SENATOR
Entertainment AG

SEMI-ANNUAL REPORT 2014

COMPANY PROFILE

Berlin-based Senator Entertainment AG has ranked as one of Germany's leading independent media companies for more than 30 years. In addition to acquiring the distribution rights to independently produced films the company also produces and co-produces films and TV productions which it then distributes across all channels including cinema, DVD, TV, and internet streaming companies.

Film distribution represents the core of the company's operating activities. Senator Film Produktion, Senator Home Entertainment, and Senator Film Köln were established to expand the area of operating activities. Senator currently holds the rights to around 385 films and series titles mainly acquired within Europe and the USA, covering many different genres and subjects.

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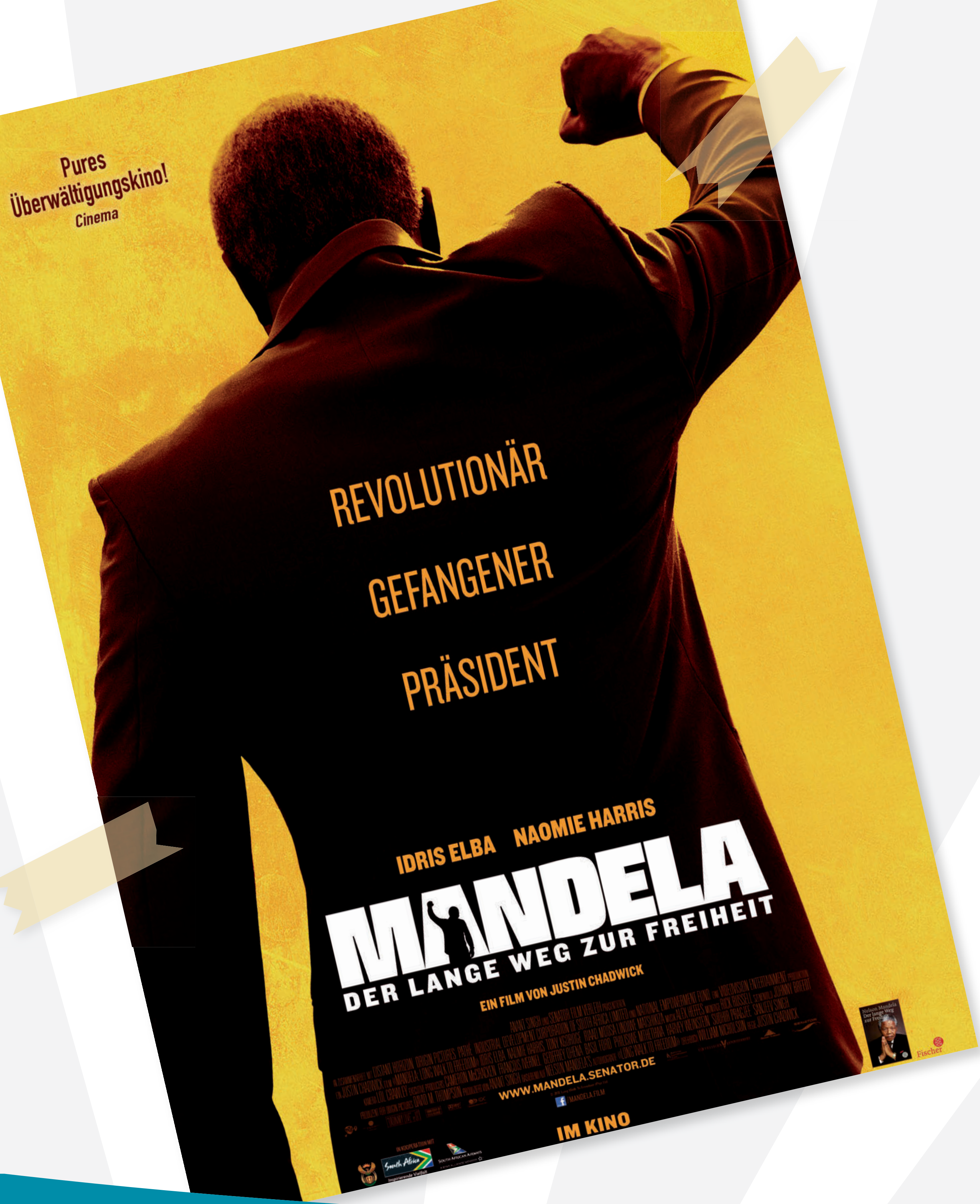
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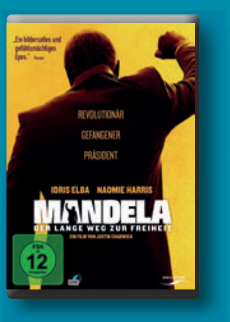
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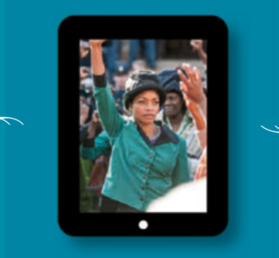
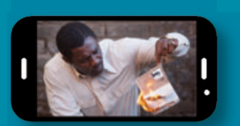




1 GROUP MANAGEMENT REPORT

FINANCIAL REPORT FOR THE SIX MONTHS ENDED JUNE 30, 2014

During the first six months of the current financial year, the business and earning trends of the Senator Group were slightly below the expectations of the Management Board due to postponed TV revenues. The Management Board nevertheless confirms the full-year earnings forecast that it provided in the annual report.

Totals and percentages in this report for the first half of 2014 are calculated on the basis of rounded euro amounts, and can differ from a calculation based on amounts reported in thousands and millions of euros.

1. BASIS OF THE GROUP

1.1. Basis

The operating activities, Group structure and Group segmentation, that were presented in the business report dated April 30, 2014 remain applicable.

The Management Board is currently working on the implementation of the strategic plan and related restructuring measures, in order to manage the currently challenging financial situation of the Group. In the medium term, the Management Board believes that the Senator Group can be transformed into a sustainably profitable company following the conclusion of the restructuring measures.

1.1.1. Personnel changes within the Management and Supervisory boards

The Chief Executive Officer of Senator Entertainment AG, Helge Sasse, relinquished his office as of June 20, 2014, leaving the company as of June 30, 2014 after more than eight years as CEO. Since June 21, 2014, Markus Maximilian Sturm has taken over the post as sole Management Board member and CEO on an interim basis.

Mr. Paolo Barbieri, Luxembourg, and Mr. Robert Basil Hersov, London, U.K. relinquished their Supervisory Board mandates on March 5, 2014 and May 29, 2014 respectively,

Following the resignation of Mr. Hersov the Supervisory Board consisted of just five Supervisory Board members and on application by the company to the Charlottenburg District Court, Mr. Tarek Malak, Berlin, was appointed as interim successor to Mr. Hersov on the Supervisory Board on June 5, 2014.

The Supervisory Board proposes to elect Mr. Malak and Professor Katja Nettesheim to the Supervisory Board at the Extraordinary General Meeting on September 12, 2014 for the remainder of the period of office of the members who have stepped down, in other words, until the end of the Annual General Meeting that passes a resolution relating to the discharge for the 2015 financial year.

