cash capital increase in the commercial register on 5 February 2015. The shares issued in the course of the capital increase were exclusively issued to owners of Wild Bunch S.A., mainly to Vincent Grimond, Brahim Chioua, Vincent Maraval, Alain de la Mata and SWB Entertainment Investment B.V. (formerly: Sapinda Entertainment Investment B.V.).

With the performance of a non-cash capital increase, the Company completed the first large step in implementing the internationalization strategy of Senator AG. At European level, Wild Bunch S.A. is one of the leading film distribution companies with more than a dozen subsidiaries, in France, Italy, Spain and Germany, among others. With the acquisition of Wild Bunch S.A., the Company expects to achieve the strategically necessary company size, purchasing and market power in order to generate consistent proceeds from film distribution on the aimed-at broader and less volatile basis.

Pursuant to International Financial Reporting Standards (IFRSs), Senator AG’s acquisition of Wild Bunch S.A. by way of a non-cash capital increase through the issue of new Senator AG shares in return for the contribution of shares to Wild Bunch S.A. fulfills the criteria of a reverse acquisition as the owners of Wild Bunch S.A. receive the majority voting rights in the combined entity following the business combination and Wild Bunch S.A. is significantly greater than that of Senator AG with respect to business value, assets, revenue or profit. As a result, in the business combination of Senator AG and Wild Bunch S.A., Wild Bunch S.A. (legal acquiree) is therefore considered to be the economic acquirer of Senator AG (legal acquirer) for accounting purposes.

Since the acquisition of Wild Bunch S.A., Senator AG has directly and indirectly held 100 % of the shares in joint venture Central Film Verleih GmbH and thus exercises control over the company.

Total costs of around € 1.6 m were incurred in connection with the acquisition. Of this, around € 1.0 m was already recognized in other operating expenses in the fiscal year 2014, roughly € 0.4 m of which was reported under sundry assets. The accrued costs are directly related to the capital increase and will be deducted directly from the capital reserves in 2015.

The preliminary fair values of the identifiable assets and liabilities of the Group as of the date of acquisition break down as follows:

	in € k
Intangible assets	24,065
Property, plant and equipment	220
Financial assets	3,643
Inventories	706
Trade receivables	3,660
Receivables from related parties	53
Income tax receivables	299
Other financial assets	2,247
Sundry assets	1,643
Cash and cash equivalents	6,160
Total assets	**42,696**
Other provisions	6,546
Financial liabilities	17,699
Prepayments received	6,850
Trade payables	7,028
Liabilities to related parties	58
Sundry liabilities	475
Sundry liabilities and deferrals	524
Total provisions and liabilities	**39,180**
Total identifiable net assets at fair value	3,516
Acquisition cost (preliminary)	**43,553**
Goodwill (preliminary)	**40,037**

The purchase price allocation is preliminary, in particular due to the fact that the measurement of assets is not yet complete.

No intangible assets with an indefinite useful life were acquired.

The gross amount of trade receivables acquired came to € 6,161 m. Valuation allowances of € 2,501 m were recognized on this amount.

Among other things, the preliminary goodwill of € 40,037 k reflects the importance of a stronger market position and the associated increase in revenue from existing and new sources of income, for example, through the development of new formats for TV. The goodwill also reflects the potential from possible synergy effects. None of the goodwill recognized is expected to be deductible for income tax purposes.

In the fiscal year 2014, the Wild Bunch S.A. Group recorded EBIT of € 305 k on revenue of € 142,855 k.

ACQUISITION OF SENATOR FILM BABELSBERG GMBH

With effect as of 20 January 2015, Senator Film Produktion GmbH increased its shareholding in the associate Senator Film Babelsberg GmbH from 50 % to 100 %. The purchase price amounted to € 12,500.

Costs of € 1 m directly connected with the acquisition were recognized in other operating expenses in 2015.

The preliminary fair values of the additionally acquired identifiable assets and liabilities of the Company as of the date of acquisition break down as follows:

	in € k
Intangible assets	296
Other financial assets	7
Cash and cash equivalents	18
Total assets	**321**
Provisions	67
Liabilities to related parties	190
Sundry liabilities	51
Sundry liabilities and deferrals	2
Total provisions and liabilities	**310**
Total identifiable net assets at fair value	**11**
Acquisition cost	**12,5**

Of the purchased intangible assets, assets with a carrying amount of € 296 k have an indefinite useful life.

PERSONNEL CHANGES TO THE MANAGEMENT BOARD

The previous members of management of Wild Bunch S.A. were appointed as management board members of Senator AG on 5 February 2015; whereby Vincent Grimond serves as CEO (Chief Executive Officer), Vincent Maraval as CCO (Chief Content Officer) and Brahim Chioua as COO (Chief Operating Officer) in the newly formed management board.

REFINANCING OF THE CURRENT BOND 2014

On 25 March 2015, Senator AG successfully placed a bond offer in a private placement. Institutional investors issued bonds with a term of 12 months for a total nominal amount of around € 11.8 m. The proceeds serve to secure liquidity, repay existing liabilities and finance operating activities until the comprehensive realignment of the financing structure of the much larger group since the business combination with Wild Bunch S.A., Paris, France, has been implemented.

REPAYMENT OF THE 8 % BOND 2011/2016

On 27 March 2015, Senator AG publicly announced the termination and repayment of the entire remaining 8 % bond 2011/2016 as of the interest payment date of 29 April 2015.

There were no other events after the reporting date which could have a material influence on the net assets, financial position and results of operations of the Senator Group.

49. Exemption from the duty to publish pursuant to Sec. 264 (3) HGB

The following entities make use of the exemption from the duty to publish financial statements and a management report pursuant to Sec. 264 (3) 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 31 DECEMBER 2014

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations 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, 27 April 2015
Senator Entertainment AG

Vincent Grimond
Chairman of the management board (CEO)

Markus Maximilian Sturm
Vorstand (CFO)

Brahim Chioua
(COO)

Vincent Maraval
(CCO)

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 audited the consolidated financial statements prepared by Senator Entertainment AG, Berlin, comprising the statement of financial position, the statement of 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 2014. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs [International Financial Reporting Standards] 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 financial position and performance 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 "Group financial position" 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. However, should the operating business fail to develop as well as expected, the Group's ability to continue operating as a going concern from the end of the first quarter of 2016 will depend on whether additional financing in the necessary amount can be secured.

Berlin, 27 April 2015

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

Glöckner Wirtschaftsprüfer [German Public Auditor]	Schmidt Wirtschaftsprüfer [German Public Auditor]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4 CONSOLIDATED STATEMENTS OF THE AG

SENATOR ENTERTAINMENT AG, BERLIN
BALANCE SHEET ASSETS
AS OF 31 DECEMBER 2014

ASSETS	31 Dec 2014 €	31 Dec 2013 € k
Fixed assets		
Intangible assets		
Film exploitation rights	81,101	292
Licenses	146,250	374
Purchased software	17,514	46
Prepayments	0	0
	244,865	712
Property, plant and equipment		
Other equipment, furniture and fixtures	176,478	241
Financial assets		
Shares in affiliates	9,769,875	9,770
Loans to affiliates	0	0
Equity investments	3,155,394	3,155
Securities classified as fixed assets	0	0
	12,925,269	12,925
	13,346,612	**13,878**
Current assets		
Inventories		
Merchandise	17,330	17
Receivables and other assets		
Trade receivables	26,376	359
Receivables from affiliates	4,546,172	1,761
Receivables from other investees and investors	36,611	87
Other assets	1,504,676	1,227
	6,113,835	3,434
Cash on hand and bank balances	7,060,317	1,306
	13,191,482	**4,757**
Prepaid expenses	**383,587**	**262**
Capital deficit	**3,183,957**	**7,338**
Total assets	**30,105,638**	**26,235**

