MME MOVIEMENT
ANNUAL REPORT 2006

NON BINDING TRANSLATION

» *The **Entertainment** Specialist*

MME MOVIEMENT KEY FIGURES

Income Statement		2006	2005	2004[2]
Revenue	[million euro]	93.4	87.7	80.9
EBITDA	[million euro]	8.6	8.8	7.6
EBIT	[million euro]	7.0	6.8	5.1
Net income for the year	[million euro]	4.6	4.1	3.2
Earnings per share (basic)	[euro]	0.40	0.38	0.31
Balance sheet				
Total assets	[million euro]	65.1	62.3	55.5
Equity ratio	[per cent]	51.1	45.9	36.9
Cash and cash equivalents	[million euro]	7.7	7.7	6.0
Net debt	[million euro]	5.5	4.9	7.9
Share				
Annual high[1]	[euro]	6.37	6.92	5.10
Annual low[1]	[euro]	4.30	3.93	1.62
Last closing price[1]	[euro]	4.77	4.84	3.90
Share capital	[euro]	11,180,909	11,180,909	11,090,000
Employees				
Number of employees per 31 December		587	549	388

[1] closing price in Xetra trading
[2] pro forma

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FOREWORD BY THE MANAGEMENT BOARD

Dear Shareholders,

MME MOVIEMENT AG achieved sales revenues of 93.4 million euros in fiscal 2006 and was able to continue its path of growth in 2006 thanks to an increase in turnover of 6.5 per cent compared to the previous year. Due to increased cost of production the EBITDA margin of 10.0 per cent in 2005 was reduced to the current 9.2 per cent. Earnings before interest and taxes (EBIT) rose by 2.4 per cent to 6.98 million euros. The equity ratio for the Group was improved to 51.1 per cent (previous year 46.5 per cent) as of the statement date. Liabilities to banks stemming from acquisitions were reduced to 9.25 million euros according to plan in 2006 through the repayment of 2 million euros. For the first time since 2003, current assets were once again higher than short-term liabilities. white balance GmbH and Lunet Entertainment GmbH have been included in the 2006 annual financial statements for the entire fiscal year and from April, respectively. Earnings per share amounted to 0.40 euros (previous year 0.38 euros).

We registered increased production costs in the past fiscal year, due to investments in format maintenance of dailies (weekday broadcasts) as well as new developments which were necessary. Thanks to these endeavours, we have succeeded in extending the production contracts for all of our integral daily formats beyond the end of the 2006 year in a difficult market environment. In addition, we were also able to go on air with new formats. With a current number of eight daily shows, MME MOVIEMENT continues to be the market leader among daytime German TV broadcasters. The company produces a total of more than six hours of television programming per day alone with its daily formats.

With the acquisition of Lunet Entertainment GmbH and most recently, of time 2 talk Entertainment GmbH, we have strengthened our position on the market for 2006 and diversified our programming portfolio further. Pinpointed acquisitions are an integral part of our strategy of creating outstanding programming brands through close cooperation with distinguished TV personalities. These makes sense for us only if they can be reasonably represented financially and offer strategic added value. We are planning to expand our programming portfolio in the comedy genre with the acquisition of Lunet Entertainment GmbH and producer Annette Reeker. We were able to obtain Vera Int-Veen, one of the most successful TV personalities in German television who brings experience from over 2,000 talk shows, and Ulrich Hansbuer, one of the most distinguished talk show producers, for our company with our latest acquisition of time 2 talk Entertainment GmbH.

From a programming standpoint, the dailies (weekday broadcasts) produced by MME MOVIEMENT in particular, made up the backbone of the Group. In the previous year, the formats “Das Quiz mit Jörg Pilawa” (ARD), “Zwei bei Kallwass” (Sat.1) and “Niedrig & Kuhnt” (Sat.1) have already been ordered for the entire year in 2007. We were able

to add new colour to ProSieben's afternoon programming with "Frank - der Weddingplaner". We have developed our court TV show "Das Jugendgericht" into the format "Staatsanwalt Posch ermittelt" in 2006, due to declining viewer acceptance. Christoph Posch, the public prosecutor to juvenile court, therefore has his own "crime-documentary", which is being shown from February 2007 as a successful extension to the formats on RTL.

MME MOVIEMENT also had a strong showing with fictional productions in 2006.Our subsidiary AllMedia Pictures GmbH produced two TV movies from the police series "Polizeiruf 110" for ARD, for example. More cases are planned for 2007. Moreover, AllMedia finished shooting for the two TV movies "Oh Tannenbaum" with Jutta Speidel and "Freundschaften und andere Neurosen" with Christoph M. Ohrt in 2006. "Mein alter Freund Fritz" with Veronica Ferres and Ulrich Tukur in the lead roles was broadcasted at the end of February on ZDF in 2007. filmpool shot the TV movie "Der Novembermann" starring Götz George and Burkhart Klaußner, which will premiere at this year's Munich Film Festival. The work on the event movie "Ein Stück Freiheit" which portrays the dramatic events that took place at the German Embassy in Prague in 1989 presented a production highlight of 2006.

We have recognised the growing importance of digital and mobile entertainment formats early on. In collaboration with Sat.1, we have brought our successful programming brands "Niedrig & Kuhnt" and "Zwei bei Kallwass" to the mobile world as innovative games. We have also developed two very promising online interactive concepts for use on the Internet which should be implemented in 2007.

MME MOVIEMENT has a strong position in the German television market. We expect growth in the programming markets of the large broadcasters. At the same time however, the prolonged trend towards US-licensed programmes in the drama segment will also continue in 2007 and access to programming slots which yield significant volume will be made difficult. Several of our daily programmes are in an advanced phase of their life cycle, which makes increasing investments in format maintenance or the new development of formats necessary and could mean a short-term phase-out of individual formats. Should MME MOVIEMENT programmes be affected by this development, we are, in principle, able to maintain programming slots with other types of formats thanks to our broad line-up and our expertise. The ultimate decision however rests with the respective commissioning broadcaster.

On 27 February 2007, ALL3MEDIA Deutschland GmbH (formerly known as pertus Zehnte GmbH), a subsidiary of the UK-based ALL3MEDIA Limited, announced its intent by submitting a voluntary public take-over bid to the die shareholders of MME MOVIE-

MENT AG. This intent is in connection with a share purchase agreement (SPA), which ALL3MEDIA Deutschland GmbH on 27 February 2007 concluded with its shareholders in Management and on the Supervisory Board or its affiliated companies. The SPA stipulates a share price of 7 euros per share. In total, ALL3MEDIA Deutschland GmbH has secured a stake of ca. 42 per cent in MME MOVIEMENT AG with the SPA as well as by way of irrevocable agreements with several major shareholders of MME MOVIEMENT AG. The SPA is bound to various conditions precedent, including the release via the responsible antitrust authority and the successful conclusion of the take-over bid which requires among other things, the acquisition of 75 per cent of the shares in MME MOVIEMENT AG in total.

ALL3MEDIA is a leading independent UK-based TV, movie production and marketing company with subsidiaries in the UK, USA, Germany, the Netherlands, Australia and New Zealand. The company covers the drama, comedy, non-fiction and children's entertainment programming segment. The company was founded in 2003 and is owned by the private equity company Permira (51 per cent) and the management (49 per cent). The Board of Management of MME MOVIEMENT AG welcomes the offer subject to examination of the official offer documents. ALL3MEDIA and MME MOVIEMENT are among the leading independent producers of programmes in the UK and Germany. Both companies are managed under identical philosophies, combining established producer brands. After the execution of this take-over bid, ALL3MEDIA Deutschland GmbH would become the new major shareholder in MME MOVIEMENT AG.

Berlin, March 2007

Martin Hoffmann
CEO


AllMedia
Pictures GmbH
whitebalance
wb
filmpool
MME MOVIEMENT
time 2 talk
LUNET
ENTERTAINMENT
MME

REPORT OF THE SUPERVISORY BOARD

Dear Shareholders,

MME MOVIEMENT was able to assert itself in a difficult market environment in 2006 and continues to be the market leader in daytime television for German TV broadcasters with currently eight daily shows in afternoon programming. Through extensive investments in the maintenance of existing formats as well as in the development of new programmes, we have also succeeded in holding prime programming slots and putting new formats on air. MME MOVIEMENT's strategy to create key programming brands through close collaboration with distinguished TV personalities and expanding our programming portfolio was single-mindedly continued further in 2006. With economical effect from 01 January 2007, MME MOVIEMENT AG acquired time 2 talk Entertainment GmbH. In committing its founders to the company, Vera Int-Veen and Ulrich Hansbuer, MME MOVIEMENT has obtained one of the most successful TV personalities and a distinguished talk show producer. With the acquisition of Lunet Entertainment GmbH in April 2006, the programming portfolio was expanded to include the genre comedy.

The Supervisory Board assisted the Board of Management with the planning and implementation of company acquisitions in 2006 and had continuous dialogue with the Board of Management. As Chairman of the Supervisory Board, I had continuous close contact with the Board of Management and was instructed by the Board of Management on current developments in the business situation and major transactions even outside regular meetings with the Supervisory Board. We were involved early on in decisions of key significance.

The Supervisory Board carried out duties incumbent in accordance with the law, Articles of Incorporation, company bylaws and corporate governance. We were instructed in detail by the Board of Management in meetings of the Supervisory Board and through additional written and oral reports on the business situation and development, company policy, results during the fiscal year as well as corporate planning including financial, investment and personnel planning of the company and its subsidiaries. The reports encompass in particular, major transactions and measures, for which, pursuant to the company bylaws for the Board of Management, require prior consent of the Supervisory Boards.

Meetings

In the fiscal year 2006, a total of five meetings of the Supervisory Board took place on 29 March, 30 May, 25 August, 24 November and 18 December. In these meetings, the reports by the Board of Managements were discussed in detail as well as the prospects for company development including individual departments. The particular focus of these meetings was the discussion on current business trends as well as planning and strategies for business development. The Supervisory Board, for example, discussed in-depth, the further expansion of MME MOVIEMENT and the development of new

formats and business models. In addition, the acquisition Lunet Entertainment GmbH and time 2 talk Entertainment GmbH were topics of the meetings.

Annual and consolidated financial statements

The consolidated financial statements have been audited by Ernst & Young AG Wirtschaftsprüfungsgesellschaft, at the request and commission of the Supervisory Board in accordance with IFRS and the annual financial statements pursuant to the German Commercial Code, HGB, including the Management Report for the Group and individual subsidiaries for the 2006 fiscal year, and has been issued an unqualified audit certificate.

The Supervisory Board has examined and taken note of the audit reports with consent. The result from our own audit corresponds in full with that of the auditor. The Supervisory Board sees no reason to raise any objections with the management and the financial statements submitted.

The auditors attended the accounts meeting of the Supervisory Board on 29 March regarding the relevant agenda items, reported on their findings from the audit of the annual financial statements and consolidated financial statements and provided additional information within the scope of the discussion. We thoroughly examined the annual financial statements of MME MOVIEMENT AG and the consolidated financial statements of MME MOVIEMENT for the fiscal year 2006 submitted by the Board of Management in this meeting and approved them. The annual financial statements of MME MOVIEMENT AG have therefore been formally adopted. We concurred with the proposal of the Board of Managements on the appropriation of net income.

The Board of Management, Management and employees of MME MOVIEMENT have shaped 2006 into a successful fiscal year. On behalf of the Supervisory Board of MME MOVIEMENT AG, we wish to express our thanks to everyone for their commitment.

On 27 February 2007, ALL3MEDIA Deutschland GmbH (formerly known as pertus Zehnte GmbH), Dusseldorf, announced its intent by submitting a voluntary public take-over bid to the shareholders of MME MOVIEMENT AG. This intent is in connection with the SPA, which ALL3MEDIA Deutschland GmbH concluded with the shareholders in Management and on the Supervisory Board or its affiliated companies on the same day. The Supervisory Board of MME MOVIEMENT AG welcomes the offer subject to examination of the official offer documents.

Berlin, March 2007

Dr. Bernhard Heiss
Chairman of the Supervisory Board

THE SHARE

Trading environment 2006

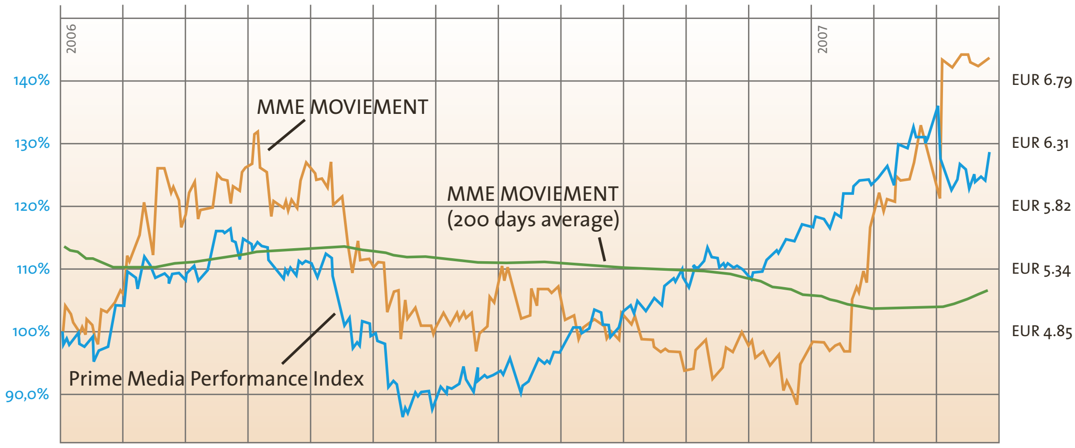
The key international stock markets and the German stock market presented themselves in a friendly manner in 2006. The German index, DAX, was able to record a very positive development – interrupted by a revision phase in the second quarter – which gained considerable momentum from the second half of the year. In total, the DAX increased by 21 per cent to a closing level of 6,597 points at the end of the previous year. Small and medium-sized stocks on the MDAX and SDAX showed an even steeper upwards trend as both indices gained approximately 27 per cent or 30 per cent in value viewed over the entire year. The sector index Prime Media Performance to a large extent followed the trend on the DAX in 2006 and closed with an increase around 18 per cent.

Key figures on the share

ISIN	DE0005761159	
WKN	576115	
Symbol	MME	
Reuters Instrument Code	MMEG	
Bloomberg Instrument Code	MME GY	
Type	No-par stock	
	2006	**2005**
Closing price [1]	4.77 euros	4.84 euros
Annual high [1]	6.37 euros (5.4.2006)	6.92 euros (4.4.2005)
Annual low [1]	4.30 euros (20.12.2006)	3.93 euros (5.1.2005)
Share capital	11,180,909 euros	11,180,909 euros
thereof treasury shares	1,895 shares	1,895 shares

[1)] based on Xetra closing price

Development of the MME MOVIEMENT AG share in 2006



Share price history 1 January 2006 – 23 March 2007 (Xetra)

The share price developed very positively in the first few months of 2006 and climbed to an annual high of 6.37 euros in an overall very friendly trading environment. Later in the year however, the shares dropped continuously and were unable to keep up with the positive trend of the sector index, Prime Media Performance, in the third quarter of 2006. On the last trading day in 2006, the shares closed at 4.77 euros, thus approximately 1 per cent under the closing price 2005. The average trading volume on the Xetra stood at approximately 17,500 shares per day in 2006.