1.1.2. Employees

The Senator Group employed an average of 48 staff in the half-year under review, excluding trainees and interns. This corresponds to a slight fall compared to the average number of employees for the full 2013 year (49 staff).

1.1.3. Annual General Meeting

The deficit incurred in the year ended December 31, 2013 reduced the company's equity below the 50 % limit. This required the Management Board to immediately convene a Shareholders' General Meeting pursuant to Section 92 of the German Stock Corporation Act (AktG). The Management Board with the AGM fulfilled this task on June 23, 2014.

1.1.4. Share Price

The share price started the year at € 0.86 per share. The highest level during the first six months of the new year stood at € 1.05 per share on January 29, 2014, while its low was recorded at € 0.46 per share on May 9 and 12, 2014.

During the first four months of the 2014 financial year, the shares traded at a level between € 0.80 and € 1.00, without breaking out of this range either to the upside or the downside for any long period of time. The fall in the share price began at the end of April. In May and June, the shares traded between € 0.40 and € 0.65 per share. On June 30, 2014, the last trading day of the reporting period, the shares closed at of € 0.55 per share. This corresponds to a market capitalisation of € 16.47 million. During the first six months of 2014 the share price has fallen by € 0.31 per share, equivalent to a 36.0 % drop.

Key data

Wertpapierkennnummer (German Securities Code)	A0BVUC
ISIN	DE000A0BVUC6
Ticker symbol	SMN1
Trading segment	Regulated Market (General Standard)
Type of shares	No par value ordinary bearer shares
Share capital	€ 29,945,424
Share price at the start of the reporting period*	€ 0.86
Share price at the end of the reporting period*	€ 0.55
High for the first half of the year**	€ 1.05
Low for the first half of the year**	€ 0.46

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

** Intraday

2. BUSINESS REPORT

2.1. *Macroeconomic and sector-specific conditions*

2.1.1. Economic conditions

The operating activities of the Senator Group are conducted largely in Germany and other European countries. Consequently, the economic trends in this region determine developments for Senator. The moderate economic recovery in the Eurozone is likely to have accelerated slightly during the second quarter 2014, with an increase in real gross domestic product to 0.3 % (compared with +0.2 % in the previous quarter). The rate of expansion will likely stabilise at this level in the third and fourth quarters.[1]

The German economy continues on its upturn during 2014, according to the ifo Institute. The economic forecast that the economic researchers published in June 2014 assumes that the main growth drivers during the first half of 2014 derived primarily from domestic demand. They are of the opinion that investments in new equipment will expand at an accelerated rate, and that high utilisation of production capacities are necessitating replacement purchases and expansion of investment. Further marked growth in construction investment is perceived, with a lack of confidence in foreign assets and the low interest-rate level supporting this trend. Private consumption is expected to grow in line with rising real incomes. Exports are accelerating in line with an improvement in the worldwide economy. Imports are expected to rise even faster due to the high dynamics of the domestic economy.[2] By contrast, uncertainties exist for the economy due to the current geopolitical crises, including the ongoing problems in the Ukraine. It is anticipated that the coming weeks and months will show the extent to which the basic growth trend of the world economy remains intact.

[1] ifo Institut, Center for Economic Studies (CES), Moderate Recovery Continues
[2] ifo Institut, Center for Economic Studies (CES), ifo 2014/2015 Economic Forecast: Upturn in Germany Economy Continues

The number of unemployed individuals stood at 2.8 million in June 2014 – representing a 1.1 % year-on-year decline – according to the Federal Employment Agency. The unemployment rate was recorded at 6.5 %.

The consumer climate index surveyed by GfK consumer research rose over the period under review, standing at 8.5 points in June 2014.[3] The inflation rate was 1.0 % in 2014, mainly due to lower prices for mineral oil products, according to the German Federal Statistical Office.[4]

2.1.2. Sector-specific conditions

MARKET ENVIRONMENT FOR THE MEDIA AND ENTERTAINMENT SECTOR IN GERMANY

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

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 in these sub-markets.

CINEMA

The first half of 2014 closed with a marked decline of 8 % compared with the prior-year period. In the period between January 3 and June 30, 2013, around € 458.6 million was turned over at the box office, where as ticket sales fell during the first half of 2014 (January 2 to June 29) to just under € 421 million. The decline in terms of cinemagoers was even more pronounced with a drop of 9 %. The number of tickets sold was down from almost 57 million to around € 51.8 million in a half-year on half-year comparison.[5]

HOME ENTERTAINMENT

During the first half of 2014, home video sales decreased by 7 % year-on-year to € 727 million, according to recent data from GfK Panel Services Deutschland. While physical formats relinquished turnover, digital forms increased by € 10 million, and now already comprise almost 10 % of total sales. In terms of purchased videos, a double-digit fall was recorded for DVDs, and stagnating or slightly falling sales for Blu-rays. Sales revenues overall were slightly down, despite positive trends in electronically sold video content (electronic sell-through (EST)). As far as rental videos are concerned, growth in the TVoD segment was unable to fully offset a decline in physical sales.[6]

TV

Despite the high level of competition, the attractiveness of the TV market lies in the overall high level of television consumption: in 2013, the average daily viewing period per person in Germany amounted to 221 minutes.[7] The marketing of TV film licences nevertheless remains challenging. There are many TV stations offering programs of all types – whether for free or charged, via cable or satellite, or as IPTV via the Internet and the opportunities to distribute film productions are growing as a consequence. This has 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 show formats, series and propriety productions. Demand for feature films has decreased accordingly. A further factor is that high-end productions that comprise a focus of the Senator portfolio are unsuitable for all TV station formats. The market environment in the TV area is to be regarded as challenging as a consequence.

[3] GfK, press release, "German consumer climate stabilises further", May 26, 2014
[4] German Federal Statistical Office (DESTATIS), harmonised consumer price index
[5] Blickpunkt:Film | Cinema dated July 2, 2014
[6] GfK Panel Services Deutschland, Der DIGIT@LE VIDEOM@RKT Berichterstattung Januar-Juni 2014
[7] AGF in collaboration with GfK, TV Scope

2.2. Business progress

2.2.1. Financial and non-financial performance indicators

FINANCIAL PERFORMANCE INDICATORS

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

Key indicator	**Value in € thousand in H1 2014**
Revenue	9,478
Shareholders' share of profit/loss	-3,802
EBIT	-3,224
EBITDA	-628
Net debt	-18,094

NON-FINANCIAL PERFORMANCE INDICATORS

The non-financial indicators and success factors that were listed in the 2013 annual report have not changed during the first half of 2014.

2.2.2. Business trends during the first half of 2014

FILM PRODUCTION

In order 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, and is frequently also involved in co-production with other German and foreign film producers. An important business step in this context was the founding of Senator Film München GmbH in 2011, which particularly focuses on children's films. Senator Film Köln GmbH and production operations at the Berlin headquarters also develop and produce feature films.

The company deutschfilm GmbH, which was founded in 2009, and which has been fully consolidated since the 2013 financial year, also operates in film production and acquisition.

In June and July of last year, the bestselling DER KOCH by Martin Suter was produced to schedule, followed by post-production, including with Jessica Schwarz in one of the leading roles. The prospective release date for the film in cinemas was postponed to November 27, 2014.