SENATOR ENTERTAINMENT AG, BERLIN BALANCE SHEET EQUITY AND LIABILITIES AS OF 31 DECEMBER 2014

EQUITY AND LIABILITIES	31 Dec 2014 €	31 Dec 2013 € k
Equity		
Issued capital	18,457,227	29,945
less treasury shares	-2,415	-10
thereof contingent capital 9,981,909 (2008/I)		
thereof contingent capital 4,990,803 (2012/I)		
	18,454,812	29,935
Capital reserves	14,920,385	48,329
Revenue reserves		
Other revenue reserves	2,415	10
Accumulated loss	**-36,561,569**	-85,612
	-3,183,957	**-7,338**
thereof not covered by equity	**3,183,957**	**7,338**
Special item for investment subsidies	**281,860**	**348**
Provisions		
Other provisions	635,600	574
Liabilities		
Bonds	11,064,637	10,118
Prepayments received	0	2
Trade payables	2,092,241	423
Liabilities to affiliates	15,807,711	14,683
Other liabilities	223,589	87
thereof for taxes: € 179,646 (prior year: € 23k)		
thereof for social security: € 661 (prior year: € 793)		
	29,188,178	**25,313**
Total equity and liabilities	**30,105,638**	**26,235**

SENATOR ENTERTAINMENT AG, BERLIN
INCOME STATEMENT FOR FISCAL YEAR 2014

	2014 **€**	2013 € k
Revenue	127,011	2,802
Increase in inventories of finished goods and work in process	-190	17
Other operating income	1,745,368	1,749
thereof income from currency translation: € 924 (prior year: € 64k)		
	1,872,190	4,568
Cost of materials		
Cost of purchased services	-55,623	-1,172
Personnel expenses		
a) Wages and salaries	-2,416,700	-1,489
b) Social security, pension and other benefit costs	-200,408	-157
thereof for old-age pensions: € 33,230 (prior year: € 15k)		
Amortization, depreciation and write-downs		
a) of intangible assets and property, plant and equipment	-518,564	-2,004
b) of current assets in excess of write-downs which are customary for the Company	-3,315,301	-7,854
Other operating expenses	-7,953,809	-1,610
thereof expenses from currency translation: € 529 (prior year: € 6k)		
	-14,460,404	-14,286
Income from equity investments	313,750	657
Interest and similar income	939,252	787
thereof from affiliates: € 917,711 (prior year: € 772k)		
Income from profit transfer	167,411	0
Write-downs of financial assets and securities classified as current assets	0	-3,307
Expenses from loss absorption	-7,510,462	-11,603
Interest and similar expenses	-3,058,825	-1,342
thereof to affiliates: € 590,781 (prior year: € 89k)		
	-9,148,874	-14,808
Result from ordinary activities	**-21,737,089**	**-24,526**
Net loss for the year	**-21,737,089**	**-24,526**
Loss carryforward	-85,612,014	-61,086
Capital reduction	**70,787,535**	
Accumulated loss	**-36,561,569**	**-85,612**

NOTES TO THE FINANCIAL STATEMENTS FOR THE FISCAL YEAR FROM 1 JANUARY 2014 TO 31 DECEMBER 2014

Accounting and valuation principles

General

The financial statements of Senator Entertainment AG ("Senator AG") for the fiscal year from 1 January to 31 December 2014 were prepared in accordance with the provisions of the HGB ["Handelsgesetzbuch": German Commercial Code] and the AktG ["Aktiengesetz": German Stock Corporation Act] based on the going concern assumption.

Senator Entertainment AG is required to prepare consolidated financial statements. These were prepared in accordance with the International Financial Reporting Standards (IFRSs) in the fiscal year and are filed with the Bundesanzeiger [German Federal Gazette]. The Company is registered in the commercial register of the Berlin-Charlottenburg local court under commercial register number HR B 68059 B.

The Company is a large corporation as defined by Sec. 267 (3) Sentence 2 HGB.

As in the prior year, the income statement is classified using the nature of expense method pursuant to Sec. 275 (2) HGB.

Assets and liabilities in foreign currencies are translated at the mean exchange rate as of the reporting date.

The accounting and valuation methods are unchanged on the prior year.

In light of the loss and the complete exhaustion of Senator Entertainment AG's share capital in 2014, the management board has drawn up a recovery plan.

In October and November 2014, a simplified capital decrease with a subsequent capital increase was performed. A 4:1 capital reduction was performed, reducing the number of shares to around 7.486 million. The Company's share capital was increased subsequently by issuing 6.909 million new no-par value bearer shares in return for contributions in cash. Furthermore, more than 90% of the outstanding bearer bonds were contributed as non-cash contributions in the form of debt for equity swaps in December 2014. The shareholder SWB Entertainment B.V., Schiphol, Netherlands (Sapinda) supported these measures, as a result of which Sapinda acquired a majority shareholding of more than 50% of voting rights.

Senator completed the restructuring of the financing situation on 5 February 2015 with the acquisition of 100% of the shares in Wild Bunch S.A., Paris, ("Wild Bunch"), a European film distribution company. Wild Bunch S.A.'s share capital amounts to € 187,750.00 and is divided into 18,775 no-par value shares with a nominal value of € 10.00. One share is held by Wild Bunch S.A. itself. The acquisition was performed as part of a non-cash capital increase by issuing 55,872,788 new Senator AG shares.

Intangible assets and property, plant and equipment

Film rights are amortized over the expected useful lives based on their distribution.

Global distribution rights are amortized in line with revenue expectations.

Other intangible assets and property, plant and equipment are recognized at acquisition cost less straight-line amortization. Amortization and depreciation is recorded using the straight-line method over the customary useful life, which is between 3 and 10 years for intangible assets and between 3 and 10 years for other equipment, furniture and fixtures. Low-value assets not exceeding € 150 are written off in full in the year of acquisition. Low-value assets with acquisition or production costs of between € 150 and € 1,000 are recognized in a collective item and depreciated over five years using the straight-line method (pool depreciation).

If the amortized cost exceeds the net realizable value of the intangible assets and property, plant and equipment, impairment losses are recognized.

Financial assets

Financial assets are recorded at the lower of cost or net realizable value, while loans are disclosed at nominal value.

Inventories

Inventories are recognized at the lower of cost or market.

Receivables and other assets

Receivables and other assets are carried at the lower of nominal value or net realizable value.

Financial derivatives

Financial derivatives are used to hedge interest risks and currency risks. Interest derivatives in the form of interest rate swaps are used to counter the risk from changes to market interest rates. Foreign currency risks are hedged by the use of forward exchange contracts. Derivatives and the underlying hedged items are valued individually at market price. Unrealized losses as of the reporting date are recognized with an effect on income.

Treasury shares

Treasury shares are offset against equity (Sec. 272 (1a) HGB).

Special item for investment subsidies

A special item for investment subsidies was recognized for investment subsidies granted. This item is released to income in line with the depreciation of the subsidized investments.

Other provisions

Other provisions are recorded at the settlement value as deemed necessary by prudent business judgment to cover all identifiable contingent liabilities as of the reporting date. According to the information available, these were appropriate at the time of preparing the financial statements.

Liabilities

Liabilities are recorded at the settlement value.

Deferred taxes

To determine deferred taxes arising due to temporary or quasi-permanent differences between the carrying amounts of assets, liabilities, prepaid expenses and deferred income in the statutory accounts and their tax carrying amounts or due to tax loss carryforwards, these differences are valued using the company-specific tax rates at the time they reverse; the amounts of any resulting tax expense and relief are not discounted. The option to recognize net deferred tax assets in excess of deferred tax liabilities was not exercised.

Notes to the balance sheet and income statement

Intangible assets and property, plant and equipment

The development of the individual items of fixed assets in the financial year is presented in the statement of changes in fixed assets.