Capital measures 2006

Capital increase through contributions in kind for the acquisition of white balance GmbH
In connection with the acquisition of white balance GmbH in November 2005, a capital increase was approved for 90,909 shares under exclusion of subscription rights. The capital increase as entered in the Commercial Register on 27 February 2006. The admission of the new shares for trading on the stock exchange took place on 24 March 2006.

Annual General Meeting 2006
On 30 May 2006, the Annual General Meeting granted the company authorisation for the repurchase of company stock, to which a proportion of share capital in the amount of 10 per cent of the share capital is attributed. This resolution represents a renewal of the resolution from the Annual General Meeting on 31 May 2005.

Capital situation
The share capital at the end of the 2006 fiscal year was 11,180,909.00 euros and was distributed in 11,180,909 no-par value bearer shares. In addition, there is the authorised capital from 2005, usable up to 30 Mai 2010 in the amount of 5,454,091.00 euros and conditional authorised capital for employee incentive scheme 2000 in the amount of 250,000.00 euros and for the employee incentive scheme 2004 in the amount of 500,000.00 euros. The number of conversion rights from employee incentive schemes not yet exercised amounted to 39,375 shares on 31 December 2006.

Shareholder structure as at 31 December 2006

	Shares	Shareholding
Guehring Automation GmbH	2.045.000	18,29 per cent
Linus Unternehmensmanagement GmbH [1]	823.000	7,36 per cent
Frontera GmbH [2]	643.839	5,76 per cent
Christoph Post Vermögensverwaltungs GmbH [3]	620.132	5,55 per cent
Stefan Eishold Vermögensverwaltungs GmbH	118.000	1,06 per cent
Gisela Marx	100.000	0,89 per cent
Jörg Pilawa	90.909	0,81 per cent
Martin Hoffmann	50.000	0,45 per cent
MME AG	1.895	0,02 per cent
Free Float	6.688.134	59,81 per cent
Total:	**11.180.909**	**100,00 per cent**

1) includes shares held directly by Dr Christian Franckenstein
2) includes shares held directly by Jörg Hoppe
3) includes shares held directly by Christoph Post

On 31 December 2006 the free float equalled approximately 60 per cent of which, 40 per cent were held directly or indirectly by the management, Supervisory Board and the previous shareholders of moviement GmbH. In accordance with Section 71b of the German Stock Corporation Act (AktG) MME MOVIEMENT AG is not entitled to any rights, in particular voting rights, arising from its treasury shares.

Investor relations activities 2006

MME MOVIEMENT AG is committed to the principle of an open, timely and transparent information policy vis-à-vis the capital markets and the general public.

In 2006, this primarily involved an intensive effort to keep shareholders and the capital markets informed of any strategic, operational or organisational developments within the company. This also included reporting on the acquisitions of Lunet Entertainment GmbH and time 2 talk Entertainment GmbH.

The company published information on business matters and anticipated developments in 2006 by means of company or interim reports, ad hoc announcements and press releases. MME MOVIEMENT also reported key data on the development of business in the first three quarters of 2006 by means of ad hoc announcements to shareholders and the capital markets voluntarily.

On 26 April 2006, the company published a press release on the acquisition of a 51 per cent stake in Lunet Entertainment GmbH. On 24 November 2006, the company informed shareholders and capital markets about the acquisition of time 2 talk Entertainment GmbH per ad hoc- announcement.

The Board of Management also informed shareholders about the 2005 fiscal year, strategies, the forecast for 2006 and organisational changes at the annual general meeting on 30 May 2006. Furthermore, MME MOVIEMENT AG presented itself at three capital markets conferences in Germany, and the UK, and organised several road shows for investors at home and abroad.

All ad hoc announcements, press releases and reports as well as presentations from the SCC (small cap conference) capital markets conferences, Commerzbank Media Forum and Close Brothers Seydler media days can be downloaded at www.mmemoviement.de.

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CORPORATE GOVERNANCE REPORT

In accordance with the recommended practices for conduct 3.10,4.2.5, 5.4.7, 6.6 and 7.1.3 set forth by the government commission's German Corporate Governance Code, as amended on 12 June 2006, the Supervisory Board and Board of Management of MME MOVIEMENT AG reported the following concerning the corporate governance of MME MOVIEMENT

Compliance statement

In December 2006, the Supervisory Board and Board of Management of MME MOVIEMENT AG submitted the following compliance statement on the German Corporate Governance Code and which was published on the MME MOVIEMENT AG website (www.mmemoviement.de):

Compliance statement pursuant to the German Corporate Governance Code

Compliance statement of the Board of Management and the Supervisory Boards of MME MOVIEMENT AG, in accordance with Article 161 of the German Companies Act (AktG) on the recommended practices set forth by the government commission's German Corporate Governance Code.

MME MOVIEMENT AG follows the recommended practices of the "Government Commission's German Corporate Governance Code" as amended on 12 June 2006 with the following exceptions:

Pursuant to Article 4.2.4. of the Corporate Governance Code information on compensation of members of the Board of Management is to be disclosed by name in the "notes to the consolidated financial statements, unless decided otherwise by the General Meeting by three-quarters majority. The Annual General Meeting of MME MOVIEMENT decided otherwise on 30 May 2006 with effect for the fiscal years 2006 – 2010.

Pursuant to Article 5.3. of the Corporate Governance Code, the Supervisory Board shall form committees. This recommended practice of the Code is not followed. As the Supervisory Board of MME MOVIEMENT AG consists of three members, the formation of committees would not lead to an increase in efficiency.

Pursuant to Article 5.4.1. of the Corporate Governance Code, an age limit should be specified for the members of the Supervisory Board. This recommended practice of the Code is not followed, as the expertise of experienced members should not be dispensed with.

Pursuant to Article 5.4.7. of the Corporate Governance Code, members of the Supervisory Board shall receive fixed as well as performance-related compensation. This recommended practice of the Code is not followed. The members of the Supervisory Boards receive a fixed compensation.

CORPORATE GOVERNANCE REPORT

Pursuant to Article 5.4.7. of the Corporate Governance Code, compensation paid to the members of the Supervisory Board including services provided, in particular, advisory or agency services, shall be listed separately in the Corporate Governance Report. This recommended practice of the Code is not followed due to competition and confidentiality reasons.

Pursuant to Article 7.1.2. of the Corporate Governance Code, interim reports shall be publicly accessible within 45 days of the end of the reporting period. This recommended practice of the Code is not followed. The company publishes interim reports in compliance with Regulations of the General Standard Segment within two months of the end of the reporting period.

Pursuant to Article 7.1.4. of the Corporate Governance Code, the company shall publish the operating result of the past financial year of third party companies in which it has a shareholding that is not of minor importance for the enterprise.

MME MOVIEMENT AG intends to comply with the recommended practices subject to the above-mentioned provisos.

Remuneration of the Supervisory Board

For the 2006 fiscal year, the Supervisory Board of MME MOVIEMENT AG received remuneration payments totalling 385,000 euros. Of which, 100,000 euros is attributed to the remuneration in accordance with the Articles of Association. Remunerations which exceed this figure, amounting 285,000 euros, were paid to the Supervisory Board for advisory services in connection with the development, the production and marketing of TV formats.

Remuneration of the Board of Management

For the 2006 fiscal year, the Board of Management of MME MOVIEMENT AG received remuneration payments totalling 1,642,000 euros. Of which, 1,228,000 euros is attributed to fixed compensation and 414,000 euros to variable, performance-related pay components. The individualised disclosure of remuneration for individual members of the Board of Management has been dispensed with pursuant to the resolution from Annual General Meeting on 30 May 2006.

The remuneration for members of the Board of Management is composed of fixed and variable components together. The variable component is an annual payable cash benefit, which is linked to the attainment of company goals and individual goals of the members of the Board of Management are set by the Supervisory Board annually.

Transparency
For the fiscal year 2006, no acquisitions and no sales transactions of shares took place in accordance with the recommended practice laid out in Article 6.6. of the German Corporate Governance Code. Transactions involving other financial instruments did not take place.

As of 31 December 2006, the following company shares were held either by members of the Supervisory Board and Board of Management in person or by companies in which members of the Supervisory Board and Board of Management:

Dr. Bernhard Heiss (Chairman of the Supervisory Board) .... 2,045,000 shares
Stefan Eishold (Deputy Chairman of the Supervisory Board)....... 118,000 shares
Jörg Hoppe (Member of the Supervisory Boards).................. 643,839 shares

Martin Hoffmann (Chief Executive Officer) .... 50,000 shares
Dr. Christian Franckenstein (Chief Finanical Officer).............. 823,000 shares
Gisela Marx (Member of the Board of Management) .... 100,000 shares
Christoph Post (Member of the Board of Management)............ 620,132 shares

Incentive programme
Between 2000 to 2003, the Board of Management created several share-based incentive programmes for employees and members of the Board of Managements in the form of interest-bearing, restricted registered bonds. The interest rate lay between 3.75 per cent and 4.00 per cent. The conversion right may not be exercised until two years have elapsed from the bond's issue date with a maximum of 25 per cent per year, with full exercise of the respective conversion right only possible after five years. The conversion price is between 1.60 euros and 6.53 euros depending on the plan. From these programmes, a maximum of 39,375 shares may be converted. Further information is provided in the notes to the consolidated financial statements (note 25).

Furthermore, the 2004 Annual General Meeting gave the Board of Management and Supervisory Board the authority to issue interest-bearing convertible bonds to employees and members of the Management Board until 19 August 2009.The Supervisory and Board of Management have not yet exercised this authority.
There are no additional stock option plans or similar security-based incentive programmes.

CONSOLIDATED FINANCIAL STATEMENT | MANAGEMENT REPORT

– Translation of the German language –

MME MOVIEMENT AG, BERLIN
(formerly: MME Me, Myself & Eye Entertainment AG, Hamburg)

GROUP MANAGEMENT REPORT FOR THE 2006 FISCAL YEAR

1. BUSINESS AND GENERAL CONDITIONS

1.1 BUSINESS

AllMedia Pictures GmbH, Munich, filmpool Film- und Fernsehproduktion GmbH, Cologne, MME Me, Myself & Eye Entertainment GmbH, Berlin and white balance GmbH, Hamburg are among the 100 per cent subsidiaries belonging to the listed company, MME MOVIEMENT AG. In addition, a 51 per cent stake in Lunet Entertainment GmbH, Munich was acquired in fiscal year 2006. Combined, these companies form the core of the MME MOVIEMENT Group (hereinafter: MME MOVIEMENT). With an annual revenue of EUR 93.4 million (previous year: EUR 87.7 million) in 2006, MME MOVIEMENT is one of the leading television production companies in Germany which produces programmes solely for the entertainment segment. The programmes made and produced by MME MOVIEMENT can be divided into four genres within the entertainment segment: fiction, non-fiction, documentaries and shows/music. Productions are made for all major German television broadcasters. Approximately 89 per cent of total revenues for the Group were attained with four broadcasting companies in 2006. An individual account shows 33 per cent from RTL, 25 per cent from Sat.1 as well as 18 per cent from ARD and 13 per cent from ProSieben. Approximately 72 per cent of total revenues for the Group were generated from broadcasters, RTL, Sat.1, ProSieben and VOX which are the leading four broadcasters with regard to gross TV advertising revenues generated in 2006. As these broadcasters received around 71 per cent of the TV advertising income in total for the 2006 fiscal year, the market position of the private broadcasting companies reflects the revenue distribution of MME MOVIEMENT quite accurately.

The business model of MME MOVIEMENT is primarily shaped by so-called commissioned production. This means that as a general rule, the production of a television programme is commissioned at a fixed price, i.e. the purchaser of the programme produced and the selling price are fixed before production begins. In principal, opportunities for additional income for producers consist of the agreement of ratings premiums, as well as a stake in revenues from exploitation of ancillary rights, as well as sales abroad. The marketing and marketing risk is borne solely by the commission broadcasting company, whereas in principle, the risk of cost overruns for production, remain with the producer.

MME MOVIEMENT AG including MME Me, Myself & Eye Entertainment GmbH have their place of domicile in Berlin. The Group also maintains offices in Hamburg, Cologne, Potsdam and Munich. These locations reflect the federal structure of the television industry in Germany and guarantee the proximity required to the major broadcasting companies.

Whereas MME MOVIEMENT AG performs management and financial duties for the entire Group as well as assumes responsibility for the strategic direction of the entire Group, the operational production business is realised locally by the subsidiaries AllMedia Pictures GmbH, Munich, filmpool Film- und Fernsehproduktion GmbH, Cologne, Lunet Entertainment GmbH, Munich, MME Me, Myself & Eye Entertainment GmbH, Berlin and white balance GmbH, Hamburg within the framework of the so-called multi-label strategy. This includes developing new programmes, maintaining existing programmes on the air and expanding product as well as client portfolios.

The main focus of MME MOVIEMENT's product portfolio is series programmes. In 2006, the Group produced eight weekday programmes continuously (e.g. "Zwei bei Kallwass", "Das Familiengericht", "Richterin Barbara Salesch", "Das Jugendgericht", "Niedrig & Kuhnt", "Schmeckt nicht, gibt's nicht", "Das tägliche Quiz mit Jörg Pilawa", "Einsatz in 4 Wänden"). As these shows have been running for over several years in part, the main task of the Group is the constant further development of the programmes. Prerequisite to keeping the leading market position in these programme slots is the regular adaptation in keeping with the times, as well as coming up with innovations.

In order to guarantee a coordinated and strategically concerted market approach, MME MOVIEMENT AG holds the majority of the shares in each of its operative subsidiaries which all operate under the legal form of limited liability companies ("GmbH"). When members of the Board of Management took over the management functions of the subsidiaries, a lean organisational structure was put in place which makes quick decisions possible in a what is in part a fast-developing market.

With the sale and purchase contract from 23 November 2006, MME MOVIEMENT AG acquired a 100 per cent stake in time 2 talk Entertainment GmbH, Potsdam, economically effective from 1 January 2007. This production company is run by the presenter Vera Int-Veen and producer Ulrich Hansbuer. Both are committed to the company long-term. MME MOVIEMENT AG has now strengthened its expertise in the talk show and docu-soap segments with the acquisition.

On 31 December 2006, there were a total of 587 people employed by MME MOVIEMENT-Group (previous year: 549). Thereof, 518 people were employed on a project basis (previous year: 412), where as a total of 69 people were employed on a cross-project basis in development and administration (previous year: 77). The Group employed a total of 50 interns, apprentices and trainees (previous year: 60). For the 2006 fiscal year on average, 620 people were employed (previous year: 575). The Board of Management remains unchanged to the previous year, consisting of Martin Hoffmann (CEO), Dr Christian Franckenstein (CFO), Gisela Marx and Christoph Post. The Supervisory Board also remains unchanged to the previous year and is made up of Dr Bernhard Heiss (Chairman), Stefan Eishold (Deputy Chairman) and Jörg A. Hoppe.