DIE GELIEBTEN SCHWESTERN by Dominik Graf and MISS SIXTY, with Iris Berben and Edgar Selge in the main roles, was in production and post-production in 2013. MISS SIXTY debuted in German cinemas on April 24, 2014. A total of around 100,000 cinemagoers had seen the film at the cinema by the date the half year report was completed. DIE GELIEBTEN SCHWESTERN was off to a successful cinema debut on July 31, 2014.

The Film Production segment generated € 93 thousand of revenue in the first half of 2014, down on the € 172 thousand generated in the first half of the previous year.

DISTRIBUTION

Distribution slightly lagged management's expectations during the first half of 2014.

Cinema

The company fell slightly short of its originally planned target for the first half of 2014, of attracting almost 1.9 million cinemagoers to a total of nine films. This shortfall was partially offset by the ahead-of-budget number of cinemagoers to films that had been launched in the previous year.

FREEBIRDS, with around 520,000 cinema viewers, and PETTERSSON & FINDUS – KLEINER QUÄLGEIST, GROSSE FREUNDSCHAFT with around 620,000 cinema viewers, ranked among the Senator Group's films attracting the most cinemagoers during the first half of 2014.

In the first half of 2014, the Senator Group generated a total of € 4,680 thousand from cinema releases, compared with € 5,579 thousand in the same period of 2013.

TV

The TV business in the first half of 2013 generated revenues of € 4,427 thousand, while the first half of 2014 generated revenues of € 879 thousand which was significantly below the prior-year period, as well as being below management's expectations. The below-budget revenue derived mainly from the postponement of various TV projects.

Home Entertainment (Video)

In the Home Entertainment area, the Senator Group issued a total of 12 titles during the first of 2014, somewhat less than half of those launched during the first half of 2013. Nine titles were first-time issues, and three were reissues of older titles. Distribution in this segment generated revenue of € 3,508 thousand during the first half of 2014, slightly ahead of expectations. This corresponds to a 43.6 % decline compared with the prior-year period (H1 2013: € 6,223 thousand).

On an overall view, distribution registered viewer interest, slightly below forecast, which was offset by higher than planned video revenue. Revenue of € 9,316 thousand during the first half of 2014 was slightly below the specific revenue targets due to planned but not yet realised TV sales that have been delayed into the second half of the year.

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

2.3.1. Group results of operations

In the first half of the 2014 financial year, the Senator Group generated € 9,478 thousand of revenue on the basis of IFRS accounting. This represents a 43.1 % fall compared with the previous year's € 16,650 thousand. Year-on-year lower TV and home entertainment revenues were the reason for this reduction. TV revenues planned for the first half of 2014 are being postponed until the second half of 2014 prospectively.

An examination of the individual segments shows that the drop in Group revenue is chiefly attributable to the largest segment, "Distribution", which contributed € 9,316 thousand of revenue in the first half of 2014 (compared to € 16,463 thousand in the corresponding half year in 2013).

Revenue in the two other segments of "Film production" and "Other" made only minor contributions to total revenue of € 93 thousand (previous year: € 172 thousand) and € 69 thousand (previous year: € 15 thousand) respectively.

Within the "Distribution" segment, revenue was attributable to the three largest segments as follows: cinema € 4,680 thousand (previous year: € 5,579 thousand), television € 879 thousand (previous year: € 4,427 thousand), and video € 3,580 thousand (previous year: € 6,223 thousand).

Compared with the first half of 2013, other operating income in the first of 2014 rose from € 316 thousand to € 2,016 thousand. This results chiefly from the release of provisions due to a settlement with a licensor, which was concluded in the second quarter of the financial year. Work performed by the company and capitalised fell from € 1,280 thousand to € 669 thousand, reflecting lower production activity during the first half of 2014. The propriety film production DER KOCH, who's production had started in the previous year, was completed in the period under review, although the significant related costs were already incurred last year.

Partially performance-related expenses for procured services amounted to € 8,307 thousand in the first half of the 2014 financial year, compared with € 10,204 thousand in the previous year. These mainly comprise film production costs, expenses for marketing and production of DVD/Blu-ray, as well as licensor transfers and expenses for other revenue participations. Despite lower costs overall, the cost of materials ratio rose to 87.6 %, compared with 61.3 % in the prior-year period due to significantly lower sales. Staff costs were up from € 1,542 thousand to € 2,498 thousand, mainly due to settlement payments, as well as the increase in the average number of employees from 43 to 48. This represents a 26.4 % staff cost ratio, compared with 9.3 % in the previous year.

Depreciation, amortisation and impairment charges reported a significant year-on-year decline. Write-offs applied to film distribution rights were below the previous year's level, especially due to lower TV sales of high-priced cinema films.

Due to declining revenue, and higher staff costs and other operating expenses connected with restructuring tasks during the first half of the 2014 financial year, the company has again incurred a loss, with the loss before interest and tax (EBIT) widening from € -107 thousand to € -3,224 thousand. The net financial result amounted to € -542 thousand (previous year: € 30 thousand). Interest expenses rose from € 566 thousand to € 656 thousand due to an increase in overall finance debt. The pre-tax loss widened from € -77 thousand to € -3,766 thousand. Tax expenditure was significantly lower due to the loss-making situation, with a consolidated net loss of € -3,802 thousand being reported in the first half of the 2014 financial year (previous year: € -84 thousand). Given a total of 29,935,765 shares in issue, this corresponds to a loss per share (basic / diluted) of € -0.13 (H1 2013: €0.00).

Key Group financials

In € thousand	H1 2014	H1 2013	Change
Revenue	9,478	16,650	-7,172
EBITDA	-628	5,254	-5,882
EBIT	-3,224	-107	-3,117
EBT	-3,766	-77	-3,689
Consoli-dated net profit/loss	-3,802	-84	-3,718
EPS	-0.13	-0.0	-0.13

2.3.2. Group net assets

Total assets increased from € 27,821 thousand to € 32,290 thousand as of the June 30, 2014 balance sheet date, mainly due to investments in new film distribution rights. On the assets side of the balance sheet, non-current assets rose from € 14,666 thousand to € 18,058 thousand. These primarily comprise acquired film distribution rights that are to be utilised over the coming years, thereby contributing to future sales revenue. This item also includes advance payments for film rights that have not yet been delivered and projects that are still in the production stage, which are capitalised in their entirety until they are utilised. Property, plant and equipment fell from € 306 thousand to € 254 thousand. Financial assets were also down from € 3,589 thousand to € 3,441 thousand due to distributions by associates.

Current assets amounted to € 14,232 thousand as of June 30, 2014 (December 31, 2013: € 13,155 thousand). This increase was mainly due to a € 3,170 thousand higher cash position, which was offset by a decrease in trade receivables of € 2,394 thousand. Trade receivables amounted to € 4,272 thousand as of June 30, 2014 (December 31, 2013: € 6,666 thousand). Liquid assets increased to € 5,619 thousand, mainly due to the drawdown of additional finance debt of € 8,069 thousand, most of these funds have already been invested in new film distribution rights.