Financial assets

Both the equity investment in the Irish subsidiary Eurofilm & Media Ltd., Killaloe, Ireland (€ 1,298k), as well as the long-term loan granted to this entity (€ 2,000k) had to be written off in full in the prior year as a result of negative business development. On the basis of prudent business judgment, the subsidiary's tax loss carryforwards were no longer stated in the valuation of the Company.

Please refer to the development of financial assets, which is presented separately at the end of the notes to the financial statements.

Receivables and other assets

As of the reporting date, receivables of € 10,235k were due from the Irish subsidiary Eurofilm & Media Ltd., Killaloe, Ireland (prior year: € 5,267k), which were written down by a further € 3,139k in the fiscal year (prior year: € 5,097k). The total specific bad debt allowance on the receivables due from Eurofilm & Media Ltd., Killaloe, Ireland, as of 31 December 2014 comes to € 8,236k. In the fiscal year, bad debt allowances on receivables due from the investee deutschfilm GmbH, Berlin, increased from € 2,421k to € 2,577k.

In the spring of 2013, Senator granted a loan for € 336k (prior year: € 0k) to Senator Film Babelsberg GmbH for the interim financing of preproduction costs for the REYKJAVIK film project. The film project has not yet been realized as the 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 written off in full as of 31 December 2013.

As in the prior year, all receivables and other assets are due within one year.

Derivative financial instruments

As of the reporting date, Senator AG does not have any foreign exchange options to hedge against currency risks.

Prepaid expenses

Prepaid expenses mainly comprise the performance-based commission for the placement of the bond notes issued in the fiscal year 2014. The commission is released in equal installments over the term of the bond.

Share capital

In light of the loss reported in 2013 and the complete exhaustion of Senator Entertainment AG's share capital, the management board has prepared a recovery plan and obtained an external expert opinion for this purpose. The expert opinion arrived at the conclusion that the Senator Entertainment Group is in need of restructuring, and that, on the basis of an objective assessment, there are serious and reasonable prospects for a successful restructuring based on the present recovery plan, as well as the measures that have already been initiated and those that are still planned. The extraordinary general meeting of 12 September 2014 passed resolutions on four capital measures, of which three were implemented in the fiscal year. The fourth measure was successfully implemented as of 5 February 2015. The shareholder SWB Entertainment Investment B.V. (formerly: Sapinda Entertainment Investment B.V.) supported the measures with backstop agreements and has been the majority shareholder since 26 November 2014. BaFin ["Bundesanstalt für Finanzdienstleistungs-aufsicht": Federal Financial Supervisory Authority] approved Sapinda Entertainment Investment B.V.'s application in accordance with Sec. 37 (1), (2) WpÜG ["Wertpapiererwerbs- und Übernahmegesetz": Securities Acquisition and Takeover Act] in conjunction with Sec. 9 Sentence 1 No. 3 WpÜG-AV ["WpÜG-Angebotsverordnung": WpÜG Offer Regulations] to be exempted from the obligation to publish any changes in control and to make a public offer to all shareholders pursuant to Secs. 35, 37 WpÜG ("restructuring exemption") should the company obtain direct or indirect control of Senator AG.

The first capital measure was a simplified reduction of the share capital from € 29,945,424 by € 22,459,068 to € 7,486,356. The simplified capital decrease was effective as of 23 October 2014 upon entry in the commercial register.

In November 2014, the second capital measure was performed with a cash capital increase by placing 6,908,671 no-par value bearer shares and effective as of 26 November 2014 upon entry in the commercial register. Share capital was thus increased to € 14,395,027.

In addition, the extraordinary general meeting of 12 September resolved to increase the share capital in return for cash or non-cash contributions by at least € 3,806,313 and a maximum of € 4,229,237. The approved capital increase of € 4,062,200 was performed in return for non-cash contributions and effective upon entry in the commercial register on 4 December 2014. The non-cash contributions consisted of 8% of the bonds from the 2011/2016 warrant-linked bonds as part of the exchange offer including accumulated interest not yet due. Share capital thus increased to € 18,457,227.

On 5 February 2015, upon entry in the commercial register, Senator AG successfully completed the fourth capital measure as approved at the extraordinary general meeting on 12 September 2014 comprising a non-cash contribution of € 55,872,788 through the issue of 55,872,788 new shares in return for all shares in Wild Bunch S.A., Paris (Wild Bunch). Share capital was thus increased to € 74,330,015. Please refer to section 3 “Report on subsequent events” in the management report for more information.

Issued capital is fully paid in and is split into no-par value bearer shares.

Treasury shares are reported in the statement of financial position reducing equity. Treasury shares are reported at cost.

At the extraordinary general meeting of 7 August 2012, authorized capital 2009/I that still existed until that date was revoked, to the extent that it had not been utilized. New authorized capital was approved that authorizes the management board, with the approval of the supervisory board, to increase the share capital by an amount of up to € 14,972,712.00 by 6 August 2017 (authorized capital 2012/I)

Contingent capital 2008, which was approved at the annual general meeting of 17 July 2008, was entered in the commercial register on 6 May 2010 with an amendment dated 20 May 2010. The contingent capital was utilized in 2011 in the issue of the 8% warrant-linked bonds, which is due for repayment on 28 April 2016. At the extraordinary general meeting of 7 August 2012, the management board was authorized, subject to the approval of the supervisory board, to issue once or several times, no-par value or registered convertible bonds or warrant-linked bonds of a total nominal amount of up to € 4,990,803.00 until 6 August 2017. Correspondingly, additional contingent capital was approved supplementing the contingent capital 2008. As a result, the Company’s share capital can be increased contingently by up to € 4,990,803.00 by the issue of 4,990,803 new no-par value bearer shares (contingent capital 2012/I). Contingent capital 2012/I will be utilized only to the extent that the holders of convertible or warrant-linked rights utilize their conversion or warrant-linked rights or satisfy the conversion obligations arising from such bonds. Contingent capital 2012/I was entered in the commercial register on 30 August 2012.

Capital reserves

The income from the capital decrease of € 22,459,068 in 2014 was transferred to the capital reserves in accordance with the provisions of the German stock corporation law concerning simplified capital decreases. In 2014, capital reserves were reduced due to the simplified capital decrease of € 7,244 for the treasury shares held by Senator AG. Unused tax losses of € 70,787,535 were then deducted from the capital reserves. The fixed fee for the capital decrease to the issuing bank came to € 25,000.

In November 2014, 6,908,671 new shares were placed with a purchase price of € 2.36 per share as part of the cash capital increase. All shares in Senator have an imputed share in capital of € 1.00. The difference of € 1.36 per new share was transferred to the capital reserves, less compensatory transfer amounts of € 3k and disclosed as issue costs. The costs contain commission of 5% of total gross issue proceeds (€ 815k) for the transfer and placement fee of the issuing bank as well as a listing commission of 1% of the imputed share in capital per issued share (€ 69k). Moreover, backstop remuneration of 7.5% of total gross issue proceeds (€ 1,223k) was paid to Sapinda Entertainment Investment B.V., Amsterdam, Netherlands (Sapinda), who had entered into an agreement with the Company to acquire new shares under normal market conditions that could not otherwise be subscribed after the end of the subscription period of the capital increase itself or to ensure that they were subscribed by a third party. In addition, legal and consulting fees relating to this capital increase of € 390k were incurred.

The 4,062,200 new shares from the non-cash capital increase in December 2014 were placed at a purchase price of € 2.36 per new share. The difference between the purchase price and the imputed share in capital less a listing commission of 1% of the imputed share in capital per issued share (€ 40,622k) was transferred to the capital reserves. Legal and consulting fees as well as the listing fees in connection with this non-cash capital increase amounted to € 751k.