The economic conditions in Germany are material to MME MOVIEMENT's business, as to date no noteworthy revenue has been achieved abroad. At the project level, a strategy of internationalisation is being pursued. Foreign licences are being purchased and licences for programmes by MME MOVIEMENT are being issued. This area is being developed through membership in the "Sparks Network".

MME MOVIEMENT's business model is largely shaped by the commissioned production described above. All television productions produced in line with the commissioned production business model make up the core business of MME MOVIEMENT, which is summarised in the segment "commissioned production". In addition to this core business, MME MOVIEMENT produces movie projects within the framework of so-called "in-house" productions. Due to differences in financing and the associated differing risk structure of this production business, MME MOVIEMENT built up its "in-house" segment as a basic principle. Furthermore, the Group has begun to develop activities in ancillary rights, in particular, those related to handheld devices. For reporting purposes, these activities are summarised in the segment "new media". Due to the insignificant contributions of the "in-house" and "new media" segments to Group revenues in the 2006 fiscal year, separate segment reporting has been dispensed with.

In consideration of the geographical distribution of revenues, a distinction is made between the secondary segments inland and overseas. Likewise, due to the insignificance of revenues achieved abroad for the year under review, separate segment reporting has been dispensed with.

1.2 GENERAL CONDITIONS

1.2.1 OVERALL DEVELOPMENT

According to preliminary calculations, in 2006 the gross domestic product (GDP) in Germany managed to grow by 2.5 per cent (previous year +0.9 per cent). In contrast to previous years, the impulses for growth in 2006 came from both domestic and foreign influences. Since the recessive/stagnant phase between 2001 and 2005 this is the first time we have seen powerful growth in gross advertising investment, which in comparison to the previous year increased by 5.1 per cent (growth of the TV advertising market 3.1 per cent). The general economic development, increased advertising expenditure for the football World Cup and the new VAT increase valid from the 1 January 2007, have all contributed to the overall positive development of the gross advertising market in 2006.

1.2.2 THE TV MARKET IN GERMANY

Germany is one of the most economically significant TV markets in the world, and with approximately 35 million TV households is the largest TV market in Europe.

The German TV market is characterised by Free TV broadcasting services on the one hand and leading Pay TV platforms Premiere and arena on the other. Free TV services include public and publicly financed broadcasters ZDF, ARD services and arte, as well as advertising financed channels. The important advertising financed channels can be split into two corporate groups: the RTL Group belonging to Bertelsmann with the channels RTL, VOX, n-tv and Super RTL (50 per cent) and a channel interest of 35.9 per cent in RTL II, compared to the ProSiebenSat.1 Group with the channels ProSieben, Sat.1, kabel eins, n24 and 9live. In 2006 both of these groups attained a total market share of 61.2 per cent (previous year: 62.7 per cent) in the advertising-relevant target group of 14-49 year old viewers. For TV producers in Germany the individual channels in these two families, which together reach almost two-thirds of the advertising-relevant target group, are their most important customers besides the mostly fee-financed public broadcasting services ARD and ZDF.

There are also other free TV channels whose market shares are small, who are of little importance as clients for the German TV production industry in the entertainment segment (e.g. DMAX, Tele5, Das Vierte, MTV, Viva, DSF). Neither Premiere nor arena have previously appeared as important clients for German TV producers in the entertainment segment.

According to Nielsen Media Research the gross advertising revenue for TV advertising carriers in 2006 was approximately EUR 8.3 billion, 3.1 per cent higher than in the previous year. According to industry estimates, the difference between gross advertising revenue and net advertising income for these channels is around 50 per cent. This difference is partly due to channels setting discounts for the benefit of the advertising-led industry, which in the last few years has been considerably high. The 2006 estimated net advertising revenue for German TV channels, according to ProSiebenSat.1 Media AG, was almost EUR 4.05 billion.

Fees received by the public TV broadcasting services in 2006 were approximately EUR 4.7 billion (previous year: EUR 4.4 billion). The rise in fees compared to the previous year mainly resulted from the fact that the applicable fee increase as at 1 April 2005 had come into effect, meaning it was only taken into account for 9 months of the year. Both fees and advertising revenue contributed to profits at ARD and ZDF. In 2006 these reached a total of EUR 417 million gross (previous year: EUR 351 million); this incredible growth of approximately 19 per cent is mainly due to major events such as the Winter Olympics and of course the football World Cup.

TV channels cover their programme requirements with licensed products (e.g. Hollywood films), with self-produced productions (e.g. documentaries) and by buying in commissioned productions. The market volume for German film and TV producers is estimated at around EUR 2 billion, of which MME MOVIEMENT estimates that 60 per cent are contracted by public and 40 per cent by private broadcasters.

The provider structure for film and TV products is, generally speaking, quite fragmented. We have assumed a total of around 1,583 TV producers and 453 cinema film producers. However, we came to a completely different conclusion when differentiating by size. According to information in this sector, 22 TV producers achieve revenue of more than EUR 25 million, 32 achieve between EUR 12.5 million and EUR 25 million and 40 producers achieve EUR 5 million to EUR 12.5 million. Around 405 producers achieve under EUR 5 million, and 1,085 producers have a production volume of under EUR 0.5 million.

Whereas public broadcasters have to fulfil their legal programme-related mandate and only orient their schedules to viewer ratings in a general sense, viewing figures in the advertising-relevant target group (14-49 years old) determine programming decisions at advertising financed TV channels.

Major production companies in Germany are typically assigned to one channel or one group. The following diagram shows the major production companies with their estimated sales figures in EUR million for 2006:

Ufa/Bertelsmann (Part of a media group)	320 million euros
Studio Hamburg (affiliated with a public service broadcaster)	290 million euros
Bavaria Film (affiliated with a public service broadcaster)	200 million euros
Constantin Film (TV segment; Part of a media group)	120 million euros
MME MOVIEMENT (independent)	**93 million euros**
network movie (affiliated with a public service broadcaster)	80 million euros
Endemol (Part of a media group)	73 million euros
Brainpool (independent)	50 million euros
NDF (independent)	45 million euros
Odeon Film (independent)	31 million euros

With consolidated sales of EUR 93.4 million (previous year: EUR 87.7 million) in 2006, MME MOVIEMENT is one of the largest channel- and group-independent TV producers in Germany.

2. REVENUE, FINANCIAL AND ASSET SITUATION

2.1 EXPLANATIONS OF COMPANY AND INTEREST ACQUISITIONS AND OTHER CHANGES IN THE SCOPE OF CONSOLIDATION

Effective from 25 April 2006, MME MOVIEMENT AG acquired a 51 per cent interest in Blitz 06-048. Blitz 06-048 GmbH had acquired through seller and cessation contracts on 25 April 100 per cent of the limited partner interest in Lunet Entertainment GmbH & Co. KG. Effective 25 April 2006 (exit agreement as at 25 April 2006), the general partner (LUNET Film- und TV Productions GmbH) has left the limited partnership and as a result the limited partner interest has passed to Blitz 06-048 GmbH. Finally, Blitz 06-048 GmbH was renamed Lunet Entertainment GmbH. In the reporting year the company produced the second season of the ProSieben series "Alles außer Sex" ("Anything But Sex"). This season is planned for transmission in May/June 2007.

With the contract of sale from 23 November 2006, MME MOVIEMENT AG acquired a 100 per cent stake in time 2 talk Entertainment GmbH, Potsdam, economically effective from 1 January 2007. This production company is run by the presenter Vera Int-Veen and producer Ulrich Hansbuer. Both are committed to the company long-term. MME MOVIEMENT AG has now strengthened its expertise in the talk show and docu-soap segments.

As per IFRS conditions regarding consolidated accounts for MME MOVIEMENT AG, Lunet Entertainment GmbH will be included in the scope of consolidation from 25 April 2006. The Group's income statement therefore contains figures for Lunet Entertainment GmbH from 25 April 2006. The consolidation of time 2 talk Entertainment GmbH will take place as per the contract on 1 January 2007.

2.2 EXPLANATIONS FOR THE INCOME STATEMENT

The Group's income statement includes business activity for Lunet Entertainment GmbH from 25 April 2006.

Group sales total EUR 93.4 million (previous year: EUR 87.7 million), 6.5 per cent above the previous year's value. The gross profit is EUR 19.1 million (previous year: EUR 21.1 million). This means that the gross margin (defined as a quotient of the difference between sales revenue, other operational profit, inventory changes, other capitalised self-produced assets and material costs (all costs allocated to the projects) and sales revenue) in the reporting year reached 20.4 per cent (previous year: 24.1 per cent). This decrease in the gross margin reflects firstly the increased price pressure by TV broadcasters, and secondly is the result of the increased costs of further developing the daily programme formats. Personnel costs not allocated to projects amounted to EUR 6.2 million (previous year: EUR 7.7 million). This includes EUR 4.4 million of fixed salaries (previous year: EUR 4.5 million), EUR 1.1 million of variable, performance-related bonuses (previous year: EUR 2.4 million) and EUR 0.7 million of social insurance contributions (previous year: EUR 0.8 million). The operating profit before interest, tax, depreciation and amortisation (EBITDA) totalled EUR 8.6 million (previous year: EUR 8.8 million) equal to 9.2 per cent sales revenue (previous year: 10.0 per cent). Depreciations amounting to EUR 1.6 million (previous year: EUR 2.0 million) include EUR 0.4 million of planned amortisations from the first consolidation of Lunet Entertainment GmbH, which correspond to the amount at the time of acquisition of the contracted profits and the realised stake in the business year 2006. Furthermore, these amortisations include EUR 0.2 million of planned deductions at the relevant time of acquisition for contracted profits from the previously acquired business interest in white balance GmbH (realised in 2006), as well as EUR 0.2 million of other miscellaneous amortisations. This is in addition to extraordinary depreciations for no longer valuable format licenses totalling EUR 0.4 million, and planned amortisation on property, plant and equipment of around EUR 0.4 million. Earnings before interest and taxes (EBIT) totalled EUR 7.0 million (previous year: EUR 6.8 million).

The financial results amounted to minus EUR 0.4 million (previous year: minus EUR 0.7 million) and mainly consist of interest costs relating to acquisition loans.

Taking into account deferred taxes, the total income tax expenses are EUR 1.9 million (previous year: EUR 2.0 million). This corresponds to an income tax rate of 29.0 per cent (previous year: 32.2 per cent). The Group's net profit for the year is EUR 4.6 million (previous year: EUR 4.1 million).

The undiluted earnings per share for the average shares in circulation during 2006 (11,179,014 units) is EUR 0.40 (previous year: EUR 0.38). The diluted earnings per share is EUR 0.40.

2.3 EXPLANATIONS FOR THE CASH FLOW STATEMENT

Assuming operating results (EBIT) of EUR 6.98 million (previous year: EUR 6.82 million) the operating cash flow in this reporting year is EUR 2.47 million (previous year: EUR 5.23 million). This year the company increased its working capital position in particular by expanding current assets (without cash and cash equivalents) and by decreasing its miscellaneous liabilities and provisions. In contrast to the two previous years, the

Group consolidated accounts at 31 December 2006 showed that current assets exceeded short term liabilities for the first time.

For investment purposes MME MOVIEMENT used a total EUR 1.93 million (previous year: EUR 5.5 million). This includes both payments made for acquiring parts of the time 2 talk Entertainment GmbH business and payments connected with the acquisition of Lunet Entertainment GmbH.

The cash flow from financing activities totals minus EUR 0.54 million (previous year: EUR 1.62 million). This includes all planned repayments of outstanding bank loans during the fiscal year and the addition of new bank loans for project financing and paid interest.

Added together the net changes in cash and cash equivalents in the reporting year equal EUR 0.005 million (previous year: EUR 1.67 million). On the accounting date MME MOVIEMENT had cash and cash equivalents in the amount of EUR 7.68 million (previous year: EUR 7.67 million).

2.4 EXPLANATIONS FOR THE BALANCE SHEET

The balance sheet total as at 31 December 2006 was EUR 65.1 million (previous year: EUR 62.3 million), an increase of 4.5 per cent against the previous year. The largest balance sheet item relating to assets is the goodwill equalling EUR 38.3 million (previous year: EUR 38.1 million). This item basically includes those goodwills resulting from the acquisition of moviement GmbH, Munich (now: filmpool Film- und Fernsehproduktion GmbH, Cologne) and its immediate and distant subsidiaries, as well as the goodwill resulting from the acquisition of white balance GmbH. The balance sheet valuation rate was audited on the accounting date as per the regulations set down by IFRS, using the impairment test method.

Current assets amount to EUR 24.2 million (previous year: EUR 21.5 million). This includes cash and cash equivalents with a value of EUR 7.7 million (previous year: EUR 7.7 million). Other items are mainly trade receivables amounting to EUR 13.8 million (previous year: EUR 10.4 million) and inventories – basically unfinished products that must not yet be taken into account for sales according to IFRS regulations and the percentage-of-completion method – totalling EUR 0.7 million (previous year: EUR 0.7 million). Other assets amount to EUR 1.6 million (previous year: EUR 2.1 million). Prepaid expenses of EUR 0.5 million (previous year: EUR 0.6 million) have been accounted for, which largely consist of non-capitalisable investments in tenant improvements.

Non-current assets amount to EUR 40.9 million (previous year: EUR 40.7 million). The property, plant and equipment included in this item amount to EUR 1.1 million (previous year: EUR 1.0 million) and reflect investments that can be capitalised minus planned amortisations made in Berlin, Cologne, Munich and Hamburg. MME MOVIEMENT's Property, plant and equipment total 1.7 per cent of the balance sheet total (previous year: 1.6 per cent). This means that the Group continues its minimal intensity of investments, reflecting the strategy of outsourcing capital-intensive parts of the production business (e.g. studios). Under the "Financial Assets" item are listed only those acquisition costs arising in the business year 2006 for holding interest in time 2 talk Entertainment GmbH to the value of EUR 0.7 million because this company, as contracted, is included in the MME MOVIEMENT scope of consolidation as of 1 January 2007. The Group consolidated accounts show "deferred tax assets" with a value of EUR 0.6 million (previous year: EUR 1.1 million). For an explanation of this item please see the notes to the Consolidated Financial Statement.

Equity amounts to EUR 33.2 million (previous year: EUR 28.6 million). This increase in equity of EUR 4.6 million is purely the result of the net profit for the year in the business year 2006.

Return on equity, after tax, reached 15 per cent in 2006 (previous year: 16.7 per cent) (net profit for the year/average bound equity in the business year). The Group's equity ratio on the balance sheet date was 51.1 per cent (previous year: 45.9 per cent).

With regards to liabilities, long-term liabilities of EUR 8.5 million (previous year: EUR 9.6 million) show no change in liabilities to banks compared to the previous year, resulting from acquisition financing of EUR 7.3 million. In addition, there are other liabilities amounting to EUR 0.9 million (previous year: EUR 1.3 million), which contain long-term liabilities from the earn-out of the moviement GmbH, Munich (now: filmpool Film- und Fernsehproduktion GmbH, Cologne) takeover and corresponding agreements. Convertible bonds from employee share options amounted to EUR 0.04 million (previous year: EUR 0.05 million). Furthermore, deferred income tax payable are accounted at EUR 0.3 million (previous year: EUR 0.3 million).