The consolidated net loss for the half year to June 30, 2014 that was incurred exerted a significantly negative impact on reported equity, with the negative retained earnings widening from € -87,698 thousand to € -91,500 thousand. Compared with balance sheet equity of € -11,439 thousand as of December 31, 2013, the company reported a deterioration in consolidated balance sheet equity to € -15,241 thousand. This represents an equity ratio of -47.2 % (December 31, 2013: -41.1 %). Due to this balance sheet position, a corporate reorganisation plan was prepared for the Group and the parent company, and an expert restructuring opinion was obtained. The significant results and measurements of which are described in the report on events after the balance sheet date.

Compared to December 31, 2013, liabilities increased from € 39,260 thousand to € 47,530 thousand. Total non-current liabilities were up by € 1,193 thousand to € 11,324 thousand as the result of the draw down of additional non-current borrowings. Most of the non-current liabilities are attributable to the bond with warrants that falls due in 2016 which has a carrying value of € 9,842 thousand as of June 30, 2014. Current liabilities increased from € 29,091 thousand to € 36,206 thousand. This is partly attributable to an increase in finance debt, which rose to € 23,713 thousand (December 31, 2013: € 15,645 thousand). Current finance debt increased from € 5,867 thousand to € 12,743 thousand at June 30, 2014 due to the utilisation of overdrafts and the issuing of a short-term bond in the amount of € 5,000 thousand. Trade payables also increased from € 6,344 thousand at December 31, 2013 to € 8,335 thousand as of June 30, 2014. Compared to December 31, 2013, other provisions fell, mainly due to the release of licensor provisions as a consequence of a settlement reached in the first half of 2014. Advance payments received decreased by € 347 thousand to € 4,084 thousand. This primarily relates to an advance payment received from sales partner Universum Film GmbH in the DVD area.

2.3.3. Group financial position

Despite the loss incurred in the first half of the 2014 financial year, the Senator Group generated positive operating cash flow of € 953 thousand (H1 2013: € 4,756 thousand). This mainly reflects non-cash depreciation, amortisation and impairment losses, and an increase in liabilities, so that operating cash flow was positive despite the consolidated net loss that was incurred for the year.

Cash flow from investing activities stood at € -5,854 thousand in the first half of 2014 (H1 2013: € -6,750 thousand). In this context, the company invested a total of € 6,154 thousand, principally in film distribution rights that are to be distributed across the individual revenue streams over the months and coming years.

Cash flow from financing activities was positive to the tune of € 8,069 thousand (H1 2013: € 1,144 thousand). This is due to the placing of a € 5,000 thousand bond in June 2014, and a higher level of utilisation of the existing overdraft.

Unutilised credit lines of € 1,068 thousand existed as of June 30, 2014.

Overall, the Group's liquid assets had increased by € 3,169 thousand to € 5,619 thousand as of June 30, 2014.

2.4. Overall statement on the company's financial position

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

If the reorganisation measures were to fail, or if the need for liquidity were to rise, the implementation of the business plan would be jeopardised by insufficient capitalisation and restrictions to the company's ability to finance itself. Based on the financing opportunities currently available, the Management Board would be forced to considerable reduce its planned investments in new rights. This would mean that the Senator Group could not maintain or expand its market share as planned. Should the operating business fail to achieve its planned development, the company's continued existence from mid-2015 would depend on the group's ability to raise additional capital.

3. REPORT ON EVENTS AFTER THE BALANCE SHEET DATE

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

In an announcement dated July 24, 2014, the Management Board of Senator Entertainment AG announced that it will acquire Wild Bunch S.A., a European independent film distribution company. The acquisition will be funded by way of a non-cash capital increase in the form of a share for share deal. This transaction will be submitted for approval to the Extraordinary General Meeting on September 12, 2014.

Senator Entertainment AG expects the acquisition to strengthen its position in international purchasing, long-term access to other international markets, and the bolstering of its income as a result of this significant expansion of business operations.

Given the fact that the share capital of Senator Entertainment AG has been completely consumed, the Management Board has drawn up a reorganisation plan. The capital measures that have already been published with the announcements dated April 30, 2014 and July 24, 2014 are to be submitted for approval to the EGM on September 12, 2014.

› Simplified capital reduction in a 4:1 ratio from € 29,945,424.00 to € 7,486,356.00.

› Subsequent cash capital increase of € 6,908,671.00 to € 14,395,027.00 at a subscription price per share of € 2.36 (almost four times the volume-weighted three-month average price). The new shares are to be offered to shareholders and warrant holders for subscription in a 52:9 ratio (before capital reduction). Shareholders are to be offered additional subscription rights to the extent of shares that have not been subscribed for by shareholders or warrant holders. New shares that have still not been subscribed for following this are to be placed as part of a private placing with a vehicle of the Sapinda Group, Sapinda Entertainment Investments BV ("Sapinda"), and potentially among other institutional investors. Sapinda has undertaken, as part of subscribing for shares that are not subscribed for as part of the cash capital increase, to ensure gross issue proceeds of around € 16.3 million (backstop).

› Capital increase of at least € 3,806,313.00 to up to € 18,624,264.00 through contribution of bonds arising from the existing 2011-2016 bond with warrants in a total amount of € 9,981,000.00, which are to be contributed as part of a debt for equity swap. To the extent that at least 90 % of the bonds are not exchanged, a cash capital increase to a corresponding level is to be conducted additionally to this amount at a subscription price per share of € 2.36, in which shareholders and warrant holders can participate. In turn, shareholders are to be granted multiple subscription rights. Shares that are not subscribed for are to be offered as part of a private placing to Sapinda and potentially to other institutional investors. As part of the debt for equity swap, Sapinda is obligated to ensure the conversion of these 90 % of bonds, or a cash capital increase to the equivalent level. Moreover, Sapinda will also provide considerable support to the merger of Senator Entertainment and Wild Bunch.

  As a consequence of the capital measures, the interest of Sapinda in Senator Entertainment AG might increase to a majority interest under certain circumstances, depending on the subscription behaviour of shareholders and warrant holders. Sapinda's obligations are also subject to conditions, including that the investment board of the Sapinda Group issues its consent, and that Sapinda is not obligated to submit any takeover offer to the company's shareholders pursuant to Section 35 of the German Securities Acquisition and Takeover Act (WpÜG). A corresponding application from exemption from such an obligation pursuant to Sections 37 of the German Securities Acquisition and Takeover Act (WpÜG) was submitted to the German Federal Financial Supervisory Authority (BaFin) on August 1, 2014.

The German Financial Reporting Enforcement Panel (DPR) has subjected the consolidated financial statements of Senator Entertainment AG as of December 31, 2012 and the Group management report for the 2012 financial year to an audit pursuant to Section 342 (2) Clause 3 No. 3 of the German Commercial Code (HGB) (random sample audit). The DPR has made findings relating to the 2012 IFRS consolidated financial statements. Given the planned capital measures, the Management Board has passed a resolution to recognise the findings in order to conclude the proceedings. In the appraisal of the Management Board, the findings have no significant effects on the level of equity as of December 31, 2013.