Treasury shares and revenue reserves

By resolution of the extraordinary general meeting on 7 August 2012, the management board was authorized until 6 August 2017, subject to the approval of the supervisory board, 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. Shares acquired may not at any time amount to more than 10% of total share capital when taken together with other treasury shares held by the company or allocable to the company in accordance with Sec. 71a et seq. AktG. The Company has in turn obliged not to trade in treasury shares and only to sell treasury shares under certain circumstances.

On 31 December 2014, the Company reports 2,415 no-par value shares as treasury shares (prior year: 9,659) to which a nominal amount of € 2,415 or around 0.01% (prior year: € 9,659 or 0.03%) of the share capital is attributable as of 31 December 2014.

Other provisions

Other provisions mainly comprise provisions for outstanding invoices (€ 226k; prior year: € 237k), for restructuring measures (€ 210k; prior year: € 0k) as well as for accrued vacation (€ 74k; prior year: € 88k).

Statement of liabilities

	31 Dec 2014			31 Dec 2013		
in T€	**Total**	**up to one year**	**between one and five years**	Total	up to one year	between one and five years
Bonds	11,065	11.065	0	10,118	138	9,980
Prepayments received	0	0	0	2	2	0
Trade payables	2,092	2,092	0	423	423	0
Liabilities to affiliates and other investees and investors	15,292	15,292	0	14,683	14,683	0
Other liabilities	224	224	0	87	87	0
	28,673	**28,673**	**0**	**25,313**	**15,333**	**9,980**

Bonds

Senator AG placed a warrant-linked bond as part of a subscription offer to existing shareholders and qualified investors on 6 May 2011. A total of 99,810 bond notes with nominal amounts of € 100 each were issued with an interest rate of 8% p.a.; they fall due in 2016 with a total nominal amount of € 9,981,000. The new bonds (ISIN of the cum warrant-linked bond: DE000A1KQX87 / ISIN of the ex warrant-linked bond: DE000A1KQX95) and the warrants (ISIN: DE000A1KQYA1) were listed in the Open Market of the Frankfurt Stock Exchange in May 2011.

The bonds are secured by intangible assets. The amount of the bond was reduced to € 394k with the contribution of the warrant-linked bond 2011/2016 as part of the capital increase by non-cash contribution in December 2014.

In the fiscal year, Senator AG issued unsecured bearer bond notes with fixed interest of up to € 10,000k in two tranches of € 5,000k each on 26 June and 4 September 2014. The bonds bear interest of 12% annually until the date of repayment and were repaid at 101.5% of their nominal amount on 25 March 2015. The issuer paid quirin bank a placement fee of 5.26% of the gross issue proceeds for the placement of the bond. The tranche placement fee is 95% of the nominal amount.

Other liabilities

Other liabilities are primarily composed of wage and church tax (€ 180k; prior year: € 23k) as a result of the severance payment to a former member of the management board.

Revenue

Revenue mainly relates to proceeds from the exploitation of music rights totaling € 104k (prior year: € 100k). Proceeds from the exploitation of a film right was immaterial in the fiscal year (€ 23k; prior year: € 2,702k).

Other operating income

Other operating income is in particular composed of income from expenses cross-charged to group entities totaling € 1,554k (prior year: € 1,472k), income from the release of the special item totaling € 67k (prior year: € 67k) as well as reversals of provisions totaling € 29k (prior year: € 14k).

Impairment losses

Impairment losses on film licenses totaling € 22k were recognized in the reporting year.

Write-downs on current assets

Write-downs on current assets in excess of write-downs which are customary for the Company totaling € 3,315k (prior year: € 7,854k) were recognized in the fiscal year. These were primarily incurred in connection with the disclosures in the notes concerning “Financial assets”.

Other operating expenses

Other operating expenses mainly comprise costs for legal and consulting services (€ 4,403k; prior year: € 212k) and incidental expenses for shares (€ 2,106k; prior year: € 110k), which were mostly attributable to the capital measures implemented. Other third-party services (€ 111k; prior year: € 158k) as well as costs for premises and other rents (€ 418k; prior year: € 414k) are also included in other operating expenses.

Write-downs on investments and securities classified as current assets

The equity investment in Irish subsidiary Eurofilm & Media Ltd., Killaloe, Ireland, as well as the long-term loan granted to this entity were written off in full in the prior year.

Income from profit and loss transfer agreements

In the fiscal year 2014, Senator AG assumed the income of Senator Home Entertainment GmbH, Berlin, totaling € 167k (prior year: loss of € 680k absorbed) in accordance with the profit and loss transfer agreement.

Expenses from profit and loss transfer agreements

In the fiscal year 2014, Senator AG absorbed the losses of Senator Film Produktion GmbH, Berlin, totaling € 362k (prior year: € 1,153k), Senator Film Verleih GmbH, Berlin, totaling € 6,314k (prior year: € 8,283k), Senator Film München GmbH, Munich, totaling € 757k (prior year: € 1,487k) and Senator Film Köln GmbH, Cologne, totaling € 78k (prior year: € 0k) in accordance with the profit and loss transfer agreements.

Other notes

Contingent liabilities

In the 2008 fiscal year, as well as in the 2010 and 2013 fiscal years, Senator AG issued a letter of comfort to Universum Film GmbH, Munich, in which it undertakes in the form of an assumption of debt to be held liable for the obligations from the video distribution agreement concluded between Senator Home Entertainment GmbH and Universum Film GmbH, Munich, dated 18 August 2006, and the related long form agreement dated 13 May 2008, as well as the license agreement of 2 December 2010 and 10 October 2013. The management board does not assume that the letter of comfort from Senator AG will be utilized.

In the 2009 and 2010 fiscal years, Senator Home Entertainment GmbH, which has been included in the consolidated financial statements, transferred various collateral assignments to Universum Film GmbH, Munich, to secure prepayments Universum Film GmbH provided to Senator Home Entertainment GmbH under the aforementioned distribution agreement dated 18 August 2006 and 13 May 2008, as well as of 2 December 2010 and 10 October 2013. These collateral assignments comprise the assignment of video materials and reproduction rights in the area of video program distribution relating to various films. Senator AG has issued letters of comfort in this respect. The management board does not currently assume that the collateral assignment will be utilized.

Other financial obligations

The Company had the following long-term rental and lease obligations as of 31 December 2014:

in T€	2015	2016–2019	after 2019
Rent and leases	353	1,305	103

Tax background

The following consolidated tax groups are in place (for corporate income tax, trade tax and VAT purposes):

Gesellschaft	EAV 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 fiscal year from 1 January to 31 December 2014, the Company had an annual average of 16 employees excluding management board members (prior year: 16 employees).

Related party disclosures

Related parties are entities or persons that can be influenced by Senator AG or that can influence the entity.

All transactions with related parties are conducted at arm's length.

Members of the management board and the supervisory board members of Senator AG as well as their close family members are also considered related parties.

Please refer to "Remuneration of the management board and the supervisory board" below for more information concerning the total remuneration of the management board and supervisory board of Senator AG. Current liabilities of € 3k relate to remuneration and travel cost reimbursement for the management board as of 31 December 2014 (prior year: current liabilities of € 4k). Current liabilities to supervisory board members amounted to € 0k (prior year: € 20k).

In January 2013, Mr. Sasse received an advance on the payment of his prior-year bonus in an amount of € 250k, which was offset when the bonus was paid out at the end of May 2013. This advance bore interest of 3.5%. Interest payments amounted to € 3k over the term.

In addition, the Company had business relationships with the following related parties:

Supervisory board member Robert Basil Hersov is the managing partner of Sapinda U.K., London, UK, which in turn is an affiliate of Sapinda Deutschland GmbH, Berlin. Tarek Malak, Berlin, was appointed as Robert Basil Hersov's successor as a member of the supervisory board member as of 5 June 2014. Mr. Malak is the managing director of Sapinda Deutschland GmbH with registered offices in Berlin.