The short-term liabilities amounted to EUR 23.4 million (previous year: EUR 24.1 million) and included trade payables amounting to EUR 6.0 million (previous year: EUR 5.4 million), prepayments received for projects amounting to EUR 0.6 million (previous year: EUR 0.6 million) , short-term liabilities to banks from the acquisition loan and project financing of a total of EUR 5.9 million (previous year: EUR 5.3 million), other liabilities of EUR 4.6 million (previous year: EUR 5.5 million) as well as income tax payable and other provisions amounting to a total of EUR 6.3 million (previous year: EUR 7.1 million).

The bank loan from the acquisition financing has been extended in part due to the in general low level of indebtedness within the Group and will now, as contractually agreed, be repaid on a straight-line basis by 30 June 2011. The net debt – calculated from the difference between all liabilities to banks and cash and cash equivalents – amounts to EUR 5.5 million (previous year: EUR 4.9 million).

Return on Capital Employed (ROCE) for the financial year amounted to 15.9 per cent (previous year 18.0 per cent). This ratio is calculated by dividing the EBIT by the sum of the average total of equity and the average of liabilities to banks in the financial year.

3. RISK REPORT

Risk management
The business activities of MME MOVIEMENT are exposed to a number of risks, which are inseparable from its operations as a commercial firm. MME MOVIEMENT has deployed effective management and controlling systems for the prompt recognition, evaluation and consistent handling of risks. The risk management system is an integral component of the reporting, management and planning structure of MME MOVIEMENT.

The overall responsibility for risk management is the task of the Board of Management. The managing directors of subsidiaries and the respective department heads are responsible for the operative processes of prompt recognition, evaluation, management and documentation of risks and the establishment of measures to reduce and/or avoid the materialisation of risks, including the internal communication implicated in this.

The individual members of the Board of Management will report to the entire Board during its regular meetings with regard to the development of risks in their particular areas of responsibility. It is the task of the Chairman of the Board to inform the Supervisory Board concerning extraordinary risks, so that prompt countermeasures can be discussed and decided in the various organs of the company and then carried out by those in charge.

In general, the following risks in particular could lead to a threat to its existence, or significantly influence the asset, earning and liquidity situation for MME MOVIEMENT:

Market and Competitive Risks
Overall there is intense competition on the German television market, both between individual broadcasting companies and between producers. A small number of broadcasting companies confronts a large number of production companies. In addition, there is a tendency on the part of some broadcasting organisations to have their own subsidiaries carry out production commissions. Taking into account a currently stagnating or only moderately growing overall market, MME MOVIEMENT is exposed to permanent competitive risk.

During the year under review, MME MOVIEMENT obtained 38.33 per cent of its earnings from the RTL Group (including RTL II) and 37.86 per cent from the ProSiebenSat.1 Media AG broadcasting group. A change in procurement policies, a price-reduction offensive or similar one-sided decisions with regard to the suppliers of programmes could have short-, medium- and long-term negative effects on MME MOVIEMENT. Due to the extremely significant purchasing power of both of these broadcasting groups, it cannot be expected that MME MOVIEMENT would be able to weather such negative developments without negative consequences.

For TV production companies, there is the risk that commissions will not be renewed or that new commissions will not be given or only after a period of time has elapsed. It must also be taken into consideration here that programming decisions are made solely by the broadcasting organisations and that spontaneous and unforeseeable decisions with negative consequences for the contractor cannot be ruled out. MME MOVIEMENT contributes through increased development activities to the prompt development of new projects in order to be able to respond to modified demands from TV broadcasting organisations with corresponding offers. At the same time, attention must be paid to maintaining existing on-the-air programmes, in order to avoid the loss of programming slots.

The degree of digitalisation in the TV and communications environment is constantly increasing. From the point of view of MME MOVIEMENT, this development is double-edged. On the one hand, it must be noted that the income situation of current customers (free TV broadcasting organisations) will see only a minor improvement in the near future. As a result, there will be a tendency to exert more pressure on prices for existing or new programmes on the producer side. The continuing consolidation trend on the producer side, which can be deduced from this probable development, can be exploited by MME MOVIEMENT to boost its market position by means of acquisitions.

On the other hand, there is reason to suppose that, as a result of digitalisation, new or additional marketing channels (e.g. special interest TV, video on demand services, mobile telephone) will arise, for which content will have to be supplied. Here the company has good growth prospects on the basis of its core competence as content supplier for “moving images” in the entertainment programming area. To exploit these, however, investments will have to be made, which will be associated with risks.

Operative Risks

The commissioned productions of MME MOVIEMENT are subject to a production risk, since development and production are normally very cost-intensive. MME MOVIEMENT has built up expertise over many years, which enables it to manage the production risk involved in making formats, series and TV films. In the event that the set price agreed on with the broadcaster which has awarded the contract proves to be insufficient for the production of the TV project, MME MOVIEMENT must thus in principle bear the risk that the budget will be exceeded.

In case of in-house productions it is regularly planned that the producer finalises and delivers the project before the contract partners (broadcaster, film subsidising bodies, licensees) fulfil their contractual obligations and therefore reduce the overall risk carried by the producer. MME MOVIEMENT usually does not assume any risk position as so-called gap financier. In the case of in-house productions there is, however, an increased risk in production costs as well as increased fulfilment and refinancing risks. Here, MME MOVIEMENT carries the increased risk of the solvency of the contract partner, as some of these partners may have a significantly lower solvency which is different from the national production-to-order business.

There are general contractual risks involved in the contracts that MME MOVIEMENT enters into with customers, service providers and partners, such as the contract compliance risk. In addition, according to the terms of the contracts, a number of copyright and service protection rights have to be transferred from MME MOVIEMENT to the respective broadcasting organisations or from the service providers and partners to MME MOVIEMENT. In order to minimise the resulting legal risks, MME MOVIEMENT makes use of both its own internal legal department and the expertise of external legal practitioners.

The series programming portfolio is the bread and butter of MME MOVIEMENT. It is therefore essential to examine the development of ratings for this programme in any risk assessment. In the case of serial formats broadcast by broadcasting channels financed by advertising, viewing ratings in the so-called advertising target group of 14-49 year olds determine the continuation of programming and thereby the broadcasting channel's assignment. In the 2006 financial year, the daily formats "Zwei bei Kallwass", (Sat.1, 16.6 per cent), "Richterin Barbara Salesch" (Sat.1, 14.9 per cent), "Das Familiengericht" (RTL, 15.7 per cent), "Das Jugendgericht" (RTL, 15.6 per cent), "Niedrig und Kuhnt" (Sat.1, 17.4 per cent), "Einsatz in 4 Wänden – daily" (RTL, 12.6 per cent) – until 10 June -, "Schmeckt nicht, gibt's nicht" (VOX, 7.4 per cent) as well as "Frank – der Weddingplaner" (ProSieben, 13.7 per cent) achieved average viewer ratings which were significantly higher than the respective broadcasting channel's average (Sat.1 11.3 per cent, RTL 15.6 per cent, VOX 7.1 per cent, ProSieben 11.6 per cent). It must nevertheless be pointed out that in 2006 the viewer ratings for afternoon formats have continued their tendency to drop. MME MOVIEMENT has stepped up efforts both to introduce new features to existing formats (on-air-relaunch) and to develop new programmes ("Staatsanwalt Posch ermittelt" as the successor format for "Das Jugendgericht" as of February 2007), which are suitable for afternoon broadcasting on private television channels in terms of costs and benefits. In this connection "Frank - der Weddingplaner" (ProSieben) also began in August 2006 immediately with 60 episodes and attained a good average rating of 13.7 per cent in the targeted groups. It must be noted that in 2006 as well the increased efforts of the public broadcasting corporations to raise their market share in the afternoon slot have in part been successful, even if the programmes produced, e.g. telenovelas, are considerably more cost-intensive in terms of production than the comparable MME MOVIEMENT programmes and are thus not necessarily suitable for programming with private broadcasting channels.

For the series "Zwei bei Kallwass" (Sat.1), "Richterin Barbara Salesch" (Sat.1) and "Niedrig und Kuhnt" (Sat.1) as well as "Frank - der Weddingplaner" (ProSieben) and "Das tägliche Quiz mit Jörg Pilawa" (ARD) which are broadcast daily, there are contractual agreements with the respective contracting broadcaster which provide for programme supply of the channel with new episodes up until the end of the year 2007. On the other hand, "Das Jugendgericht" was replaced on 5 February 2007, after 975 episodes, by "Staatsanwalt Posch ermittelt"– a spin-off from the "Jugendgericht". The format "Einsatz in 4 Wänden – daily" on RTL was cancelled.. The long-running weekly series "TOP OF THE POPS" has been discontinued by its broadcaster RTL. Production activities were stopped after the last episode was broadcast on 8 April 2006. A replacement format has not been commissioned by RTL.

Human Resources risks

MME MOVIEMENT programmes are presented in part by format-shaping personalities (e.g. Barbara Salesch, Tine Wittler, Tim Mälzer, Angelika Kallwass). If these persons do not appear in the programme – whether because they are unable to appear or because their existing contracts have not been extended – this could have a negative impact on viewer acceptance of the respective programme and therefore change the parameters of the assignment if MME MOVIEMENT does not succeed in providing at least an equivalent replacement in such a case.

The financial success of MME MOVIEMENT depends largely on the performance of individual employees. The success of individual projects in particular also depends on the quality of the people involved in the development and production, both in the creative and organisational spheres. The ability to retain qualified employees, to acquire new ones and keep them in the long-term is another essential prerequisite for the further development of MME MOVIEMENT.

Capital Market Risks
One of the central functions of MME MOVIEMENT is the careful handling of capital market risks. Loans were granted by financial institutions for the proportional financing of the company acquisitions carried out by MME MOVIEMENT AG. The fixed interest rate for these loans is determined on a short-term basis. In order to put a lid on the risk inherent in interest rate increases as a result of the short-term nature of the fixed interest rates, MME MOVIEMENT AG has arranged swap transactions for half of the outstanding loans.

Foreign currency risks for productions abroad are taken care of centrally. No foreign currency reserves are created that go beyond or are held past the end of production.

Increases in interest rates can have a negative effect on MME MOVIEMENT since the proportional financing costs, as a rule, are not part of the calculations of the station's contract and as such remain with the producer. Since a TV project's interim financing period, spanning the time from project creation to delivery, usually encompasses several months, it is possible that significant interest costs can arise. The access to financial facilities for the financing of the production is essential in order to be able to fulfil the functions of a producer. A deterioration of the creditworthiness of MME MOVIEMENT and the resulting increase in financing costs would regularly mean a deterioration in the income and liquidity of MME MOVIEMENT. The availability of sufficient credit to be able to carry out an entire TV production is an important prerequisite for the business activities of MME MOVIEMENT.

To sum up: at the time that this annual report is being written it can be ascertained that there were no recognisable risks that could harm MME MOVIEMENT and its business.

4. REMUNERATION REPORT

Remuneration of the Supervisory Board

In the 2006 financial year the MME MOVIEMENT AG Supervisory Board received remuneration for its work totalling EUR 385,000. Of this sum, EUR 100,000 was the statutory remuneration. The payments that went beyond this sum and which totalled EUR 285,000 were paid out to the Supervisory Board for consulting services in connection with the development, production and marketing of TV formats.

Remuneration of the Board of Management

In the 2006 financial year, the MME MOVIEMENT AG Board of Management received remunerations totalling EUR 1,643,000. Of this sum EUR 1,229,000 were for salaries and EUR 414,000 for variable, performance related remuneration. As determined by the resolution of the Annual General Meeting of 30 May, 2006, there will be no disclosure of the individual incomes of the members of the Board of Management.

The remuneration for the members of the Board of Management is made up of a fixed and a variable component. The variable component is a sum which is payable annually and which is bound to the attainment of the goals of the company and the individual goals of the members of the Board of Management. The goals of the company and the individual goals for the members of the Board of Management are determined on an annual basis by the Supervisory Board.

5. OTHER INFORMATION

At the Annual General Meeting on 30 May, 2006 it was decided to empower the company to buy back its own shares, up to a total of 10 per cent of the capital stock. This resolution was a renewal of the resolution of the Annual General Meeting of 31 May, 2005.

At the end of the year 2006, the capital stock of the company totalled EUR 11,180,909.00 which was divided into 11,180,909 transferable shares. In addition there was the authorised capital of 2005, useable until 30 May, 2010 totalling EUR 5,454,091.00 and contingent capital for the employee incentive scheme 2000 totalling EUR 250,000.00 and for the employee incentive scheme 2004 totalling EUR 500,000.00.

The company owns 1,895 of its own shares.

On 31 December, 2006 Guehring Automation GmbH, Stetten a. k. M., held 2,045,000 shares, which corresponds to a total share of 18.29 per cent of the capital stock.

The legal rules apply for the appointment and dismissal of the members of the management board as well as for changes in the statutes.

Agreements exist with employees regarding compensation in the case of a dismissal due to a change in the majority shareholder. These agreements have a total value of EUR 0.025 million.

6. PROGNOSIS

The economic situation in Germany at the beginning of 2007 is, on the whole, friendly. Economic experts are forecasting an economic growth in the gross domestic product (GDP) of 2.3 per cent. It is expected that there will continue to be positive impulses coming from domestic demand.

After the marked increase in the net advertising income of German television stations in 2006 it is assumed that there will continue to be a dynamic development in the income of the advertising financed TV stations in 2007. ProSiebenSat.1 Media AG is expecting an increase in their net earnings from advertising of between 2 and 3 per cent in 2007. ZAW is projecting a plus of between 1 and 2 per cent for investments in advertising.

Within this very positive economic framework, MME MOVIEMENT also feels very positive about the 2007 business year. The Board expects that MME MOVIEMENT will hold its afternoon programme slots, even if there might possibly be changes in the programme portfolio. The continuing dominance of American drama series leads to the conclusion that there will not be any growth impulses for the fiction segment for MME MOVIEMENT.

Working with these assumptions, leaving aside acquisitions the Board expects a market adequate development in turnover in the 2007 business year. Increases in income compared to 2006 are in large part the result of a larger flexibility in the pricing policies of the television stations.

At the time that this report is being written, MME MOVIEMENT has the necessary human and financial resources to realise its operative and strategic goals.

7. ADDENDUM

ALL3MEDIA Deutschland GmbH (formerly known as pertus Zehnte GmbH), Düsseldorf, announced on 27 February, 2007 that it intended to make a voluntary take-over offer to the shareholders of MME MOVIEMENT AG. This intent goes together with the share purchase agreement which ALL3MEDIA Deutschland GmbH (formerly known as pertus Zehnte GmbH) concluded on that same day with the shareholders of the management and the Supervisory Board and/or with the associated companies.