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

4. REPORT ON OUTLOOK, OPPORTUNITIES AND RISKS

4.1. Outlook

4.1.1. Trends in the market environment

The film market in Germany will remain on a constant growth path over the coming years, driven especially by the greater digital distribution of self-produced or acquired content and licenses, according to consultants PricewaterhouseCoopers. Cinema tickets and video sales will continue to generate the greatest proportion of turnover in the distribution market in Germany. Overall, PwC sees this segment growing at annual growth rates of around 3.9 %, boosting the 2013 market volume of € 2.78 billion to € 3.38 billion by 2017.[8] This growth is to derive mainly from gradual growth in cinema revenues, including through higher average ticket prices reflecting, for instance, an increasing number of 3D cinemas.

Both PwC and the GfK market research institute see even stronger growth rates in the home entertainment sub-segment. Here, revenues from the sale and distribution of physical and digital videos are forecast to grow by an average 4.1 % per year between 2010 and 2017. In this context, the decline in physical sales and lending is to be offset by above-average growth in the sale and distribution of digital videos via Internet platforms (VoD).[9]

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

4.1.2. Group orientation in FY 2014

Changes to viewers‘ consumption habits are affecting the future strategic orientation of the Senator Group. Both proprietary and co-productions, as well as the purchase of third-party production licenses, continue to comprise the company‘s portfolio. The share of proprietary and co-productions is nevertheless to rise, creating an approximately balanced relationship between these contents at the Group. Purchasing risks, especially relating to a sufficient availability of film titles with beneficial opportunity and risk profiles are to be reduced as a consequence, while at the same time opportunities arising from proprietary and co-productions are to be exploited to a greater extent. Overall, a greater bandwidth of genres is to be covered in the future, which the multi-brand distribution strategy that was implemented in the 2013 financial year also takes into consideration. Besides the Senator Film Verleih distribution label, Edition Senator is now also involved in cinema distribution, focusing on German cinema and Senator Films for Kids, with an orientation to films for children, young people and families. Senator also plans to establish and expand a market position for high-quality TV series for marketing internationally. These activities are to be bundled within a new business area, with distribution via both classic channels and, to a greater degree, VoD services.

The strategic changes also include promoting young talent to a greater extent than in the past, and ensuring close cooperation through appropriate structures. Related measures include a strategic partnership with the FIRST STEPS award, aimed at young, up-and-coming German talent. In addition, Senator has held a first master class on the topic of film distribution in cooperation with FIRST STEPS and the German Film Academy. This is geared to bolstering the pipeline of proprietary and co-productions, while forming the

[8] PricewaterhouseCoopers (PwC), German Entertainment and Media Outlook: 2013–2017, October 2013
[9] GfK, Consumer Panel Video Entertainment 2013, November 2013
[10] PricewaterhouseCoopers (PwC), German Entertainment and Media Outlook: 2013–2017, October 2013

basis for new formats, and finally tapping new revenue sources for the Senator Group. In addition, marketing strength is to be improved and international sales are to be expanded, especially through targeted marketing measures such as in the social media area.

4.1.3. Expected development of the Senator Group

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

The targeted higher share of proprietary and co-productions is already evident from the films that have been launched and are planned in 2014. The most important film premieres during the second half of 2014 include DIE GELIEBTEN SCHWESTERN (cinema premiere July 31, 2014), A MOST WANTED MAN (cinema premiere September 11, 2014), DER KLEINE MEDICUS (cinema premiere October 30, 2014), PRIDE (cinema premiere October 30, 2014), DAS GRENZT AN LIEBE (cinema premiere November 13, 2014), DER KOCH (cinema premiere November 27, 2014) and THE BEST OF ME (prospective cinema premiere December 25, 2014). On August 27, 2014, Dominik Graf's film DIE GELIEBTEN SCHWESTERN was selected by an independent jury to compete for Germany for the 87th Oscar® for the best foreign language film, from amongst 17 German production submitted. A total of ten cinemas premieres are planned for the second half of 2014, including six proprietary or co-productions. Investments in acquiring licences for third-party productions, and in proprietary and co-productions, are to amount to between € 7.5 million and € 10.0 million.

Overall, the Senator Group anticipate around 2 million cinemagoers during the second half of 2014. Due to the 18 to 24 month lead time between purchasing and the start of distribution, revenue, liquidity risks, as reported in more detail in the risk report, continue to exist in relation to distribution revenues and viewer numbers.

Revenue is critically dependent on whether the planned number of film premieres and cinema visitors are reached. As in previous years, both revenues and the significant cost items will be generated in the by-far most important segment, "Distribution".

In terms of earnings for the 2014 financial year, no significant changes have occurred to the earnings forecast published in the annual report. Postponements occurred to TV revenues, however, these shell be realised before the end of the second half of the financial year.

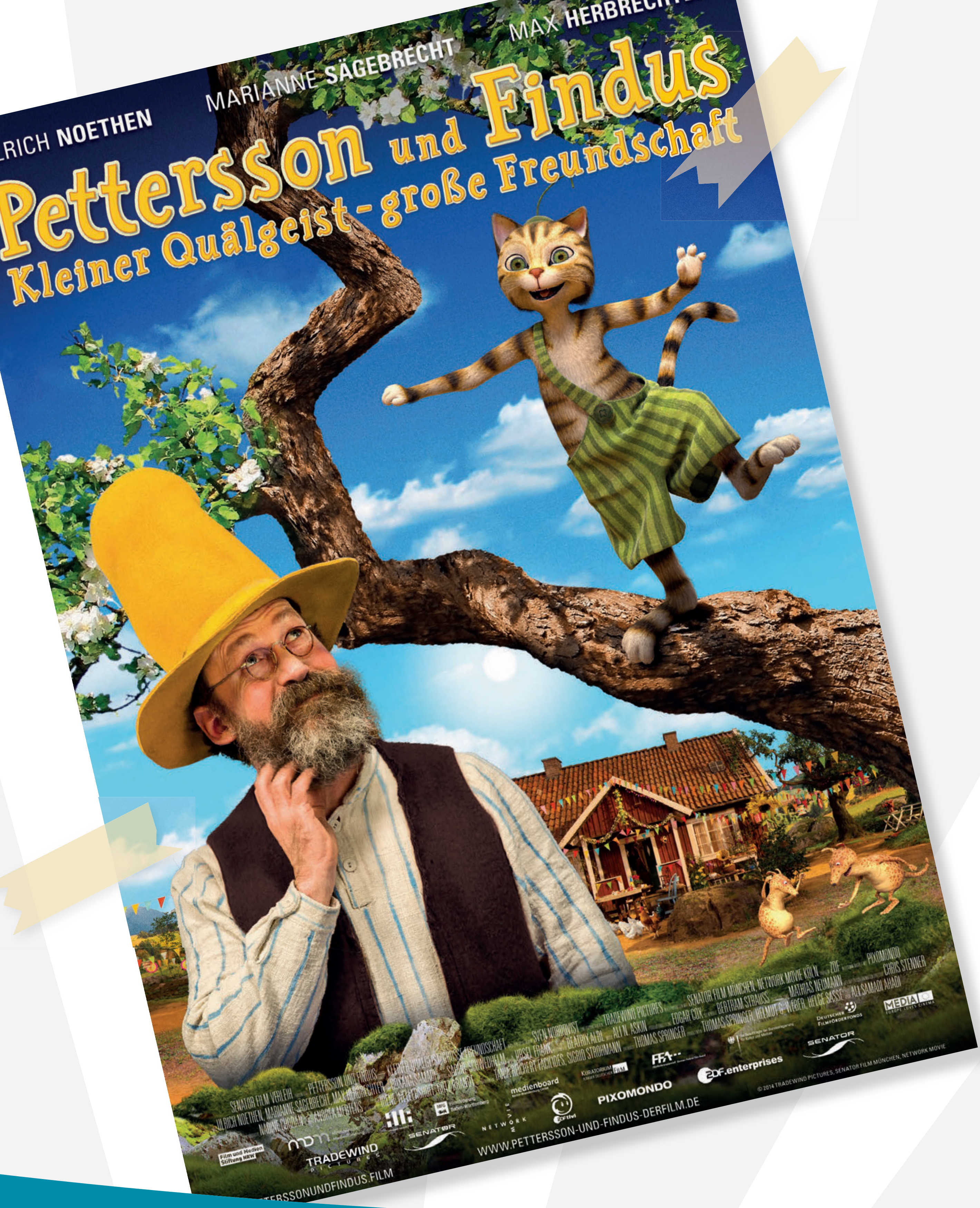
The scheduled and successful implementation of the targeted reorganisation measures, including the capital measures described in the report on events after the balance sheet date, will exert a general impact on future business activities. Overall, and despite the current restructuring, the Senator Group plans to slightly increase its investments in proprietary and co-productions compared with the previous year, and also to maintain the level of its investments in license rights. It does not plan to increase the number of its staff in 2014.