In December 2011, Senator and the Hollywood 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 agreed in May 2012. Sapinda Deutschland GmbH, Berlin, Germany, (Sapinda) has undertaken to hold Relativity Media harmless for all payments and obligations of the Group under the output agreement. Senator AG has pledged senior collateral to all rights and claims in connection with the acquired film rights as well as all shares in Eurofilm & Media Ltd. Killaloe, Ireland, to Sapinda. In order to grant the Relativity Media guarantee to Relativity and in order to provide actual collateral and payment, Sapinda receives a commitment or guarantee fee from Senator AG. In 2014, a total of € 200k was expensed (prior year: € 200k). In January 2015, the Company exercised the right to terminate the agreement. Please refer to note 3 “Report on subsequent events” in the management report for more information.

In 2014, Sapinda entered into an agreement with Senator AG to acquire new shares from the cash capital increase that could not otherwise be subscribed after the performance of the capital increase itself or to ensure that they were subscribed by a third party (backstop agreement). For this commitment, Sapinda received compensation equivalent to 7.5% of the gross issue proceeds (€ 1,223k) from quirin bank AG, Berlin.

Members of the management board and the supervisory board

Management board:

Helge Sasse, CEO (until 20. June 2014)
Attorney
Chairman of the management board (CEO)

Markus Maximilian Sturm, CFO
Businessman

Vincent Grimond, CEO (since 5 February 2015)
Businessman
Chairman of the management board (CEO)

Brahim Chioua (since 5 February 2015)
Businessman

Vincent Maraval, CCO (since 5 February 2015
Businessman

In the fiscal year, 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, general manager of Premium Restructuring Office GmbH, Hamburg, and general manager 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, UK (until 29 May 2014)
Managing partner Sapinda U.K., London, UK

Norbert Kopp, Leverkusen
Businessman for media, environment and technology
General manager of KTB Technologie Beteiligungsgesellschaft mbH & Co. KG, Leverkusen

Dr. Thomas Middelhoff, Bielefeld (until 18 December 2014)
Dipl. Kaufmann (degree in business)
Chairman and founding partner of Pulse Capital Partners LLC, New York, USA

Paolo Barbieri, Luxembourg (from 12 June 2013 to 5 March 2014)
CEO, Pacific Capital S.à.r.l., Luxembourg

Tarek Malak, Berlin (since 5 June 2014)
Managing director at Sapinda Deutschland GmbH, Berlin

Prof. Dr. Katja Nettesheim, Berlin (since 12 September 2014)
General manager of MEDIATE Nettesheim & Partner, Unternehmensberater, Berlin

In addition, the following supervisory board members 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, UK (chairman)
› Adoreum Partners, London, UK (chairman)
› Digital Media Technologies Limited, Gibraltar, UK (chairman)
› RNTS Media NV, Amsterdam, Netherlands (chairman)

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 (Vorsitzender)
› 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)

Dr. Thomas Middelhoff stepped down from all his supervisory board positions in 2014.

Paolo Barbieri

- Ichor Coal NV, Amsterdam, Netherlands

Prof. Dr. Katja Nettesheim

- HRpepper GmbH & Co. KGaA, Berlin
- Deutsche Payment A1M AG, Berlin (since 12 August 2014)

Shares held by board members

As of the 31 December 2014 reporting date, the board members listed below held the following shares in Senator AG:

	Anzahl Aktien	Anteil in %
Helge Sasse (directly and indirectly via Paroli Publishing Musik, Media- und Verlags GmbH and HSW GmbH)	215,904	1.16
Dr. Thomas Middelhoff	81,537	0.44
Wolf-Dieter Gramatke	19,215	0.10

Remuneration of the management board and supervisory board

REMUNERATION FOR THE FISCAL YEAR 2014:

The following disclosures on management board remuneration are disclosures required by HGB in the notes to the financial statements (cf. Sec. 285 HGB) and disclosures prescribed by provisions of the German Corporate Governance Code.

Helge Sasse stepped down as CEO as of 20 June 2014 and left the Company with effect as of 30 June 2014. Mr. Sasse's fixed remuneration comprised his salary for the 2014 fiscal year until he left the Company (€ 205k; prior year: € 400k), an additional contribution to social security (€ 5k; prior year: € 9k), group accident insurance contributions (€ 1k; prior year: € 1k), life insurance contributions (€ 8k; prior year: € 8k), and an allowance for the use of a vehicle (€ 9k; prior year: € 18k). Moreover, for the premature termination of his service agreement, Mr. Sasse received a severance payment of € 700k and vacation compensation of € 55k for accrued vacation.

Pursuant to his management board contract, Mr. Sasse received a short-term incentive (STI) amounting to 3% of Senator's consolidated EBT according to IFRSs from 2013 based on Senator's audited consolidated financial statements. The bonus to be paid on this basis amounts to a maximum of € 175k p.a. if the Company generates consolidated revenue below € 50m. If consolidated revenue exceeds € 50m, the maximum bonus is € 225k. If consolidated EBT is less than € 1,000k in a given year, the STI is not applicable in that year.

In addition, in the respective subsequent year, Mr. Sasse receives a long-term incentive (LTI) for 2013 equivalent to 4% of the average consolidated EBT according to IFRSs of the respective past three fiscal years beginning with the consolidated EBT according to IFRSs for the years 2011, 2012 and 2013. According to this, the bonus to be paid amounts to a maximum of € 225k p.a. If consolidated revenue exceeds € 50m, the maximum bonus is € 275k. The LTI no longer applies if in a given year the average consolidated EBT falls below € 1,000k for the respective three fiscal years.

Mr. Sturm's fixed remuneration comprised his salary for the 2014 fiscal year (€ 246k; prior year: € 200k), an additional contribution to social security (€ 2k; prior year: € 2k), group accident insurance contributions (€ 1k; prior year: € 1k), life insurance contributions (€ 3k; prior year: € 0k), and an allowance for the use of a vehicle (€ 18k; prior year: € 15k). Senator AG assumed € 9k of Mr. Sturm's moving expenses in the prior year.

Mr. Sturm also received a short-term incentive (STI) amounting to 2% of Senator's consolidated EBT according to IFRSs based on Senator's audited consolidated financial statements. According to this, the bonus to be paid amounts to a maximum of € 125k p.a. If consolidated EBT is less than € 1,000k in a given year, the STI is not applicable in that year. In addition, in the respective subsequent year, Mr. Sturm will receive a long-term incentive (LTI) from 2015 to 2017 equivalent to 2% of the average consolidated EBT according to IFRSs of the respective past three fiscal years beginning with the consolidated EBT according to IFRSs for the years 2013, 2014 and 2015. According to this, the bonus to be paid amounts to a maximum of € 125k p.a. The LTI no longer applies if in a given year the average consolidated EBIT falls below € 1,000k for the respective three fiscal years.

The total remuneration of the members of the supervisory board for the fiscal year from 1 January to 31 December 2014 breaks down as follows:

in €	Vergütung	Kostenerstattung	**Gesamt**
Supervisory board			
Dr. Andreas Pres	22,000	3,311	25,311
Wolf-Dieter Gramatke	20,000	2,507	22,507
Norbert Kopp	16,000	441	16,441
Tarek Malak	9,468	0	9,468
Prof. Dr. Katja Nettesheim	4,822	0	4,822
Robert Basil Hersov	6,532	0	6,532
Dr. Thomas Middelhoff	15,430	0	15,430
Paolo Barbieri	2,849	0	2,849
	97,101	**6,259**	**103,360**

Auditor's fees

Pursuant to Sec. 285 No. 17 last part of the sentence HGB, the Company has opted not to disclose information on the auditor's fees in these notes to the financial statements, as these disclosures are made in the notes to consolidated financial statements of Senator AG, Berlin, in which the Company is included.

Declaration of compliance with the German Corporate Governance Code

The declaration in accordance with Sec. 161 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 Bundesanzeiger.

