



## **Declaration by the board of management and supervisory board of Your Family Entertainment AG of conformity with the German Corporate Governance Code in accordance with article 161 Aktiengesetz (AktG – German Stock Corporation Act)**

In accordance with article 161 AktG, the board of management and supervisory board of exchange-listed companies shall declare once a year that the recommendations of the "Government Commission on the German Corporate Governance Code" published by the Federal Ministry of Justice in the official section of the electronic Federal Gazette have been and are being complied with or which of the Code's recommendations are not being applied and why not.

The Management Board and Supervisory Board of the company appreciate the German Corporate Governance Code and declare the following:

1. Your Family Entertainment AG will comply with the recommendations of the 26<sup>th</sup> May 2010 version of the German Corporate Governance Code, with the following exceptions:

### **Assisting shareholders in the use of postal votes and proxies (clause 2.3.3, sentence 2)**

Due to the internal discussion still continuing at the time of the submission of this declaration of conformity concerning whether the company shall, within the framework of the next General Meeting, make use of the provision that shareholders are also able to cast their votes by post, a deviation shall therefore be declared. Incidentally, Your Family Entertainment AG already offers shareholders the opportunity to assign a company-appointed proxy to exercise their voting rights. With this provision, shareholders already have the opportunity to cast their votes prior to the day of the General Meeting.

### **D&O insurance for the Supervisory Board (clause 3.8. paragraph 3)**

D & O insurance exists without a deductible for the members of the Supervisory Board. The company does not believe that the agreement on a deductible is suitable for improving work attitudes and the sense of responsibility the members of the Supervisory Board have with regard to the tasks and functions assigned to them. In terms of the Management Board, legal requirements are complied with.



### **Composition of the Management Board (clause 4.2.1 sentence 1)**

The Management Board comprises merely one person due to the scope of business activities and the size of the company.

### **Compensation report (clause 4.2.5)**

Due to the size of the Your Family Entertainment AG Management Board, the compensation of the Management Board is not disclosed in a compensation report which, as a part of the Corporate Governance report, also describes the compensation system in its general form. For this reason, no information is given in a compensation report on the type of ancillary services performed by the company. The compensation and the structure of the compensation is described in the management report of the annual financial statement.

### **Diversity in the Management Board (clause 5.1.2. paragraph 1 sentence 2)**

The Supervisory Board is unable to respect diversity in terms of the composition of the Management Board as the company has a sole director. With regard to the number of Supervisory Board members who are considered as being satisfactory for the company at the current time and whose position can be occupied for a foreseeable amount of time, it seems as if the aim of the Code of taking women into account to a suitable extent is not possible in the near future.

### **Formation of Committees (clauses 5.3.1, 5.3.2 and 5.3.3)**

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

### **Specification of concrete objectives regarding the composition of the Supervisory Board (clause 5.4.1 paragraph 2 and paragraph 3)**

The Supervisory Board of Your Family Entertainment AG does not specify any concrete objectives regarding its composition. In terms of proposed candidates for the Supervisory Board, the Supervisory Board has so far been guided exclusively by appropriateness of the candidates with the goal of composing the Supervisory Board in such a way that its members as a whole possess the knowledge, skills and professional experience necessary for the proper execution of their tasks. According to the belief of the supervisory board, this procedure has proven itself. Therefore, any changes to the procedure are not considered necessary. As a consequence, the recommendations based on this in accordance with clause 5.4.1 paragraph 3 cannot be followed.



### **Performance-related compensation of the members of the Supervisory Board (clause 5.4.6 paragraph 2)**

Performance-related compensation of the members of the Supervisory Board is not currently practised. The company believes that appropriate fixed compensation for members of the Supervisory Board is more suited for allowing for the oversight capacity of the Supervisory Board independent from the success of the company. The introduction of performance-related compensation for the members of the Supervisory Board may, however, be considered for the future.

### **Reporting deadlines (clause 7.1.2 sentence 4)**

The annual financial statement is not publicly accessible within 90 days of the end of the financial year and interim reports are not publicly accessible within 45 days of the end of the reporting period. The workload resulting from publishing on the due date would require unjustifiably-high costs. From the perspective of the Supervisory Board and the Management Board, the legal requirements concerning prompt information about shareholders and the capital market is considered sufficient.

2. Your Family Entertainment AG has strictly complied with the recommendations of the German Corporate Governance Code since the previous declaration of conformity in December 2009. The recommendations from the Code from 26<sup>th</sup> May 2010 contained in clauses 2.3.3 sentence 2, 3.8 paragraph 3, 4.2.1 sentence 1, 4.2.5, 5.1.2 paragraph 1 sentence 2, 5.3.1, 5.3.2, 5.3.3, 5.4.1 paragraph 2 und paragraph 3, 5.4.6 paragraph 2, 7.1.2 sentence 4 or rather, from the time of the submission of the previous declaration of conformity in December 2009 until 2<sup>nd</sup> July 2010, the recommendations from the Code as of 18<sup>th</sup> June 2009 contained in clauses 3.8 paragraph 3, 4.2.1 sentence 1, 4.2.5, 5.1.2 paragraph 1 sentence 2, 5.3.1, 5.3.2, 5.3.3, 5.4.6 paragraph 2 and 7.1.2 sentence 4 have not been applied since 2<sup>nd</sup> July 2010.

For the reasons for the deviations from the aforementioned clauses, please see the explanation in no. 1.

Munich, December 2010

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

Dr. Stefan Piëch  
(Management Board)