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

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

4.2. Report on risks and opportunities

Compared with the presentation of 2013 annual report, the position of risks and opportunities for the Senator Group has not changed significantly. The overall risk situation has remained stable. No risks have been identified that could jeopardise the Senator Group as a going concern if the planned capital measures are implemented.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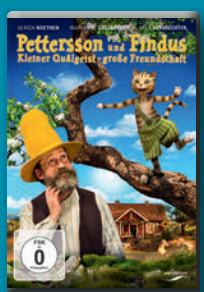
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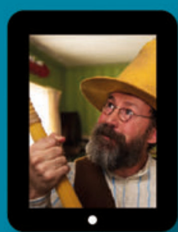

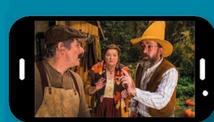

2 INTERIM CONSOLIDATED FINANCIAL STATEMENT

SENATOR ENTERTAINMENT AG
CONSOLIDATED INCOME STATEMENT (IFRS)

in €	**1.1.- 30.6.2014**	1.1.- 30.6.2013
Revenue	9,477,964	16,649,839
Other operating income	2,015,988	316,198
Work performed by the company and capitalised	669,397	1,280,133
Cost of materials		
Expenses for purchased services	-8,306,996	-10,204,179
Staff costs		
a) Wages and salaries	-2,266,835	-1,358,291
b) Social security contributions and expenses for post-retirement and care benefits	-231,257	-183,666
Depreciation, amortisation and impairment losses applied to property, plant and equipment and intangible assets	-2,596,539	-5,361,347
Other operating expenses	-1,985,996	-1,246,072
Interest and similar income	14,290	23,472
Interest and similar expenses	-655,968	-565,978
Share in the profits/losses of associated companies or joint ventures	135,532	525,589
Amortisation of financial assets	0	-12,433
Foreign currency result	-35,445	59,613
Result on ordinary activities	**-3,765,864**	**-77,122**
Corporation taxes on income	-36,091	-6,561
Consolidated net result/total comprehensive result	**-3,801,955**	**-83,683**
Consolidated net result/total comprehensive result	-3,801,955	-83,683
Weighted average number of shares (in thousands)	29,935,765	29,935,765
Potentially dilutive number of shares (in thousands)	0	0
Weighted average number of all shares (in thousands)	29,935,765	29,935,765
Earnings per share		
Basic (undiluted) earnings per share (EUR per share)	-0.13	0.00
Diluted earnings per share (EUR per share)	-0.13	0.00
Earnings per share from continuing operations		
Basic (undiluted) earnings per share (EUR per share)	-0.13	0.00
Diluted earnings per share (EUR per share)	-0.13	0.00

SENATOR ENTERTAINMENT AG
CONSOLIDATED BALANCE SHEET (IFRS) AS OF JUNE 30, 2014

ASSETS in €	**30.6.2014**	31.12.2013
NON-CURRENT ASSETS		
Intangible assets	14,362,805	10,770,809
Property, plant and equipment	254,076	306,219
Financial assets		
Interests in associated companies	3,440,825	3,589,043
Total non-current assets	**18,057,706**	**14,666,071**
CURRENT ASSETS		
Inventories		
Merchandise	918,913	976,997
Trade receivables and other receivables		
Trade receivables	4,272,042	6,666,310
Receivables due from related parties	270,146	93,342
Income tax receivables	302,009	226,616
Other financial assets	1,597,870	2,052,038
Miscellaneous assets	1,251,467	689,484
	7,693,533	**9,727,790**
Cash and cash equivalents	5,619,362	2,449,838
Total current assets	**14,231,808**	**13,154,625**
Balance Sheet Total	**32,289,514**	**27,820,696**

SENATOR ENTERTAINMENT AG CONSOLIDATED BALANCE SHEET (IFRS) AS OF JUNE 30, 2014

EQUITY AND LIABILITIES in €	**30.6.2014**	31.12.2013
Capital and reserves		
Subscribed share capital	29,935,765	29,935,765
of which conditional capital 9,981,909 (2008/I)		
of which conditional capital 4,990,803 (2012/I)		
Capital surplus	46,223,137	46,223,137
Loss for the period included in retained earnings	-91,499,850	-87,697,895
Other comprehensive income	99,810	99,810
Total equity	**-15,241,138**	**-11,439,183**
Non-current liabilities		
Financial liabilities	10,969,772	9,777,071
Miscellaneous liabilities and deferrals	354,608	392,217
Total non-current liabilities	**11,324,380**	**10,169,288**
Current liabilities		
Tax provisions	32,171	0
Other provisions	10,184,364	11,534,479
Financial liabilities	12,743,418	5,867,478
Advance payments received	4,084,336	4,431,482
Trade payables	8,334,688	6,343,995
Liabilities due to related parties	57,100	107,422
Other financial liabilities	592,603	605,380
Miscellaneous liabilities and deferrals	177,593	200,356
Total non-current liabilities	**36,206,273**	**29,090,592**
Balance Sheet Total	**32,289,514**	**27,820,697**

SENATOR ENTERTAINMENT AG
STATEMENT OF CHANGES IN CONSOLIDATED EQUITY (IFRS)
AS OF JUNE 30, 2014

	Number of shares in issue	Subscribed capital	Capital surplus
	Shares	€ thousand	€ thousand
Balance as of January 1, 2013	**29,935,765**	**29,936**	**46,223**
Total comprehensive income	0	0	0
Balance as of June 30, 2013*	**29,935,765**	**29,936**	**46,223**
Balance as of January 1, 2014	**29,935,765**	**29,936**	**46,223**
Total comprehensive income	0	0	0
Balance as of June 30, 2014	**29,935,765**	**29,936**	**46,223**

* The prior year contributions to the net loss and shareholders' equity as of June 30, 2013 differ from the figures published in the interim financial statements as of June 30, 2013 and result from adjustments in accordance with IAS 8 in the financial statements as of December 31, 2013. Further details can be found in the notes under section 5 “Restatement of the previous year‘s financial statements under IAS 8.41” in the financial statements as of December 31, 2013.