Declaration pursuant to Sec. 21 WpHG
[“Wertpapierhandelsgesetz”: German Securities Trading Act]

On 19 December 2014, SWB Entertainment Investment B.V., Schiphol, Netherlands, Sapinda Holding B.V., Altitude Holdings S.à r.l., Altitude Investments Limited, Consortia Trustees Limited and Consortia Partnership Limited informed us pursuant to Sec. 27a WpHG in connection with exceeding or reaching the 10% threshold or a higher threshold on 26 November 2014 that

1. the investment serves to implement strategic objectives

2. there are plans at present to obtain further voting rights by acquisition or otherwise within the next 12 months

3. they are aiming to influence the composition of the boards of SENATOR Entertainment AG

4. they do not currently plan on making any material change to the Company’s capital structure

5. it relates partly to external funds and partly to its own funds that SWB Entertainment Investment B.V. took out to finance the acquisition of voting rights.

1. On 8 December 2014, quirin bank AG, Berlin, Germany, informed us pursuant to Sec. 21 (1) WpHG that as of 4 December 2014 its voting interest in SENATOR Entertainment AG, Berlin, Germany, exceeded the thresholds of 3%, 5%, 10%, 15% and 20% of the voting rights and amounted to 22.01% on that date (4,062,238 voting rights).

2. On 8 December 2014, quirin bank AG, Berlin, Germany, informed us pursuant to Sec. 21 (1) WpHG that as of 5 December 2014 its voting interest in SENATOR Entertainment AG, Berlin, Germany, fell below the thresholds of 20%, 15%, 10%, 5% and 3% of the voting rights and amounted to 0.00% on that date (0 voting rights).

1. On 2 December 2014, Consortia Partnership Limited, Saint Helier, Jersey, Channel Islands, informed us pursuant to Sec. 21 (1) WpHG that as of 26 November 2014 its voting interest in SENATOR Entertainment AG, Berlin, Germany, exceeded the thresholds of 10%, 15%, 20%, 25%, 30% and 50% of the voting rights and amounted to 51.25% on that date (7,377,401 voting rights).

   3.57% of the voting rights (513,353 voting rights) are allocable to the company pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG. The voting rights allocated to it are held by the following entities which it controls whose share in the voting rights in SENATOR Entertainment AG exceeds 3% or more: Consortia Trustees Limited, Altitude Investments Limited, Altitude Holdings S.à r.l., Sapinda Holding B.V., SWB Entertainment Investment B.V.

   47.68% of the voting rights (6,864,048 voting rights) are allocated to the company in accordance with Sec. 22 (1) Sentence 1 No. 2 WpHG in conjunction with Sec. 22 (1) Sentence 2 WpHG. The voting rights allocated to it are held by the following entity whose share in the voting rights in SENATOR Entertainment AG exceeds 3% or more: quirin bank AG.

2. On 2 December 2014, Consortia Trustees Limited, Saint Helier, Jersey, Channel Islands, informed us pursuant to Sec. 21 (1) WpHG that as of 26 November 2014 its voting interest in SENATOR Entertainment AG, Berlin, Germany, exceeded the thresholds of 10%, 15%, 20%, 25%, 30% and 50% of the voting rights and amounted to 51.25% on that date (7,377,401 voting rights).

   3.57% of the voting rights (513,353 voting rights) are allocable to the company pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG. The voting rights allocated to it are held by the following entities which it controls whose share in the voting rights in SENATOR Entertainment AG exceeds 3% or more: Altitude Investments Limited, Altitude Holdings S.à r.l., Sapinda Holding B.V., SWB Entertainment Investment B.V.

47.68% of the voting rights (6,864,048 voting rights) are allocated to the company in accordance with Sec. 22 (1) Sentence 1 No. 2 WpHG in conjunction with Sec. 22 (1) Sentence 2 WpHG. The voting rights allocated to it are held by the following entity whose share in the voting rights in SENATOR Entertainment AG exceeds 3% or more: quirin bank AG.

3. On 2 December 2014, Altitude Investments Limited, Saint Helier, Jersey, Channel Islands, informed us pursuant to Sec. 21 (1) WpHG that as of 26 November 2014 its voting interest in SENATOR Entertainment AG, Berlin, Germany, exceeded the thresholds of 10%, 15%, 20%, 25%, 30% and 50% of the voting rights and amounted to 51.25% on that date (7,377,401 voting rights).

   3.57% of the voting rights (513,353 voting rights) are allocable to the company pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG. The voting rights allocated to it are held by the following entities which it controls whose share in the voting rights in SENATOR Entertainment AG exceeds 3% or more: Altitude Holdings S.à r.l., Sapinda Holding B.V., SWB Entertainment Investment B.V.

   47.68% of the voting rights (6,864,048 voting rights) are allocated to the company in accordance with Sec. 22 (1) Sentence 1 No. 2 WpHG in conjunction with Sec. 22 (1) Sentence 2 WpHG. The voting rights allocated to it are held by the following entity whose share in the voting rights in SENATOR Entertainment AG exceeds 3% or more: quirin bank AG

4. On 2 December 2014, Altitude Holdings S.à r.l., Luxembourg, Luxembourg, informed us pursuant to Sec. 21 (1) WpHG that as of 26 November 2014 its voting interest in SENATOR Entertainment AG, Berlin, Germany, exceeded the thresholds of 10%, 15%, 20%, 25%, 30% and 50% of the voting rights and amounted to 51.25% on that date (7,377,401 voting rights.

   3.57% of the voting rights (513,353 voting rights) are allocable to the company pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG. The voting rights allocated to it are held by the following entities which it controls whose share in the voting rights in SENATOR Entertainment AG exceeds 3% or more: Sapinda Holding B.V., SWB Entertainment Investment B.V.

   47.68% of the voting rights (6,864,048 voting rights) are allocated to the company in accordance with Sec. 22 (1) Sentence 1 No. 2 WpHG in conjunction with Sec. 22 (1) Sentence 2 WpHG. The voting rights allocated to it are held by the following entity whose share in the voting rights in SENATOR Entertainment AG exceeds 3% or more: quirin bank AG.

5. On 2 December 2014, Sapinda Holding B.V., Amsterdam, Netherlands, informed us pursuant to Sec. 21 (1) WpHG that as of 26 November 2014 its voting interest in SENATOR Entertainment AG, Berlin, Germany, exceeded the thresholds of 10%, 15%, 20%, 25%, 30% and 50% of the voting rights and amounted to 51.25% on that date (7,377,401 voting rights).

   3.57% of the voting rights (513,353 voting rights) are allocable to the company pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG. The voting rights allocated to it are held by the following entity which it controls whose share in the voting rights in SENATOR Entertainment AG exceeds 3% or more: SWB Entertainment Investment B.V

   47.68% of the voting rights (6,864,048 voting rights) are allocated to the company in accordance with Sec. 22 (1) Sentence 1 No. 2 WpHG in conjunction with Sec. 22 (1) Sentence 2 WpHG. The voting rights allocated to it are held by the following entity whose share in the voting rights in SENATOR Entertainment AG exceeds 3% or more: quirin bank AG3 Prozent oder mehr beträgt: quirin bank AG.

6. On 2 December 2014, SWB Entertainment Investment B.V. (formerly: Sapinda Entertainment Investment B.V.), Amsterdam, Netherlands, informed us pursuant to Sec. 21 (1) WpHG that as of 26 November 2014 its voting interest in SENATOR Entertainment AG, Berlin, Germany, exceeded the thresholds of 10%, 15%, 20%, 25%, 30% and 50% of the voting rights and amounted to 51.25% on that date (7,377,401 voting rights).

   47.68% of the voting rights (6,864,048 voting rights) are allocable to the company pursuant to Sec. 22 (1) Sentence 1 No. 2 WpHG. The voting rights allocated to it are held by the following entity whose share in the voting rights in SENATOR Entertainment AG exceeds 3% or more: quirin bank AG.