The share purchase agreement envisages a price of EUR 7,00 per share. Altogether, through the share purchase agreement and through irrevocable agreements with several major shareholders of MME MOVIEMENT AG, ALL3MEDIA Deutschland GmbH (formerly known as pertus Zehnte GmbH) has secured a share of ca. 42 per cent of MME MOVIEMENT AG. The share purchase agreement has various precedent conditions, including the approval of the monopolies commission and the successful completion of the take-over bid. Under the condition that the implementation of the share purchase agreement is successful, the members of the management board of MME MOVIEMENT AG committed themselves to continue working for MME MOVIEMENT AG largely for up to three years. Subject to a check of all of the official documents relating to the share purchase agreement, the board of management welcomes the offer. In Great Britain and in Germany, the two largest TV markets in Europe, ALL3MEDIA and MME MOVIEMENT belong to the leading independent programme producers. Both companies have an identical business philosophy of bundling independent producer brands. After the execution of the share purchase agreement ALL3MEDIA Deutschland GmbH (formerly known as pertus Zehnte GmbH) would be a new major shareholder of MME MOVIEMENT AG.

ALL3MEDIA Deutschland GmbH (formerly known as pertus Zehnte GmbH) is a 100 per cent subsidiary of the English ALL3Media Limited. ALL3MEDIA is one of the leading independent English TV and film production and marketing companies. ALL3MEDIA has subsidiaries in England, USA, Germany, the Netherlands, Australia and New Zealand. ALL3MEDIA coves the programme areas of fiction, comedy, non-fiction and children's entertainment. The company was founded in 2003 and is owned by the private equity company Permira and by the management. For further information on ALL3MEDIA see www.all3media.com.

After the balance sheet date there were no further occurrences that would warrant being mentioned in this addendum.

Berlin, 28 March, 2007

Martin Hoffmann, Dr. Christian Franckenstein, Christoph Post, Gisela Marx

CONSOLIDATED BALANCE SHEET

– Translation of the German language –

MME MOVIEMENT AG, BERLIN
(formerly: MME Me, Myself & Eye Entertainment AG, Hamburg)

ASSETS		31/12/2006 EUR 000's	31/12/2005 EUR 000's
Non-current assets			
Goodwill	(12)	38,256	38,084
Intangible assets	(13)	150	609
Property, plant and equipment	(13)	1,106	979
Financial assets	(13)	749	0
Deferred tax assets	(10)	612	1,076
Total non-current assets		**40,873**	**40,748**
Current assets			
Inventories		672	740
Trade receivables	(14)	13,784	10,387
Other assets	(15)	1,597	2,083
Cash and cash equivalents	(16)	7,681	7,676
Prepaid expenses		495	659
Total current assets		**24,229**	**21,545**
Total assets		**65,102**	**62,293**

LIABILITIES		31/12/2006 EUR 000's	31/12/2005 EUR 000's
Equity and minority interests			
Subscribed capital	(17)	11,179	11,179
Capital reserve	(17)	23,414	23,414
Retained earnings		-1,533	-6,051
Minority interests	(18)	184	58
Total equity		**33,244**	**28,600**
Long-term liabilities			
Liabilities due to banks	(20)	7,250	7,250
Bonds, notes and debentures	(20)	39	53
Other liabilities	(20)	900	1,310
Provisions	(19)	0	750
Deferred tax liabilities	(10)	285	269
Total long-term liabilities		**8,474**	**9,632**
Short-term liabilities			
Liabilities due to banks	(20)	5,939	5,336
Trade payables	(20)	5,957	5,420
Advance payments received	(20)	554	649
Other liabilities	(20)	4,644	5,543
Income tax payable	(19)	4,333	3,612
Provisions	(19)	1,957	3,501
Total short-term liabilities		**23,384**	**24,061**
Total liabilities		**65,102**	**62,293**

1) For further details please consult the corresponding section in the explanatory notes to the consolidated financial statement

CONSOLIDATED INCOME STATEMENT

– Translation of the German language –

MME MOVIEMENT AG, BERLIN
(formerly: MME Me, Myself & Eye Entertainment AG, Hamburg)

		01/01/2006 - 31/12/2006 EUR 000's	01/01/2005 - 31/12/2005 EUR 000's
Revenues		**93,434**	**87,707**
Changes in inventories		-104	-8
Other self-produced assets capitalised		0	1,484
Other operating income	(6)	2,507	3,459
Cost of materials	(7)	-76,757	-71,510
Personnel expenses	(9)	-6,151	-7,654
Other operating expenses	(6)	-4,339	-4,661
Other taxes		-2	-19
Earnings before interest, taxes, depreciation and amortisation		**8,588**	**8,798**
Depreciations	(13)	-1,604	-1,978
Earnings before interest and taxes (EBIT)		**6,984**	**6,820**
Finance revenue	(8)	173	93
Finance cost	(8)	-617	-824
Financial result		**-444**	**-731**
Profit before taxes		**6,540**	**6,089**
Income tax expenses	(10)	-1,895	-1,963
Profit for the year		**4,645**	**4,126**
thereof minority interests	(18)	-126	-26
Earnings per share in euros	(11)		
undiluted		0,40	0,38
diluted		0,40	0,37
Average shares outstanding	(11)		
undiluted		11,179,014	10,899,333
diluted		11,223,353	10,964,956

1) Weitere Angaben siehe entsprechende Ziffer im Konzernanhang

CONSOLIDATED CASH FLOW STATEMENT

– Translation of the German language –

MME MOVIEMENT AG, BERLIN
(formerly: MME Me, Myself & Eye Entertainment AG, Hamburg)

Cash-Flow (see also note (21) to the Consolidated Financial Statement)	01/01/2006 - 31/12/2006 EUR 000's	01/01/2005 - 31/12/2005 EUR 000's
Earnings before interest and taxes (EBIT)	**6,984**	**6,820**
Depreciations on film rights	0	3,114
Depreciation on other non-current assets	1,604	1,978
Additions (+) /dissolution (-) of provisions	-1,925	-487
Increase (-)/reduction (+) of:		
Inventories, accounts receivable		
And other assets	-2,020	-2,772
Increase (-)/reduction (+) of:		
Accounts payable		
And other assets	-1,217	-1,871
Interest received (+)	173	93
Interest paid (-)	-65	-322
Other non-cash expenditure (+)/income (-)	-605	-173
Outgoing payments for taxes	-454	-1,151
Operating cash flow	**2,475**	**5,229**
Incoming payments (+) from the sale of property, plant and equipment	15	31
Outgoing payments (-) for investments in property, plant and equipment	-568	-490
Outgoing payments (-) for investments in intangible fixed assets	-326	-1,578
Outgoing payments (-) for investment in financial assets	-749	0
Outgoing payments (-) from the acquisition of consolidated companies	-299	-3,136
Cash flow from investing activities	**-1,927**	**-5,173**
Incoming payments (+) from equity financing proceeds	0	3,414
Incoming payments (+) from taking out loans	0	3,250
Outgoing payments (-) for the repayment of loans	-2,000	-4,000
Outgoing payments (-) for interest in connection with loans	-533	-485
Change in short-term liabilities to banks	2,003	-544
Employee profit sharing plan (loan) contributions (+)/disbursements for the repayment (-)	-13	-17
Cash flow from financing activities	**-543**	**1,618**
Net change in cash and cash equivalents	**5**	**1,674**
Cash and cash equivalents at the start of the period	**7,676**	**6,002**
Cash and cash equivalents at the end of the period	**7,681**	**7,676**

STATEMENT OF CHANGES IN EQUITY

– Translation of the German language –

MME MOVIEMENT AG, BERLIN
(formerly: MME Me, Myself & Eye Entertainment AG, Hamburg)

	Subscribed capital EUR 000's	Capital reserve EUR 000's	Retained earnings EUR 000's	Total prior to minorities EUR 000's	Minority interest EUR 000's	Total after minorities EUR 000's
Balance as of 1 January 2004	**7,007**	**13,279**	**-11,767**	**8,519**	**-**	**8,519**
Capital increase	3,440	6,932	-	**10,372**	-	**10,372**
Consolidated income 2005	-	-	1,616	**1,616**	108	**1,724**
Minority interest	-	-	-	**-**	23	**23**
Balance as of 31 December 2004	**10,447**	**20,211**	**-10,151**	**20,507**	**131**	**20,638**
Sale of treasury stock						
Shares sold	620	-59	-	**561**	-	**561**
Earnings	-	2,841	-	**2,841**	-	**2,841**
Conversion of shares from the Employee profit sharing plan						
Converted shares	21	-2	-	**19**	-	**19**
Earnings	-	14	-	**14**	-	**14**
Increase of capital stock (registered in the register of companies on 27 February 2006)	91	409	-	**500**	-	**500**
Consolidated income 2006	-	-	4,100	**4,100**	26	**4,126**
Minority shares	-	-	-	**-**	-99	**-99**
Balance as of 31 December 2005	**11,179**	**23,414**	**-6,051**	**28,542**	**58**	**28,600**
Consolidated income 2006	-	-	4,519	**4,519**	126	**4,645**
Balance as of 31 December 2006	**11,179**	**23,414**	**-1,532**	**33,061**	**184**	**33,245**

CONSOLIDATED FINANCIAL STATEMENTS | NOTES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

– Translation of the German language –

**MME MOVIEMENT AG, BERLIN (formerly: MME Me, Myself & Eye Entertainment AG, Hamburg)
AS OF 31. DEZEMBER 2006**

(All figures are given in the reporting currency if not stated otherwise)

INFORMATION ABOUT THE COMPANY

MME MOVIEMENT AG, Berlin, (formerly: MME Me, Myself and Eye Entertainment AG, Hamburg) (hereafter – 'MME AG', Company'') was founded in Munich in 1991 as a limited liability company in Munich. By resolution of the shareholders passed on 1 December 1994, the company's head office was relocated from Munich to Hamburg. By resolution of the shareholders passed on 3 August 2000, the company was transformed into an Aktiengesellschaft (public limited company). The change in legal form was entered in the Commercial Registry on 10 October 2000. Shares of MME AG have been listed since 20 November 2000, on the Neuer Markt of the Frankfurt Stock Exchange. On 13 January 2003, a switch was made to the regulated market (General Standard) of the Frankfurt Stock Exchange. Per decision of the general meeting of 31 May 2005, the seat of the company was transferred from Hamburg to Berlin.

The premises of the company have been located since 2 January 2005 in Gotzkowskystr. 20-21, 10555 Berlin.

The business activity of the MME Group (in the following – 'MME MOVIEMENT', 'MME Group') includes the production, the distribution and exploitation of film-, television-, music- and multimedia productions by means of all print- and electronic media, as well as the marketing of artists and merchandising products. Only programmes for the entertainment category are produced. The programmes produced by MME MOVIEMENT can be divided into four programming areas within this category: fiction, non-fiction, documentaries and show/music.

MME MOVIEMENT's business model is largely shaped by so-called commissioned production. This means that in most cases the production of a television programme is commissioned at a fixed price by a TV broadcasting corporation; i.e. the recipient of the programme produced and the selling price are fixed before production begins. For producers, opportunities for additional income basically consist of agreeing ratings premiums and a stake in the proceeds of the exploitation of ancillary rights, as well as sales abroad.

PRINCIPLES AND METHODS

(1) USE OF THE INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

The consolidated financial statement of MME AG dated 31 December 2005 was structured according to the International Financial Reporting Standards (IFRS) of the International Accounting Standard Board (IASB) valid on the balance sheet date, the standards having been accepted by the EU, and takes into consideration the interpretations of the International Financials Reporting Interpretations Committee (IFRIC). It is in line with EU ruling 1606/2002 dated 19 July 2002 and was supplemented in connection with § 315a HGB (German Commercial Code) by certain details and the Group financial report. The requirements of § 315a HGB pertaining to the exemption from the obligation to produce a consolidated statement according to German law are fulfilled.

Major deviations to accounting and cost methods in German trade law are presented below:

- Recognition and measurement of financial instruments (IAS 39)
- Listing of equity transactions not affecting result (IAS 32)
- Scheduled amortizations of goodwill only up to 31 December 2003 (IFRS 3)
- Deferred tax assets on losses carried forward/ accrual of deferred tax liabilities (IAS 12)
- Capitalisation of development costs (IAS 38)
- Capitalisation of in-house productions (IAS 38)
- Accounting of work in progress according to the percentage-of-completion method for projects on order (IAS 18 and 11).
- Depreciation on a straight-line basis of low-value assets over their usual useful lifetime (IAS 16)

(2) CONSOLIDATION SCOPE

The consolidation scope of the fully and partially consolidated companies includes, besides the MME MOVIEMENT AG, Berlin as parent company, 12 domestic companies (previous year: 11 domestic companies).

The consolidation scope in 2006 was expanded as compared to the previous year by the addition of the fully-consolidated company Lunet Entertainment GmbH, Munich. With the exception of the Grundy Light Entertainment GmbH/ White Balance GmbH GbR, Hürth (pro rata consolidation), all subsidiaries were fully consolidated.

The following subsidiaries were included in the consolidated financial statement of the MME Group, in which the following shares were held:

	2006 per cent	2005 per cent	2004 per cent	First consolidation
MME Me, Myself & Eye Entertainment GmbH, Berlin	100	100	100	2001
Eye Love You TV-Produktions GmbH, Berlin	100	100	100	1995
ME, MYSELF and SOMEBODY ELSE GmbH, Berlin	51	51	51	2001
ShowNet GmbH, Berlin	100	100	100	2001
filmpool Film- u. Fernsehproduktion GmbH, Cologne	100	100	100	08/2004
Park fernsehen GmbH, Cologne	60	60	60	08/2004
DIE ANDERE Filmproduktion GmbH, Munich	100	100	100	08/2004
AllMedia Pictures GmbH, Munich	100	100	60	08/2004
AllMedia Kinoproduktion GmbH, Munich	100	100	60	08/2004
white balance GmbH, Hamburg	100	100	-	11/2005
Grundy Entertainment GmbH/White Balance GmbH GbrR Hürth	49	49	-	11/2005
Lunet Entertainment GmbH, Munich	51	-	-	04/2006

Reporting date for the subsidiaries included in the consolidated financial statement is the 31 December 2006.

Not included in the consolidated financial statement was a 2 per cent share in the Star! Entertainment Factory GmbH, Berlin.

Acquisition of Lunet Entertainment GmbH

The MME MOVIEMENT AG acquired a 51 per cent share in Blitz 06-048, with effect as of 25 April 2006.

The Blitz 06-048 GmbH acquired limited partner interests of 100 per cent in Lunet Entertainment GmbH & Co. KG, based on the purchase contract and contract of assignment of 25 April 2006. With effect on 25 April 2006 (separation agreement of 25 April 2006) the partner with unlimited liability (LUNET Film- und TV Productions GmbH) left the limited commercial partnership and the limited partner interests accrued to the Blitz 06-048 GmbH by way of singular succession. As a further step, the Blitz 06-048 GmbH was renamed Lunet Entertainment GmbH.