Balance sheet loss	Other comprehen-sive income	Interest of shareholders of Senator Entertainment AG	**Consolidated equity**
€ thousand	€ thousand	€ thousand	€ thousand
-60,317	**100**	**15,942**	**15,942**
-84	0	-84	-84
-60,401	**100**	**15,858**	**15,858**
-87,698	**100**	**-11,439**	**-11,439**
-3,802	0	-3,802	-3,802
-91,500	**100**	**-15,241**	**-15,241**

SENATOR ENTERTAINMENT AG
CONSOLIDATED CASH FLOW STATEMENT (IFRS)

in € thousand	**1.1.- 30.6.2014**	1.1.- 30.6.2013
Cash flow from operating activities		
Result before non-controlling interests	-3,802	-84
Depreciation, amortisation and impairment losses, including impairment losses applied to securities held as current assets	2,597	5,361
Decrease/increase in provisions	-1,318	-1,348
Other non-cash expenses and income	-38	0
Result from at equity measurement	-136	-525
Currency differences	35	-60
Decrease/increase in inventories, trade receivables and other assets that are not attributable to investing or financing activities	2,075	3,385
Decrease/increase in trade payables and other liabilities that are not attributable to investing or financing activities	1,539	-1,973
Cash flow from operating activities	**953**	**4,756**
Cash flow from investing activities		
Cash inflow from the sale of film distribution rights, other intangible assets and property, plant and equipment	25	0
Cash outflow for investments in film distribution rights and other intangible assets	-6,154	-6,758
Cash outflow for investments in property, plant and equipment	-7	8
Cash outflow from the addition of other financial assets and securities held as current assets	-30	0
Dividends received	314	0
Cash flow from investing activities	**-5,854**	**-6,750**
Cash flow from financing activities		
Cash inflows from drawing down of loans	11,285	1,652
Cash outflows arising from repayment of loans	-3,216	-508
Cash flow from financing activities	**8,069**	**1,144**
Cash and cash equivalents at end of period		
Net change in cash and cash equivalents	3,169	-865
Cash and cash equivalents at start of period	2,450	3,690
Cash and cash equivalents at end of period	5,619	2,825
Composition of cash and cash equivalents		
Cash and cash equivalents	5,619	2,825
Cash and cash equivalents = cash and cash equivalents at end of period	**5,619**	**2,825**

SENATOR ENTERTAINMENT AG – NOTES TO THE CONDENSED HALF-YEAR FINANCIAL REPORT FOR THE PERIOD FROM JANUARY 1, 2014 UNTIL JUNE 30, 2014

1. General information

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

These condensed interim consolidated financial statements for the period from January 1 to June 30, 2014 were approved for publication on August 29, 2014 as the result of a resolution by the Management Board.

2. Conformity of the condensed consolidated half-year financial report with IFRS

This consolidated half-year financial report as of June 30, 2014 of Senator AG satisfies the requirements of the German Securities Trading Act (WpHG). In accordance with the regulations of IAS 34 and in application of Section 315a of the German Commercial Code (HGB), the interim consolidated financial statements were prepared in condensed form on the basis of the International Financial Reporting Standards (IFRS) of the International Accounting Standards Board (IASB), as well as the interpretations of the IFRS Interpretations Committee (IFRS IC) as approved by the IASB, as applicable on the balance sheet date, and as approved by the European Union (EU).

In the first half of the 2014 financial year, no significant changes arose for Senator AG from IFRS standards or IFRIC interpretations that require application for the first time.

The half-year financial statements were neither subjected to an auditor's review nor audited in accordance with Section 317 of the German Commercial Code (HGB).

The accounting methods applied for the condensed interim financial statements as of June 30, 2014 and the estimation methods applied generally correspond to those of the consolidated financial statements as of December 31, 2013. A detailed description of these methods is published in the notes to the consolidated financial statements as of December 31, 2013.

The condensed interim consolidated financial statements are prepared in euros. The income statement was prepared applying the nature of expense method.

3. Scope of consolidation

CHANGES TO THE SCOPE OF CONSOLIDATION

Apart from the increase in the interest held in Bavaria Pictures GmbH, Munich, no changes occurred during the first six months of 2014 compared with the disclosures made in the notes to the consolidated statements for the 2013 financial year.

COMPOSITION OF THE SCOPE OF CONSOLIDATION

The composition of the scope of consolidation of the Senator Group is presented below:

in € thousand	**30.6.2014**	31.12.2013
Fully-consolidated companies		
Germany	9	9
Abroad	2	2
Equity accounted companies		
Germany	4	4
	15	**15**

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

4. Segment reporting

In accordance with IFRS 8, information is published relating to business areas and geographic segments. Pursuant to IFRS 8, segment reporting is undertaken by applying the management approach. In other words, segment reporting is based on the segmentation that is currently used for internal reporting. Intersegment transactions: Segment income, segment expenses and segment results include transactions between business areas and geographic segments. Such transactions are invoiced at market prices for which unrelated parties would be invoiced for similar services. Such transactions are eliminated for the purposes of consolidation.

The management monitors the business units‘ operating results separately in order to make decisions concerning the distribution of resources, and in order to determine the units‘ profitability. Segment profitability is assessed on the basis of operating results.

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

	Production		Distribution		Other		Total	
In € thousand	**1.1.-30.6.2014**	1.1.-30.6.2013	**1.1.-30.6.2014**	1.1.-30.6.2013	**1.1.-30.6.2014**	1.1.-30.6.2013	**1.1.-30.6.2014**	1.1.-30.6.2013
Segment revenue	93	172	9,936	16,463	69	15	10,098	16,650
Internal revenue	0	0	620	0	0	0	620	0
Revenue = attributable income	93	172	9,316	16,463	69	0	9,478	16,650
Work performed by the company and capitalised	669	1,280	0	0	0	15	669	1,280
Attributable expenses								
Depreciation, amortisation and write-downs	-345	-4	-2,134	-5,223	-73	0	-2,552	-5,227
of which impairment	*0*	*0*	*0*	*0*	*0*	*0*	*0*	*0*
Expenses for distribution and production	-684	-1,309	-7,623	-8,895	0	0	-8,307	-10,204
Staff costs	-64	-177	-782	-615	0	0	-846	-792
Total	-1,093	-1,490	-10,539	-14,733	0	0	-11,705	-16,223
Gross profit/loss	-331	-38	-1,223	-1,730	-4	15	-1,558	1,707
Unattributable income and expenses								
Other operating income							2,016	316
Staff costs							-1,652	-750
Depreciation, amortisation and write-downs							-45	-146
Other operating expenses							-1,986	-1,246
							-3,225	-119
Other interest and similar income							14	23
Interest and similar expenses							-656	-566
Earnings from equity accounted investments							136	525
Foreign currency result							-35	60
Result on ordinary activities							-3,766	-77

5. Significant transactions with related parties

In the first half of the 2014 financial year, transactions with related parties occurred only to the extent to which they have already been explained in the consolidated financial statements as of December 31, 2013.