1. On 28 November 2014, quirin bank AG, Berlin, Germany, informed us pursuant to Sec. 21 (1) WpHG that as of 26 November 2014 its voting interest in SENATOR Entertainment AG, Berlin, Germany, exceeded the thresholds of 3%, 5%, 10%, 15%, 20%, 25% and 30% of the voting rights and amounted to 47.99% on that date (6,908,671 voting rights).

2. On 28 November 2014, quirin bank AG, Berlin, Germany, informed us pursuant to Sec. 21 (1) WpHG that as of 27 November 2014 its voting interest in SENATOR Entertainment AG, Berlin, Germany, fell below the thresholds of 30%, 25%, 20%, 15%, 10%, 5% and 3% of the voting rights and amounted to 0.00% on that date (0 voting rights).

1. On 1 September 2014, Altitude Investments Limited, Jersey, Channel Islands, informed us pursuant to Sec. 21 (1) WpHG that as of 29 August 2014 its voting interest in SENATOR Entertainment AG, Berlin, Germany, exceeded the thresholds of 3% and 5% of the voting rights and amounted to 6.86% on that date (2,053,412 voting rights).

   6.86% of the voting rights (2,053,412 voting rights) are allocable to the company pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG. The voting rights allocated to it are held by the following entities which it controls whose share in the voting rights in SENATOR Entertainment AG exceeds 3% or more: Altitude Holdings S.à r.l., Sapinda Holding B.V., Sapinda Entertainment Investment B.V.

2. On 29 August 2014, Anchor Corporate Holdings Limited, Tortola, British Virgin Islands, informed us pursuant to Sec. 21 (1) WpHG that as of 29 August 2014 its voting interest in SENATOR Entertainment AG, Berlin, Germany, fell below the threshold of 5% and 3% of the voting rights and amounted to 0% on that date (0 voting rights).

3. On 29 August 2014, Karmana Limited, Tortola, British Virgin Islands, informed us pursuant to Sec. 21 (1) WpHG that as of 29 August 2014 its voting interest in SENATOR Entertainment AG, Berlin, Germany, fell below the threshold of 5% and 3% of the voting rights and amounted to 0% on that date (0 voting rights).

   On 4 August 2014, Sapinda Entertainment Investment B.V., Schiphol, Netherlands, informed us pursuant to Sec. 21 (1) WpHG that as of 4 August 2014 its voting interest in SENATOR Entertainment AG, Berlin, Germany, exceeded the thresholds of 3% and 5% of the voting rights and amounted to 6.86% on that date (2,053,412 voting rights).

1. On 1 August 2014, Consortia Partnership Limited, Jersey, Channel Islands, informed us pursuant to Sec. 21 (1) WpHG that as of 13 March 2013 its voting interest in SENATOR Entertainment AG, Berlin, Germany, exceeded the thresholds of 3% and 5% of the voting rights and amounted to 7.08% on that date (2,119,376 voting rights).

   7.08% of the voting rights (2,119,376 voting rights) are allocable to the company pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG. The voting rights allocated to it are held by the following entities which it controls whose share in the voting rights in SENATOR Entertainment AG exceeds 3% or more: Consortia Trustees Limited, Anchor Corporate Holdings Limited, Karmana Limited, Altitude Holdings S.à r.l., Sapinda Holding B.V.

2. On 1 August 2014, Consortia Trustees Limited, Jersey, Channel Islands, informed us pursuant to Sec. 21 (1) WpHG that as of 13 March 2013 its voting interest in SENATOR Entertainment AG, Berlin, Germany, exceeded the thresholds of 3% and 5% of the voting rights and amounted to 7.08% on that date (2,119,376 voting rights).

   7.08% of the voting rights (2,119,376 voting rights) are allocable to the company pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG. The voting rights allocated to it are held by the following entities which it controls whose share in the voting rights in SENATOR Entertainment AG exceeds 3% or more: Anchor Corporate Holdings Limited, Karmana Limited, Altitude Holdings S.à r.l., Sapinda Holding B.V.

3. On 1 August 2014, Anchor Corporate Holdings Limited, Tortola, British Virgin Islands, informed us pursuant to Sec. 21 (1) WpHG that as of 13 March 2013 its voting interest in SENATOR Entertainment AG, Berlin, Germany, exceeded the thresholds of 3% and 5% of the voting rights and amounted to 7.08% on that date (2,119,376 voting rights).

   7.08% of the voting rights (2,119,376 voting rights) are allocable to the company pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG. The voting rights allocated to it are held by the following entities which it controls whose share in the voting rights in SENATOR Entertainment AG exceeds 3% or more: Karmana Limited, Altitude Holdings S.à r.l., Sapinda Holding B.V.

4. On 1 August 2014, Karmana Limited, Tortola, British Virgin Islands, informed us pursuant to Sec. 21 (1) WpHG that as of 13 March 2013 its voting interest in SENATOR Entertainment AG, Berlin, Germany, exceeded the thresholds of 3% and 5% of the voting rights and amounted to 7.08% on that date (2,119,376 voting rights).

   7.08% of the voting rights (2,119,376 voting rights) are allocable to the company pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG. The voting rights allocated to it are held by the following entities which it controls whose share in the voting rights in SENATOR Entertainment AG exceeds 3% or more: Altitude Holdings S.à r.l., Sapinda Holding B.V.

5. On 1 August 2014, Altitude Holdings S.à r.l., Luxembourg, Luxembourg, informed us pursuant to Sec. 21 (1) WpHG that as of 13 March 2013 its voting interest in SENATOR Entertainment AG, Berlin, Germany, exceeded the thresholds of 3% and 5% of the voting rights and amounted to 7.08% on that date (2,119,376 voting rights).

   7.08% of the voting rights (2,119,376 voting rights) are allocable to the company pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG. The voting rights allocated to it are held by the following entity which it controls whose share in the voting rights in SENATOR Entertainment AG exceeds 3% or more: Sapinda Holding B.V.

On 13 January 2015, Shard Capital Management Limited, Gibraltar, Gibraltar, informed us pursuant to Sec. 21 (1) WpHG that as of 26 November 2014 its voting interest in SENATOR Entertainment AG, Berlin, Germany, fell below the thresholds of 25% and 20% of the voting rights and amounted to 15.55% on that date (2,238,006 voting rights).

On 13 January 2015, Shard Capital Management Limited, Gibraltar, Gibraltar, informed us pursuant to Sec. 21 (1) WpHG that as of 4 December 2014 its voting interest in SENATOR Entertainment AG, Berlin, Germany, fell below the threshold of 15% of the voting rights and amounted to 12.13% on that date (2,238,006 voting rights).

Shard Capital Management Limited, Gibraltar, Gibraltar, informed us pursuant to Sec. 21 (1) WpHG that as of 13 November 2013 its voting interest in SENATOR Entertainment AG exceeded the thresholds of 3%, 5%, 10%, 15%, 20% and 25% and amounted to 29.89% on that date (8,952,021 voting rights).

On 4 December 2014, Prof. Dr. h.c. Roland Berger, Germany, informed us pursuant to Sec. 21 (1) WpHG that as of 4 December 2014 his voting interest in SENATOR Entertainment AG, Berlin, Germany, fell below the threshold of 3% of the voting rights and amounted to 2.76% on that date (508,668 voting rights).

On 1 December 2014, Prof. Dr. h.c. Roland Berger, Germany, informed us pursuant to Sec. 21 (1) WpHG that as of 26 November 2014 his voting interest in SENATOR Entertainment AG, Berlin, Germany, fell below the threshold of 5% of the voting rights and amounted to 3.53% on that date (508,668 voting rights).

Dr. Jürgen Todenhöfer, Germany, informed us pursuant to Sec. 21 (1) WpHG that as of 26 November 2014 his voting interest in SENATOR Entertainment AG, Berlin, Germany, fell below the threshold of 3% of the voting rights and amounted to 2.51% on that date (360,787 voting rights).