The acquisition costs taken into account in the consolidated financial statement for 51 per cent of the shares in Lunet Entertainment GmbH (previously Blitz 06-048 GmbH) amounted to EUR 31,692.18 (including transactions costs in connection with the acquisition).

The assets and liabilities (present values) acquired are given below. The difference between the applicable present value and the acquisition costs amounting to EUR 171,515.07 was reported in the Group balance sheet under the category “Goodwill“.

In detail, the following assets and liabilities were acquired:

	Applicable present value 2006 EUR 000's	Book value 2006 EUR 000's
Cash and cash equivalents	133	133
Trade receivables	870	870
Work in progress	26	26
Intangible assets	375	1
Property, plant & equipment	17	17
Other assets and pre-payments	117	117
Liabilities to banks	-600	-600
Trade payables	-98	-98
Liabilities owed to affiliated companies	-500	-500
Provisions	-34	-34
Other liabilities, deposits received and advance payments	-251	-251
Deferred tax liabilities	-195	-40
Acquired equity	**-140**	**-359**
Cost of acquisition	32	
Acquired equity	-140	
Difference	**172**	

As per IFRS 3, further reporting on the development of sales and profit performance for the company acquired is to be made. Assuming that the company which has been acquired had been consolidated for the entire financial year 2006, the results are as follows:

	EUR 000's
Revenue 2006	6.177
Profit for the year 2006	288
Profit for the year 2006 since acquisition	231

Shares in a joint venture

Through the purchase of white balance GmbH, the MME AG indirectly owns a share amounting to 49 per cent in Grundy Light Entertainment GmbH/ White Balance GmbH GbR, Hürth, and participates at 50 per cent in the profits of the GbR. This involves a jointly-managed company, as per IAS 31.24.

The MME AG made up the balance of its share in Grundy Light Entertainment GmbH/ White Balance GmbH GbR, Hürth by the pro rata consolidation of the corresponding items. As per IAS 31.56 the assets, liabilities, earnings and expenditures listed below are to be assigned to the Group as of 31/12/2006:

	2006 EUR 000's
Total current assets	1.007
Total non-current assets	0
Total short-term liabilities	353
Total long-term liabilities	0
Total income	2.694
Total expenses	1.996

On average, Grundy Light Entertainment GmbH/ White Balance GmbH GbR employed 35 people in the period under review.

(3) CONSOLIDATION PRINCIPLES

General Information
The same accounting and measurement principles for the same business transactions and events under similar conditions are used as a basis for the consolidated annual financial statements.

Companies which were acquired or sold during the financial year are included in the consolidated annual financial statements on a pro rata basis from the time of their acquisition or up to the time of their sale.

Full consolidation
Companies are included in the consolidated annual financial statements by means of full consolidation if the parent company directly or indirectly holds more than 50 per cent of the voting rights to this company and is able to structure the financial and business policy to its benefit. The pro rata group equity apportionable to minority shareholders and the pro rata group annual result apportionable to minority shareholders are reported separately in the consolidated annual financial statements.

Pro rata consolidation
A subsidiary in which MME AG directly holds 49 per cent of the voting rights is consolidated pro rata, as considerable influence is exerted and, according to IAS 31, it is a jointly managed company (joint venture).

Consolidation of capital
Consolidation of capital is accounted for in accordance with IFRS 2 ("Business Combinations") using the purchase method. This comprises the registration of identified assets (including those intangible assets not registered beforehand) as well as the debts of the acquired business at the applicable present value. The surplus in costs of acquisition from the company merger through to the purchaser's share of identified assets, liabilities and possible liabilities of the acquired company at applicable present value is reported under the item "Goodwill" and any negative difference is immediately included in the income statement pursuant to IRFS 3.56.

Any shares in Group companies depreciated in the individual companies are reversed again in the consolidated annual financial statements.

Consolidation of debt
Receivables, liabilities, advance payments or provisions between the included companies are eliminated (IAS 27.24).

Consolidation of expense and income
Expenses and income resulting from intergroup deliveries and performances are eliminated.

Interim result elimination
If the consolidated earnings are influenced by profits between the companies included in the Group, this interim profit is also eliminated.

(4) CURRENCY CONVERSION

The consolidated annual financial statements are prepared in their functional currency, namely the euro. The included Group companies also prepare their annual financial statements in euro. If receivables and liabilities from foreign currency transactions have to be converted, this is carried out at the period-end exchange rate. Any exchange gains or losses are treated as income.

(5) ACCOUNTING AND VALUATION PRINCIPLES

5.1 CHANGES TO ACCOUNTING AND VALUATION METHODS

The accounting and valuation methods applied the previous year have been adopted again unchanged. In addition, the Group has applied the new/revised standards that are binding for the financial years starting on or after 1 January 2006:

MME MOVIEMENT has no obligations resulting from performance-oriented plans to employees whatsoever. For this reason, the application of **IAS 19**- Employee Benefits - neither lead to any additional data, nor have any effect on the asset, financial and earnings situation.

Since 1 January 2006, the Group uses the revised version of **IAS 21**. The application of this standard has no effect on the asset, financial and earnings situation, as the Group does not maintain any business operations abroad.

In January 2005, three changes to **IAS 39**were published which are to be used for the fiscal years which began on or after 1 January 2006 for the first time. The changes affect the financial guarantees (according to the revision of IAS 39 and IFRS 4 "Financial Guarantee Contracts", financial guarantees fall solely under the scope of IAS 39), the hedging of cash flows concerning intra-Group transactions and the application of the so-called fair value option. The changes to IAS 39 do not have an effect on the Consolidated Financial Statements as of 31 December 2006.

The Group applied **IFRIC 4** (Determining whether an agreement contains a lease) for the first time on 1 January 2006. This interpretation comprises guidelines for determining whether an agreement contains a leasing relationship to which the accounting principles are to be applied. These changes to accounting and valuation principles had no effect on the asset, financial and earnings situation of the Group as of 31 December 2006.

IFRIC 5 "Rights to interests arising from decommissioning, restoration and environmental funds" as well as **IFRIC 6** "Liabilities arising from the participation in a specific market – waste electrical and electronic equipment"
due not apply to the business activities of MME MOVIEMENT and therefore have not been applied.

The following already published standards and interpretations, which do not have to be mandatory applied to financial years ending 31 December 2006, were not applied previously due to a lack of essential additional information for the reader:

		mandatory application from
IFRS 7	Financial Instruments: Disclosures	1 January 2007
IAS 1	Change – Presentation of Financial Statements	1 January 2007
IFRS 8	Operating Segments	1 January 2009
IFRIC 8	Scope of IFRS	1 May 2006
IFRIC 10	Interim Reporting and Impairment	1 November 2006
IFRIC 11	IFRS2 – Group and Treasury Share Transactions	1 March 2007
IFRIC 12	Service Concession Agreements	1 January 2008

IFRS 7 regulates the disclosure requirements of financial instruments from industrial companies as well as banks and similar financial institutions. IFRS 7 replaces IAS 30 "Disclosure in Financial Statements of Banks and Similar Financial Institutions" as well as disclosure requirements in IAS 32 "Financial Instruments: Disclosure and Reporting" and requires information, which allows those addressed in the financial statements to evaluate the significance of financial instruments for the financial situation and the earnings power of the Group as well as the type and extent and of risks resulting from these financial instruments . IFRS 7 is to be applied to fiscal years which began on or before 1 January 2007. The application of these standards will lead to a considerable expansion of information concerning financial instruments in the Notes.

Changes resulting from **IAS 1** "Presentation of Financial Statements": information resulting from this change, which allows those addresses to evaluate the goals, methods and processes of capital management. The additional disclosure requirements, which are a result of "Presentation of Financial Statements", were not taken into consideration in the Group consolidated financial statement. The changes are to be applied to fiscal years which began on or before 1 January 2007.

IFRS 8 replaces IAS 14 "Segment Reporting" and adapts the standards of IASB to the regulations of Financial Accounting Standards (SFAS) 131. IFRS 8 requires disclosure of financial and descriptive information regarding so-called "mandatory reported segments". Mandatory reported segments are either operational segments or summaries of operational segments which satisfy certain criteria. Operational segments show components of a company, on which financial information is available which are regularly examined by top management of the operational segment in order to decide how resources are to be distributed and services evaluated. Generally speaking, financial information must be reported on the basis of internal steering conceptions which are used in the evaluation of the operational segments (Management Approach). The standard is to be applied to fiscal years which began on or before 1 January 2009, and may also be applied ahead of schedule. At the time of preparation of the consolidated financial statements, the Group had not yet concluded an analysis of the effects of this change.

In **IFRIC 10** stipulates that a company may not make up for depreciation of goodwill from a held capital instrument, or of a held financial asset from cost of acquisition again in an earlier interim period, and that a company may not extend this resolution through conclusion of analogy to other segments with possible contradictions between IAS 34 and other standards. IFRIC 10 goes into effect for fiscal years beginning on or after 1 November 2006. Application ahead of schedule is recommended. It is expected that IFRIC 10 will have no effect on the consolidated financial statements.

IFRIC 11 is in response to questions raised, how IFRS 2 "Share-based compensation" is to be applied to remuneration agreements, which include company-owned equity instruments or equity instruments of another company within the Group IFRIC goes into effect for fiscal years beginning on or after 1 March 2007 and may also be applied ahead of schedule. It is expected that IFRIC 11 will have no effect on the consolidated financial statements.

The areas of application of **IFRIC 12** is limited to accounting of service licences (for examples for the operation of motorways or hospitals) from the viewpoint of the licensee and solely covers agreements with public licensers. The application of IFRIC 12 is mandatory fiscal years beginning on or after 1 January 2008. This interpretation does not apply to the business operations of the Group.

Should no special circumstances argue for early application at the point in time at which the standards are mandated to be used, the company will use the above-mentioned standards for those fiscal years which begin after the above-mentioned date. Viewed from today's standpoint, the application of these standards is not expected to have a significant effect on the Group.

5.2 ESSENTIAL ESTIMATES

Depreciation of goodwill

The Group reviews at least once a year by 31 December whether the goodwill has depreciated. A valuation test is also performed if the events or circumstances indicate that a book value should be reduced. This requires an estimate of the attainable amount of the cash-generating units, to which the goodwill is assigned. To estimate the attainable amount, the Group has to estimate the likely future cash flows from the cash-generating unit and also select an appropriate discounting rate for calculating the cash value of these cash flows. As of 31 December 2006 the book value of the goodwill came to EUR 38,256,000 (2005: EUR 38,084,000).

Deferred tax assets

Deferred tax assets are recorded for taxable losses carried forward insofar as it is likely that taxable income will be available for this in future, so that the losses carried forward can actually be utilised. The Group has evaluated existing carried forward tax losses on the basis of results in the past and the existing plans available in the Group. In doing so, only the plan results of the financial years 2007 and 2008 are taken into account. If the history of the Group company concerned did not post positive results at least in the last two years and positive income prospects did not exist, the deferred taxes on taxable losses carried forward were not capitalised.

Estimate of work in progress

When calculating the amounts to be capitalised for production which are not subject to the percentage-of-completion method and when calculating the level of completion of production where the percentage-of-completion method is applied the manufacturing costs accrued so far are shown in proportion to the expected overall production costs (cost-to-cost method).

5.3 SUMMARY OF KEY ACCOUNTING AND VALUATION METHODS

General

The preparation of the Group consolidated financial statements is primarily conducted using the cost of acquisition principle. Excluded from this are derivative financial instruments, which were valued at the applicable present value.

Reasonable commercial evaluations

The preparation of annual financial statements in compliance with International Financial Reporting Standards ('IFRS') requires the disclosure and use of estimates according to reasonable commercial evaluation. Actual results may therefore differ from such estimates.

Goodwill

The difference between the buyer's cost of the corporate acquisition and the present value of the identifiable assets and debts to be partially settled by the buyer at the time of the acquisition transaction is reported as goodwill.

The goodwill was depreciated as of 31 December 2003 over its expected useful life using the straight-line method. The depreciation period had to be stipulated at the time of the corporate acquisition on the basis of the specific circumstances of the same and could be three to twenty years.

Since 1 January 2004 the company has been applying IFRS 3 in conjunction with IAS 36 (amended 2004) and IAS 38 (amended 2004). Correspondingly scheduled depreciation of goodwill was no longer taken into account in the financial year 2006 and in the previous year. Pursuant to IAS 36 (amended 2004) the "impairment-only approach" was applied as of 31 December 2006, which did not lead to the need for a value adjustment. The four subsidiaries directly or indirectly acquired by MME AG, namely AllMedia Pictures GmbH, filmpool Film- und Fernsehproduktion GmbH, white balance GmbH and Lunet Entertainment GmbH, were viewed separately as individual "cash-generating units (CGU)" for the financial year 2006.

The cash value ("value-in-use") was calculated for the CGUs on the basis of a five-year plan with annual turnover and expense growth rates of 2 per cent and the resulting cash flow with a capitalisation interest rate for current results of 8.37 per cent (previous year: 11.7 per cent) and a capitalisation interest rate for the eternal pension of 7.30 per cent (previous year: 11.6 per cent). Within the scope of the sales budget for 2007 different probability of event assumptions were made for production to order for the individual CGUs depending on external factors. For the terminal value a 1 per cent increase in annual cash flow was assumed. This gives a 1.07 percent point reduction in the capitalisation interest rate for the terminal value compared to the years 2007-2011. The change compared to the capitalisation interest rates used in previous years is the result of a recalculation of the weighted capital costs (WACC) and a reassessment of the growth rate of cash flows in the terminal value. The current risk-free interest rates based on the 10-year federal bond were used for the new calculation. The risk premium and the beta were determined through the disclosure of figures by capital market analysts for comparable media companies. The increased growth assumption for the cash flows of the eternal pension was estimated on the basis of the reassessment of the historical growth of the CGUs.

Intangible assets

Intangible assets acquired against payment are carried at their acquisition cost minus planned and unplanned depreciation. The depreciation period and method are reviewed at the end of each financial year.

Self-produced intangible assets are capitalised if it is likely that the future economic benefit from use of the assets will flow into the company and the costs of the assets can be reliably calculated.

a. Licences and film rights

Licenses and film rights are capitalised at acquisition cost and are depreciated depending on their usage according to generated turnover.

b. Software

Costs for the purchase of new software are capitalised and reported under intangible assets unless these costs are deemed part of the relevant hardware. Software is depreciated over a useful life of 3 years using the straight-line method.

Costs which are accrued to restore or preserve the future economic benefit that a company can expect from the originally measured performance level of existing software systems are recorded as expense if the work for restoration or preservation was carried out.

c. In-house productions

For the company and for all subsidiaries included in the consolidated annual financial statements the development and manufacturing costs for the products they manufacture are capitalised and depreciated according to their level of value loss. As in-house production is not typical of the Group's business model, which mainly operates in the market via the production-to-order business model, these value reductions are reported in the income statement under Cost of Material to make comparison easier over several periods.

Property, plant and equipment

Assets in property, plant and equipment are valued in accordance with IAS 16 at their historical or production cost minus planned and unplanned depreciation. If property, plant or equipment are sold or scrapped, the corresponding historical or production costs and the accumulated depreciation are written off and a realised profit or loss from the disposal is recorded in the income statement.