6. Employees

During the first half of 2014, the Senator Group employed an average of 48 staff (H1 2013: 43).

7. Other financial obligations

The Group reported the following fixed financial obligations as of June 30, 2014:

	30.6.2014				31.12.2013			
in € thousand	Total	Residual term up to 1 year	Residual term between 1 and and 5 years	Residual term more than 5 years	Total	Residual term up to 1 year	Residual term between 1 and and 5 years	Residual term more than 5 years
Rent and leasing	1,980	437	1,543	0	2,179	441	1,635	103
Minimum guarantees and co-productions	29,308	29,308	0	0	26,628	16,487	10,141	0
	31,288	**29,743**	**1,543**	**0**	**28,807**	**16,928**	**11,776**	**103**

In December 2011, Senator and the Hollywood-based company Relativity Media concluded an output agreement that obligates Senator to purchase a certain number of films per year from Relativity Media. The output agreement has a duration of five years. In the output agreement, Senator obligated itself to purchase licences for up to 12 films per year. Senator nevertheless has an early right of cancellation with effect as of January 31, 2015. Due to the minor level of production activity at Relativity Media in 2012 and 2013, only one film was delivered in the 2013 financial year. For the 2014 financial year, we are also currently assuming that only one film title will be delivered as part of the output agreement. A further production was started in the second half of 2014, and it is possible that filming might commence with a further production before the year-end. Due to the higher level of production activity in 2014, the financial obligations arising from this agreement will prospectively lie between € 5 million and € 20 million per year, albeit to a maximum of € 16 million if the agreement is cancelled early.

In addition, contingent liabilities exist arising from performance-based repayable subsidy loans in connection with production (€ 8,851 thousand; December 31, 2013: € 8,438 thousand) and distribution subsidies (€ 2,926 thousand; December 31, 2013: € 2,601 thousand). These subsidy loans are nevertheless only to be repaid from part of future net revenues.

8. Other disclosures

Helge Sasse relinquished his office as Chief Executive Officer of Senator AG on June 20, 2014, and left the company as of June 30, 2014. With effect as of June 21, 2014, Markus Maximilian Sturm took over the post of Chief Executive Officer as sole Management Board member from June 21, 2014 on an interim basis.

On June 26, 2014, Senator AG issued short-term bond in a nominal amount of € 5 million with a 5 % discount to its nominal value. This serves to secure the liquidity and financing of the ongoing business, and to implement further targeted capital measures. Gross issue proceeds of € 4.75 million accrued to Senator AG as a consequence. The bond is listed under ISIN DE000A11QJD3 (WKN A11QJD) on the Regulated Unofficial Market of the Frankfurt Stock Exchange.

With the exceptions described below, financial assets and liabilities were measured at amortised cost. In this context, only the carrying amounts of bank borrowings differed from their fair values. Given a carrying amount of € 9,742 thousand (December 31, 2013: € 9,666 thousand), the repayment amount stood at € 9,981 thousand.

9. Events after the balance sheet date

With an ad hoc announcement dated July 24, 2014, the Management Board of Senator Entertainment AG announced that a merger is planned with Wild Bunch S.A., a European independent film distribution company. The merger is to be conducted by way of a non-cash capital increase in the form of a share for share deal. This measure is to be submitted for approval to the Extraordinary General Meeting on September 12, 2014.

Senator Entertainment AG expects the merger to strengthen its position in international purchasing, long-term access to other international markets, and the bolstering of its income as a result of this significant expansion of business operations.

Given the fact that the share capital of Senator Entertainment AG has been completely consumed, the Management Board has drawn up a reorganisation plan. The capital measures that have already been published with the ad hoc announcements dated April 30, 2014 and July 24, 2014 are to be submitted for approval to the EGM on September 12, 2014.

- Simplified capital reduction in a 4:1 ratio from € 29,945,424.00 to € 7,486,356.00.
- Subsequent cash capital increase of € 6,908,671.00 to € 14,395,027.00 at a subscription price per share of € 2.36 (almost fourfold volume-weighted three-month average price). The new shares are to be offered to shareholders and warrant holders for subscription in a 52:9 ratio (before capital reduction). Shareholders are to be offered multiple subscription rights to the extent of shares that have not been subscribed for by shareholders or warrant holders. New shares that have still not been subscribed for following this are to be placed as part of a private placing with a vehicle of the Sapinda Group, Sapinda Entertainment Investments BV (“Sapinda”), and potentially among other institutional investors. Sapinda has undertaken, as part of subscribing for shares that are not subscribed for as part of the cash capital increase, to ensure gross issue proceeds of around € 16.3 million (backstop).

- Capital increase of at least € 3,806,313.00 to up to € 18,624,264.00 through contribution of bonds arising from the existing 2011-2016 bond with warrants in a total amount of € 9,981,000.00, which are to be contributed as part of a debt for equity swap. To the extent that at least 90 % of the bonds are not exchanged, a cash capital increase to a corresponding level is to be conducted additionally to this amount at a subscription price per share of € 2.36, in which shareholders and warrant holders can participate. In turn, shareholders are to be granted multiple subscription rights. Shares that are not subscribed for are to be offered as part of a private placing to Sapinda and potentially to other institutional investors.

  As part of the debt for equity swap, Sapinda is obligated to ensure the conversion of these 90 % of bonds, or a cash capital increase to the equivalent level. Moreover, Sapinda will also provide considerable support to the merger of Senator Entertainment and Wild Bunch.

  As a consequence of the capital measures, the interest of Sapinda in Senator Entertainment AG might increase to a majority interest under certain circumstances, depending on the subscription behaviour of shareholders and warrant holders. Sapinda's obligations are also subject to conditions, including that the investment board of the Sapinda Group issues its consent, and that Sapinda is not obligated to submit any takeover offer to the company's shareholders pursuant to Section 35 of the German Securities Acquisition and Takeover Act (WpÜG). A corresponding application from exemption from such an obligation pursuant to Sections 37 of the German Securities Acquisition and Takeover Act (WpÜG) was submitted to the German Federal Financial Supervisory Authority (BaFin) on August 1, 2014.

The German Financial Reporting Enforcement Panel (DPR) has subjected the consolidated financial statements of Senator Entertainment AG as of December 31, 2012 and the Group management report for the 2012 financial year to an audit pursuant to Section 342 (2) Clause 3 No. 3 of the German Commercial Code (HGB) (random sample audit). The DPR has made findings relating to the 2012 IFRS consolidated financial statements. Given the planned capital measures, the Management Board has passed a resolution to recognise the findings in order to conclude the proceedings. In the appraisal of the Management Board, the findings have no significant effects on the level of equity as of December 31, 2013.

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

RESPONSIBILITY STATEMENT

To the best of my knowledge, and in accordance with the applicable reporting principles for interim reporting, the consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the interim 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, August 29, 2014
Senator Entertainment AG

Markus Maximilian Sturm
Management Board Chairman (CEO)

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Published by

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SENATOR
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