2.51% of the voting rights (360,787 voting rights) are allocable to Dr. Todenhöfer pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG.

On 5 December 2014, Sternenstaub Fund GmbH, Munich, Germany, informed us pursuant to Sec. 21 (1) WpHG that as of 26 November 2014 its voting interest in SENATOR Entertainment AG, Berlin, Germany, fell below the threshold of 3% of the voting rights and amounted to 2.51% on that date (360,787 voting rights).

The Sternenstaub Foundation, Munich, Germany, informed us pursuant to Sec. 21 (1) WpHG that as of 26 November 2014 its voting interest in SENATOR Entertainment AG, Berlin, Germany, fell below the threshold of 3% of the voting rights and amounted to 2.51% on that date (360,787 voting rights)

2.51% of the voting rights (360,787 voting rights) are allocable to the company pursuant to Sec. 22 (1) Sentence 1 No. 1 WpHG.

On 5 December 2014, KTB Technologie Beteiligungsgesellschaft mbH & Co. KG, Leverkusen, Germany, informed us pursuant to Sec. 21 (1) WpHG that as of 4 December 2014 its voting interest in SENATOR Entertainment AG, Berlin, Germany, fell below the threshold of 5% of the voting rights and amounted to 4.21% on that date (777,715 voting rights).

On 3 December 2014, KTB Technologie Beteiligungsgesellschaft mbH & Co. KG, Leverkusen, Germany, informed us pursuant to Sec. 21 (1) WpHG that as of 26 November 2014 its voting interest in SENATOR Entertainment AG, Berlin, Germany, fell below the threshold of 10% of the voting rights and amounted to 5.40% on that date (777,715 voting rights).

Profit appropriation

in T€	**Fiscal year 1 Jan – 31 Dec 2014**	Fiscal year 1 Jan – 31 Dec 2013
Net loss for the year	–21,737	–24,526
Loss carryforward	–85,612	–61,086
Equity reduction	70,787	0
Withdrawal from the reserve for treasury shares	0	0
Accumulated loss	–36,562	–85.,612

Consolidated financial statements

The Company is the parent company as defined by Sec. 290 HGB of the subsidiaries set out in the list of equity investments, which are thus affiliates within the meaning of Sec. 271 (2) HGB.

Please refer to the separate list of shareholdings for the information on shareholdings required pursuant to Sec. 285 No. 11 HGB.

RESPONSIBILITY STATEMENT AS OF 31 DECEMBER 2014

To the best of our knowledge, and in accordance with the applicable principles of proper reporting the financial statements give a true and fair view of the net assets, financial position and results of operations 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, den 27. April 2015
Senator Entertainment AG

Vincent Grimond
Chairman of the management board (CEO)

Markus Maximilian Sturm
(CFO)

Brahim Chioua
(COO)

Vincent Maraval
(CCO)

ANNEX (1) TO THE NOTES

Senator Entertainment AG
Statement of changes in fixed assets 2014

	Acquisition and production cost				
€	1 Jan 2014	Additions	Disposals	Reclassi-fication	**31 Dec 2014**
Intangible assets					
Film exploitation rights	8,799,739	0	0	0	8,799,739
Licenses	615,598	0	0	0	615,598
Purchased software	247,567	8,200	7,616	0	248,151
Prepayments	60,500	0	0	0	60,500
	9,723,404	**8,200**	**7,616**	**0**	**9,723,988**
Property, plant and equipment					
Other equipment, furniture and fixtures	**583,213**	**3,740**	**80,939**	**0**	**506,014**
Financial assets					
Shares in affiliates	14,532,506	0	0	0	14,532,506
Loans to affiliates	2,000,000	0	0	0	2,000,000
Equity investments	3,155,394	0	0	0	3,155,394
Securities classified as fixed assets	162,500	0	0	0	162,500
	19,850,400	**0**	**0**	**0**	**19,850,400**
	30,157,017	**11,940**	**88,555**	**0**	**30,080,402**

Accumulated amortization, depreciation and write-downs				Net carrying amounts	Net carrying amounts
1 Jan 2014	Additions	Disposals	**31 Dec 2014**	**31 Dec 2014**	€ k 31 Dec 2013
8,426,017	292,621	0	8,718,638	81,101	374
323,098	146,250	0	469,348	146,250	293
201,852	36,401	7,616	230,637	17,514	46
60,500	0	0	60,500	0	0
9,011,467	**475,272**	**7,616**	**9,479,123**	**244,865**	**713**
342,290	**43,291**	**56,045**	**329,536**	**176,478**	**241**
4,762,631	0	0	4,762,631	9,769,875	9,770
2,000,000	0	0	2,000,000	0	0
0	0	0	0	3,155,394	3,155
162,500	0	0	162,500	0	0
6,925,131	**0**	**0**	**6,925,131**	**12,925,269**	**12,925**
16,278,888	**518,563**	**63,661**	**16,733,790**	**13,346,612**	**13,879**

ANNEX (2) TO THE NOTES

Senator Entertainment AG
Shareholdings as of December 31, 2014

As of 31 December 2014, Senator AG holds a direct or indirect shareholding in the following companies:

	Share	Equity as of 31 Dec 2014	**Net income/ loss for the year 2014**
Company	%	€ k	€ k
Senator Film Köln GmbH, Cologne [1]	100.00	-112	0
Senator Film München GmbH, Munich [1]	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	-20	-1
Senator Home Entertainment GmbH, Berlin [1]	100.00	25	0
Senator MovInvest GmbH, Berlin [1]	100.00	30	0
Eurofilm & Media Ltd., Killaloe, Ireland	100.00	-12,062	-405
Senator Film Austria GmbH, Vienna, Austria [2]	100.00	63	-58
deutschfilm GmbH, Berlin	50.00	-2,356	-151
X Verleih AG, Berlin	31.38	3,702	721
Central Film Verleih GmbH, Berlin	50.00	493	137
Bavaria Pictures GmbH, Munich [3]	25.00	-1,539	-637
Senator Film Babelsberg GmbH, Potsdam [4]	50.00	19	-2

[1] Profit and loss transfer agreement with Senator AG
[2] indirectly via Senator Film Verleih GmbH
[3] indirectly via Senator Film München GmbH
[4] indirectly via Senator Film Produktion GmbH

ANNEX (3) TO THE NOTES

Senator Entertainment AG
Statement of changes in equity
from January 1, 2014 to December 31, 2014

€ k	Issued capital	Capital reserves	Other revenue reserves	Accumu-lated loss	**Total equity**
As of 1 January 2013	**29,935**	**48,329**	**10**	**–61,086**	**17,188**
Net loss for the fiscal year	0	0	0	–24,526	–24,526
As of 31 December 2013	**29,935**	**48,329**	**10**	**–85,612**	**–7,338**
As of 1 January 2014	**29,935**	**48,329**	**10**	**–85,612**	**–7,338**
Capital reduction	–22,451	–48,329	–7	70,787	0
Cash capital increase	6,909	9,396	0	0	16,305
Non-cash capital increase	4,062	5,524	0	0	9,586
Net loss for the fiscal year	0	0	0	–21,737	–21,737
As of 31 December 2014	**18,455**	**14,920**	**3**	**–36,562**	**–3,184**

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 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, which was combined with the group management report, of Senator Entertainment AG, Berlin, for the fiscal year from 1 January to 31 December 2014. The maintenance of the books and records and the preparation of the annual financial statements and management report in accordance with German commercial law 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 ["Handelsgesetzbuch": German Commercial Code] 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 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 "Group financial position" 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. However, should the operating business fail to develop as well as expected, the Group's ability to continue operating as a going concern from the end of the first quarter of 2016 will depend on whether additional financing in the necessary amount can be secured.

Berlin, 27 April 2015

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