The historical and manufacturing costs of property, plant and equipment include the purchase price, import duties and other non-refundable taxes as well as all directly separable costs accrued to render the asset operational. Any subsequently accrued costs, such as maintenance and upkeep costs, are recorded in terms of the effect on expenditure in the period in which they are accrued. If such costs provenly lead to an increase in the future economic benefit resulting from the asset's use and this benefit is higher than the original total output, the costs are carried as subsequent historical and production costs.

Depreciation is carried out according to the expected economic useful life:

Fixtures, fittings, tools and equipment	3 to 5 years
Vehicle fleet	3 to 5 years

The useful life and depreciation method are reviewed at the end of each financial year and adjusted accordingly should substantial changes occur in the expected economic use process.

Reduction in value of assets

For assets the impairment of the book value is reviewed at the end of each financial year if facts or changed circumstances indicate that the book value of the assets might not be achievable. If the individual amount of the asset falls below the book value, a reduction in value is recognised in income. The achievable amount is the higher amount from the net realisable price and utility value of the asset. The net realisable price is the amount achievable from the sale of an asset on the normal terms minus the sale costs. The utility value is the cash value of the estimated future cash flow that might be achieved from the continued use of an asset and its final disposal.

Write-ups on decreases with the exception of goodwill in value formed in previous years via depreciation are booked as income if there are indications that the decrease in value no longer exists or only exists to a minor extent.

Inventories

According to IAS 2, inventories are valued at the historic cost or production cost or at the lower net realisable value on the reporting date calculated from the net realisable price minus the costs accrued until completion and the necessary distribution costs. The historic and production costs are largely determined on the basis of the direct costs apportionable to the project and the pro rata production-related overheads.

Development costs are recorded as expense in the period in which they are accrued, unless development contracts exist with consignors within the scope of future productions to order, in which case the contractually covered costs are capitalised provided they relate to performances by third parties.

With respect to the recording of costs as well as the application of the POC method within the scope of commissioned productions, please refer to explanations to "Recording of earnings"

Trade receivables

Receivables are shown at nominal value. Recognisable individual risks are taken into account through a value adjustment. Receivables are written off as soon as they are unrecoverable. For the rest, please refer to "Loans and receivables" in "Financial assets"

Other assets

Other assets are shown on the balance sheet at nominal value.

Public grants

Public grants are granted to MME MOVIEMENT in the form of film subsidies and location subsidies. Film subsidies and location subsidies are granted as non-repayable subsidies, fixed-term conditionally repayable loans and non-fixed-term conditionally repayable loans. Approved grants are received in the accounting period and reported under „Other Operating Income". Pursuant to IAS 20 loans are listed as a liability with the repayment amount if it is certain or at least likely that the conditions for such a repayment may occur.

Taxes on income
The actual tax refund claims and tax liabilities for the current and previous periods were evaluated using the expected amount of refund from or payment to the tax authorities. The calculation of this figure is formed on the basis of tax rates and tax laws, which are valid at the reporting date.

Deferred taxes are determined by using the "liability method" on existing temporary differences between the carrying value of an assets or a liability in the balance sheet and the taxable carrying value as of the balance sheet date.

Deferred tax liabilities are recorded for all temporary differences to be taxed, with the exception of:

- tax liabilities from first-time use of goodwill or an asset or a liability on a transaction, which is not a merger, and at the time of the transaction, neither influences the period result in accordance with German Commercial Code, nor the result to be taxed; and
- deferred tax liabilities from temporary differences to be taxed, which are related to shares in subsidiaries and shares in joint ventures, if the chronological development of the conversion of temporary differences can be controlled, and it is possible that temporary differences in the near future will not be converted.

Deferred tax liabilities for all deductible temporary differences, unrealised taxable loss carryovers and unrealised tax credits are recorded in the extent in which it is probable that the income to be taxed is available, against which the deductible temporary differences and the unrealised loss carryovers and tax credits can be used, with exception of:

- tax assets from first-time use of goodwill or an asset or a liability on a transaction, which is not a merger, and at the time of the transaction, neither influences the period result in accordance with the German Commercial Code, nor the earnings to be taxed; and
- deferred tax assets from temporary differences to be taxed, which are related to shares in subsidiaries and shares in joint ventures, if it is probable that the temporary differences will no be converted in the near future and insufficient earnings to be taxed are not available, against which temporary differences can be used.

The book value of deferred taxes are examined on that reporting date and reduced by the amount, in which it is no longer probable, that sufficient earnings to be taxed will be available, against which the deferred tax asset can be used at least partially. Unreported deferred taxes are examined on that reporting date and recorded in the amount, in which it becomes probable, that future earnings to be taxed allow for the realisation of a deferred tax asset.

Deferred tax assets and liabilities are evaluated using the tax rate, whose validity is expected for the period, in which an asset is realised or a liability is fulfilled. During which, the tax rates and tax laws form the basis which are valid at the reporting date

Cash and cash equivalents
In the financial year 2006 the cash and cash equivalents include bank balances and cash in hand and are listed at their nominal value.

Treasury shares
According to IAS 32, treasury shares do not have to be capitalised, but reported as a deduction from shareholders' equity. The purchase, sale, issue or redemption of treasury shares is not treated as income.

Share-based payments
Members of the Board of Management, the management of affiliated companies and employees are granted share-based payments offset by equity instruments (share options), which are listed in the balance sheet as "Share-based Payments" in accordance with the requirements of IFRS 2.

These share-based payments are valued on the commitment date at the applicable present value calculated on the basis of the Black Scholes Options Price Model. The applicable present value of the share option determined on the commitment date is recorded via the qualifying period in the income statement as expenditure using the straight-line method with a corresponding counter entry in the shareholders' equity (under "Capital Reserves"). The intergroup estimate for the number of expected exercisable share options serves as a basis. This estimate is reviewed and corrected at regular intervals if information indicates that the number of expected exercisable share options differs from the previous estimate. Necessary adjusted entries are charged in full against earnings in the period of the amended estimate.

Minority interests
Minority interests include the share of minorities in the net assets of a consolidated subsidiary at the time of the original merger and the share of minorities in the shareholders' equity of the consolidated subsidiary since the date of the merger.

The losses of a consolidated subsidiary apportionable to the minorities may exceed the share of the minorities in the net assets of a consolidated subsidiary. The excess amount and any additional loss accrued to minority shares has to be offset against the majority share in the Group's equity depending on the extent to which the minorities are, on the one hand, obliged and, on the other hand, able to offset the losses. If the subsidiary reports profits at a later date, these have to be allocated to the majority in full until the minorities' share of the losses previously accepted by the majority has been refunded.

Liabilities to banks
Liabilities to banks include long-term and short-term liabilities to banks and are shown at nominal value.

Tax provisions
Tax provisions refer to outstanding liabilities for corporation and trade earnings tax as well as solidarity surcharge.

Provisions
According to IAS 37, other provisions are formed for legal or actual obligations economically arising by the reporting date if it is likely that the fulfilment of the obligation will lead to an outflow of Group funds and a reliable estimate of the size of the obligation can be made. Provisions are checked on each balance sheet date and adjusted to the current situation.

Trade payables and other liabilities
Trade payables are valued at the amount repayable. Interest-free liabilities are shown at their cash value.

Advance payments received
Advance payments received are shown at their nominal value.

Recognition of revenues
Revenues are realised if it is likely that the economic benefit from the business will flow into the Group and the size of the revenues can be reliably determined. The reve-

nues are reported net without turnover tax and discounts if the performance or delivery has been carried out and the risk has passed to the performance recipient or buyer.

Series television productions (commissioned productions) which are by order of a third party, are balanced pursuant to IAS 18 in connection with IAS 11 according to the percentage-of-completion method (POC) This means that realisation of turnover and earnings is carried out according to the progress of productivity, For an order of several series, the degree of production to be recorded is determined principally after completion of a physical part of the contract. The degree of production to be recorded is determined for single projects by the cost-to-cost method, by which the accrued production costs are set in relation to anticipated total production costs. If the accumulated services exceed the advance payment received, an entry is made in accounts receivable in the amount of the difference. Earnings and costs are determined according to the progress of productivity on the reporting date each as turnover and expenses. If the amount for the total of anticipated expenses exceeds the amount of anticipated earnings, the anticipated loss in contract is considered under provisions. Revenues to be recorded pursuant to IAS 11.39 from commissioned productions amount to EUR 91,915,000 (previous year: EUR 84,460,000). The accrued costs for running projects (IAS 11.40) amounted to EUR 7,710,00 (previous year: EUR 4,598,000) as of the reporting date. Earnings totalling EUR 573,00 (previous year EUR 448,00) were achieved with these projects.

Licence income is recorded on an accrual basis in compliance with the provisions of the underlying contract.

Interest income is recorded if interest has been accrued.

Cost of debt
Costs of debt are recorded as expenditure in the period in which they are accrued.

Financial investments and other financial assets
Financial assets in the sense of IAS 39 are classified depending on the particular case as financial assets valued at the applicable present value and charged to income, as loans and receivables, as financial investments held until final maturity or as financial assets available for disposal.

Financial assets valued at the applicable present value and charged to income
Financial assets which are held for trading purposes are included in the category „financial assets valued at the applicable present value and charged to income". Financial assets are then classified as being held for trading purposes if they have been acquired

for the purpose of a short-term sale. Derivative financial instruments are also classified as financial assets held for trading purposes unless they are intended for hedging purposes and are used effectively. Profits or losses arising from financial assets held for trading purposes are treated as income.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or definable payments which do not have a listed market price on an active market. Such assets are valued at their continued cost of acquisition using the effective interest rate method. Profit or losses are treated as income if the loans and receivables are written off, depreciated or amortised.

Bonds are valued taking into consideration the best possible estimate of the exercising of conversion rights and the use of the effective interest rate method. The share of equity capital determined by applying a interest rate usual in the market is transferred to capital reserves minus the accrued costs for the bond.

The company's key financial instruments include loans and current account credit as well as cash funds. These financial instruments are used for current business activities and the acquisition of companies.

A financial asset is written off if one of three conditions is met:

- The contractual rights to cash flows from a financial asset have expired.
- The Group retains the contractual rights to the drawing of cash flows from financial assets, but does accept a contractual obligation to pay the cash flows without considerable delays to a third party within the scope of an agreement that meets the conditions in IAS 39.19.
- o The Group has transferred its contractual rights to cash flows from a financial asset and has (a) essentially transferred all risks and opportunities connected to ownership of the financial asset or has (b) essentially neither transferred nor retained all the risks and opportunities connected with ownership of the financial asset, but has transferred the authority to dispose of the asset.

A financial liability is written off if the obligation which forms the basis for this liability has been met or cancelled or has expired.

Derivative financial instruments and hedging transactions
The Group uses derivate financial instruments (IAS 39), such as interest rate swaps, to hedge against interest risks. These derivative financial instruments are initially listed

at their applicable present values on the date on which the corresponding contract is concluded and subsequently revalued at their applicable present values. Derivative financial instruments are listed as assets if their applicable present value is positive and as debts if their applicable present value is negative.

The applicable present value of interest rate swap contracts is calculated by referring to the market values of similar instruments.

Leasing relationships

In the financial year 2006 only operating leasing contracts existed. The lease payments within an operating leasing relationship, where the essential risks and opportunities from the asset remain with the lessor, are recorded as expenditure in the income statement.

Contingent liabilities

Contingent liabilities are disclosed provided the possibility of an outflow of resources is not unlikely.

Business transactions after the balance sheet date

Business transactions which became known after the balance sheet date, but arose economically by the reporting date, are included in the consolidated annual financial statements. Essential business transactions which arose economically after the balance sheet date are explained.

NOTES ON INCOME STATEMENT

(6) OTHER INCOME AND EXPENSES

Other operating income

The Other operating income is made up as follows:

	2006 EUR 000's	2005 EUR 000's
Compensation from insurance claims	727	441
Income from film subsidy	550	1,713
Income from release of provisions	387	71
Income from Berlin location subsidy	236	817
Income from the write-off of liabilities	15	81
Income from cost transfers to third parties		
- fixed assets	5	31
- current assets	10	38
Other	577	267
	2,507	**3,459**

Income not attributable to the accounting period in the amount of EUR 390,000 (previous year: EUR 103,000) is included in the Other operating income.

The decline in income from film subsidies is due to a reduced volume of projects supported by film subsidy bodies. The Berlin location fund depends on the size of the investments made at the location. According to budget less was invested in 2006 than in the relocation year 2005. The insurance recovery relates exclusively to expenditure within the scope of implementing productions. The income from the release of provisions mainly contains the release of a provision for anticipated losses, which was formed in 2005.

Other operating expenses
The Other operating expenses are made up as follows:

	2006 EUR 000's	2005 EUR 000's
Legal and consulting fees	793	1.260
Advertising and travel expenses	734	400
Occupancy cost	686	926
Value adjustments to receivables	408	65
Investor relations	250	317
Vehicle expenses	201	134
Other taxes, insurances, contributions	192	202
Communication expenses	118	210
Outside services	105	112
Maintenance expenses	85	26
Personnel recruitment and training	41	222
Architect fees Berlin	0	115
Other	726	672
	4.339	4.661

Expenses not attributable to the accounting period in the amount of EUR 5,000 (previous year: EUR 77,000) are included in the Other Operating Expenses.

Auditing and consulting fees
The auditor's fee recorded in the financial year as expenditure for the audit of the annual financial statements in 2006 is EUR 158,000 (previous year: EUR 188,000), for tax advisory services EUR 120,000 (previous year: EUR 91,000), for other certification services EUR 0,000 (previous year: EUR 20,000) and other services EUR 16,000 (previous year: EUR 54,000).

(7) MATERIAL EXPENSES (FILM EXPENSES)

The MME Group reports in this item all directly connected expenses for productions to order and in-house productions.

The material expenses therefore include all expenses for employees deployed on a project-related basis to the sum of EUR 18,161,000 (previous year: EUR 16,279,000). On the balance sheet date 518 (previous year: 412) employees worked on a project-related basis in the Group.

In the financial year 2005, consumption-related depreciation in connection with in-house production was attributed to material expenses (EUR 3,114,000). In 2006, no consumption-related depreciation due to in-house production is to be reported.

(8) FINANCIAL RESULT

The financial result breaks down as shown below:

	2006 EUR 000's	2005 EUR 000's
Interest and similar income		
Other interest income	173	93
	173	**93**
Interest and other expenses		
Interest expenses, long-term	-437	-353
Interest expenses, short-term	-173	-385
Incidental expenses from raising loans	0	-66
Risk expenses interest swap	-7	-3
	-617	**-807**
Depreciation of financial assets	0	-17
Financial results	**-444**	**-731**

(9) EXPENSES FOR EMPLOYEE BENEFITS

Personnel expenses are made up as follows:

	2006 EUR 000's	2005 EUR 000's
Salaries and wages		
- thereof fixed salaries and wages	4.391	4.443
- thereof variable salaries and wages	1.063	2.399
	5.454	**6.842**
Social security contributions	697	812
	6.151	**7.654**

The number of employees on the balance sheet date has developed as follows:

	31/12/2006	31/12/2005
	587	549

On the balance sheet date, 518 people were employed on a project basis (previous year: 412), whereas a total of 69 people were employed on a cross-project basis in development and administration (previous year: 77). The Group employed a total of 50 interns, apprentices and trainees (previous year: 60) on the balance sheet date.

For the 2006 fiscal year on average, 620 people were employed (previous year: 575).

(10) INCOME TAX EXPENSES

The paid or owed taxes on income and earnings as well as deferred taxes are shown as income tax expenses.

The income tax expenses are made up as follows:

	2006 EUR 000's	2005 EUR 000's
Taxes on income	-1.610	-2.144
Deferred tax expenses/ income	-285	181
Reported tax expenses	**-1.895**	**-1.963**

The **taxes on income** are composed of corporation tax, trade tax and solidarity surcharge. The earnings tax rate used as a basis of 39.6 per cent (previous year: 39.6 per cent) takes account of the corporation tax rate for 2006 of 25 per cent, the solidarity surcharge of 5.5 per cent – relating to the payable corporation tax – and an average trade tax rate of 18.02 per cent (previous year: 17.9 per cent). The average Group tax rate is calculated taking into account the profit shares of the individual operational facilities. On the basis of the verification completed in the framework of the external tax audit, the provision for taxation built up in the previous year by MME MOVIEMENT AG, to the amount of EUR 3,235,000, was reduced by EUR 502,000, to EUR 2,733,000.

The **deferred tax expenses** were formed in accordance with IAS 12 using the "liability method" for temporary differences between the taxable values and the book values of assets and liabilities according to IFRS and on taxable losses carried forward provided a positive profit forecast exists.

The calculation was made on the basis of the tax rates applicable to the respective company contingent upon the location.

The difference between the expected tax expenditure, taking into account the average Group tax rate, and the actual tax expenditure can be calculated as follows:

MME MOVIEMENT

	2006 EUR 000's	2005 EUR 000's
Profit before taxes on income	**6,540**	**6,089**
Expected tax expenses by applying average consolidated tax rate (Tax rate 2006: 39.65%, in prev. year: 39.60%)	-2,593	-2,411
Tax increases due to non-deductible expenses	139	-50
Omission to activate deferred taxes on tax loss carry-forward	-339	-244
Use of non-capitalised tax loss carry-forward	155	64
Tax refund/tax back payment for previous years	570	0
Tax increases/ decreases due to differing tax rates of Group companies	-27	-23
Tax effects from spinning off the operative business of MME AG to MME GmbH	308	727
Other effects from taxes	-108	-26
Reported tax expenses	**-1,895**	**-1,963**

Deferred taxes have developed as follows:

Deferred tax assets	31/12/2005 EUR 000's	First conso-lidation EUR 000's	Income(+)/ Expense(-) EUR 000's	31/12/2006 EUR 000's
Deferred taxes on taxable losses carried forward	536	0	-464	72
Deferred taxes in connection with the spin off of the operative business of MME AG to MME GmbH	540	0	0	540
	1.076	**0**	**-464**	**612**

The deferred tax assets on losses carried forward fell by EUR 464,000 compared to the previous year. Due to the very positive results of MME Me, Myself & Eye Entertainment GmbH, Berlin the tax loss carry-forward of this company was used nearly to the full extent.

The taxable losses carried forward as of 31 December 2006 come to EUR 35.242,000 for corporation tax and solidarity surcharge and EUR 3,246,000 for trade tax (previous year: EUR 5,042,000 for corporation tax and solidarity surcharge and EUR 5,083 for trade tax), which are available to the Group for offsetting against future taxable results of companies taking into account the minimum taxation. No deferred taxes tax assets were formed on tax loss carry-forward of EUR 3,059,000 (previous year: EUR 3,692,000) for corporation tax and EUR 3,062,000 (previous year: EUR 3,733,000) for trade tax.

There is no time restriction on the carry forward of the losses. The tax loss carry-forward and the previous usage of tax loss carry-forward are however subject to a final inspection by the responsible fiscal authorities and should therefore be seen as provisional. It cannot be ruled out that changes might occur with regard to the taxable losses carried forward within the scope of external tax audits.

Capitalised goodwill in individual annual financial statements has led to a residual, temporary difference of EUR 6,162,000 (previous year: EUR 7,530,000), which will be offset by 2018. For a partial sum amounting to EUR 1,367,000 (previous year: EUR1,367,000), deferred tax assets to the amount of EUR 540,000 (previous year: EUR 540,000) were formed.

Deferred tax liabilities	31/12/2005 EUR 000's	First conso-lidation EUR 000's	Income(-)/ Expenses(+) EUR 000's	31/12/2006 EUR 000's
Deferred taxes on non-current assets	3	0	0	3
Deferred taxes on trade receivables	14	0	-14	0
Deferred taxes on capitalised in-house movie productions	15	0	-15	0
Deferred taxes on differences in balance sheet items due to percentage-of-completion method	287	40	138	465
Deferred taxes on the different recording of private contributions allowed expenses	-144	0	-39	-183
Deferred taxes on capitalised order in hand in the scope of the first consolidation of white balance GmbH	94	0	-94	0
Deferred taxes on capitalised order in hand in the scope of the first consolidation of Lunet Entertainment GmbH	0	155	-155	0
	269	**195**	**-179**	**285**

(11) EARNINGS PER SHARE

Earnings per share are presented in accordance with IAS 33 “Earnings per Share”. Undiluted earnings per share are determined by dividing the earnings for the period to which common shareholders are entitled by the weighted average of common shares outstanding during the reporting period. Diluted earnings per share is determined by dividing the earnings for the period to which common shareholders are entitled by the weighted average of authorised common shares both issued and unissued during the reporting period. Convertible bonds are treated as if they had been converted into common shares on their issue date.

The earnings per share are represented as follows:

		2006	2005
Net profit for the year (after minority shares)	EUR 000‘s	4,519	4,100
Weighted number of shares (undiluted)	Number	11,179,014	10,899,333
Earnings per share	**EUR**	**0,40**	**0,38**
Weighted shares (diluted)	Number	11,223,353	10,964,956
Earnings per share	**EUR**	**0,40**	**0,37**

The transition of the number of shares is represented as follows:

Transition (undiluted)		2006	2005
Shares issued as of 1 January	Number	11,179,014	10,447,105
Issuing of shares within the scope of the employee incentive scheme	Number	0	21,000
Sale of treasury shares	Number	0	620,000
Capital increase through contributions in kind	Number	0	90,909
Shares issued as of 31 December	Number	11,179,014	11,179,014
Time weighted average number of shares issued	Number	11,179,014	10,899,333

Transition (diluted)		2006	2005
Potential shares as of 1 January	Number	52,700	91,000
Issuing of convertible bonds	Number	0	-
Repurchase of convertible bonds	Number	-13,325	- 38,300
Potential shares as of 31 December	Number	39,375	52,700
Time weighted average number of potential shares	Number	44,339	65,623
Time weighted average number of potential shares and shares issued	Number	11,223,353	10,964,956

NOTES ON THE BALANCE SHEET

(12) GOODWILL

The item goodwill performed as follows:

	2006 EUR 000's	2005 EUR 000's
Cost of acquisition as of 1 January	**38,084**	**33,473**
Additions	172	4,611
Cost of acquisition as of 31 December	**38,256**	**38,084**

In order to ascertain the level of goodwill attributable to the four subsidiaries AllMedia Pictures GmbH, filmpool Film- und Fernsehproduktion GmbH, white balance GmbH and Lunet Entertainment GmbH acquired directly and indirectly by MME AG, please refer to note (5.3).

The goodwill reported as of 31 December 2006 involved the following:

moviement GmbH (now: filmpool Film- und Fernsehproduktion GmbH)
The amount shown in the balance sheet totalling EUR 33,473,000 was generated via the takeover of 100 per cent of the shares in moviement GmbH as well as in its direct and indirect subsidiaries in 2004. Goodwill was increased by EUR 925,000 in 2005 due to the seller's variable purchase price claim asserted for this amount (EUR 900,000) as well as to retrospective ancillary purchase costs (EUR 25,000). In the year under review, goodwill remained unchanged at this level.

white balance GmbH
The amount shown in the balance sheet totalling EUR 3,499,000 was generated via the takeover in 2005 of 100 per cent of the shares in white balance GmbH as well as of its direct stake in Grundy Light Entertainment GmbH /White Balance GmbH GbR. No changes occurred in the year under review.

AllMedia Pictures GmbH
The amount shown in the balance sheet totalling EUR 187,000 was generated via the takeover in 2005 of a further 40 per cent stake in AllMedia Pictures GmbH from the

previous minority shareholders. As of 31 December 2006, the level of goodwill was unchanged.

Lunet Entertainment GmbH
In the year under review, the takeover of the shares in Lunet Entertainment GmbH (formerly Blitz 06-48 GmbH) generated further goodwill amounting to EUR 172,000. Please refer to note (2) for more detailed information on the individual amounts.

(13) INTANGIBLE ASSETS AND PROPERTY, PLANT AND EQUIPMENT

The intangible assets encompass in particular the disclosed, hidden reserves of contracted, yet unfulfilled order production agreements at the time of company acquisitions. The hidden reserves generated in 2005 from the acquisition of white balance GmbH, Hamburg as well as those identified in the year under review from the acquisition of Lunet Entertainment GmbH, Munich were written off in full as of 31 December 2006 as all the underlying orders were fulfilled and accepted by the customer concerned in 2006.

In the case of property, plant and equipment, these were attributable primarily to operating and office equipment as well as to vehicles.

The development of non-current assets at MME Group in the 2005 and 2006 financial years is shown in the asset survey as follows:

	Intangible assets EUR 000's		Goodwill EUR 000's	Property, plant and equipment EUR 000's	Financial assets EUR 000's	Total EUR 000's
Cost of acquisition as of 1 January 2005	**7,099**		**33,473**	**5,231**	**17**	**45,820**
Additions	1,576		0	490	0	2,066
Additions from first consolidation	346	1)	4,611	65	0	5,022
Disposals	20		0	252	0	272
Cost of acquisition as of 31 December 2005	**9,001**		**38,084**	**5,534**	**17**	**52,636**
Cumulative depreciation as of 1 January 2005	**3,687**		**0**	**4,357**	**0**	**8,044**
Depreciation for the fiscal year	4,759	2), 3)	0	333	0	5,092
Additions from first consolidation	4		0	30	0	34
Extraordinary depreciation for the fiscal year	0		0	0	17	17
Reclassification	-39		0	39	0	0
Disposals	19		0	204	0	223
Cumulative depreciation as of 31 December 2005	**8,392**		**0**	**4,555**	**17**	**12,964**
Book value as of 31 December 2005	**609**		**38,084**	**979**	**0**	**39,672**
Cost of acquisition as of 1 January 2006	**9,001**		**38,084**	**5,534**	**17**	**52,636**
Additions	326		0	569	749	1,644
Additions from first consolidation	375	4)	172	17	0	564
Disposals	7		0	380	0	387
Cost of acquisition as of 31 December 2006	**9,695**		**38,256**	**5,740**	**766**	**54,457**
Cumulative depreciation as of 1 January 2006	8,392		0	4,555	17	12,964
Depreciation for the fiscal year	374		0	444	0	818
Extraordinary depreciation for the fiscal year	412	5)	0	0	0	412
Additions from first consolidation	374	4)	0	0	0	374
Disposals	7		0	365	0	372
Cumulative depreciation as of 31 December 2006	**9,545**		**0**	**4,634**	**17**	**14,196**
Book value as of 31 December 2006	**150**		**38,256**	**1,106**	**749**	**40,261**

1) of which EUR 290,000 in future profits from the order inventories of white balance GmbH and its affiliated company at the time of the takeover as well as EUR 48,000 in future profits from the order inventories of AllMedia Pictures GmbH and its subsidiary at the time of the takeover of the outstanding 40 per cent stake held by minority shareholders
2) of which EUR 1,460,000, EUR 58,000 and EUR 48,000 in future profits from the order inventories of moviement GmbH, white balance GmbH and AllMedia Pictures GmbH and their respective subsidiaries and affiliated companies (included in the write-downs undertaken in the given financial year)
3) including write-downs from in-house productions amounting to EUR 3,114,000, which were recorded under cost of materials in the income statement for the purposes of enhanced comparability.
4) An amount totalling EUR 374,000 was attributable to the order inventories of Lunet Entertainment GmbH at the time of the acquisition in April 2006. By the end of the financial year, the underlying production order had been completed and the asset written off accordingly.
5) Extraordinary depreciation and amortisation primarily affect in-house productions (EUR 175,000) as well as co-productions (EUR 237,000). The expense is recorded in the income statement under depreciation and amortisation.

Financial assets

With the sale and purchase agreement dated 23 November 2006, MME MOVIEMENT AG acquired all shares in time 2 Talk productions GmbH, Potsdam, with effect from 31 December 2006 according to the following provisos:

- With effect from 31 December 2006, the sellers each sell and transfer their shares to MME MOVIEMENT AG, who however assumes the transfer upon the commencement of the 2007 fiscal year.

- MOVIEMENT AG irrevocably authorises the purchasers to exercise their voting rights jointly on the acquired shares in time 2 talk productions GmbH at their own discretion and use of commercial diligence. The authority is limited to the expiry of 1 January 2007.

Due to the contractual provision, the control principle takes effect from 1 January 2007, at which time the company will be incorporated in the Group consolidated financial statements.

The proportionate financing of the transaction attributable to the 2006 fiscal year amounts to EUR 725,000 plus accrued transaction costs amounting to EUR 23,634.02. The down payment made is listed under financial assets at 31 December 2006. The total purchase price is determined by four times the average earned EBIT of time 2 talk Entertainment GmbH upon expiry of a three-year earn out period. MME MOVIEMENT can pay 15 per cent of the total purchase price in shares.

Within the framework of the registration with the Commercial Registry on 13 January 2007, time 2 talk productions GmbH was renamed to time 2 talk Entertainment GmbH.

Based on a provisional estimate, the following assets and liabilities were accrued:

	Applicable present value 2006 EUR 000's	Book value 2006 EUR 000's
Cash and cash equivalents	2	2
Trade receivables	358	358
Work in progress	25	25
Intangible assets	159	2
Property, plant & equipment	46	46
Other assets and advance payments	86	86
Liabilities to banks	-11	-11
Trade payables	-420	-420
Provisions	-13	-13
Other deposits received and advance payments	-17	-17
Deferred tax liabilities	-73	-11
Acquired equity	142	47
Cost of acquisition	749	
Acquired' equity	142	
Difference	**607**	

(14) TRADE RECEIVABLES

The trade receivables include receivables arising from the application of the percentage-of-completion method amounting to EUR 4,408,000 (EUR 2,591,000 in the previous year).

The term to maturity of the trade receivables is less than one year.

(15) OTHER ASSETS

The other assets all have a residual term to maturity of up to one year and comprise the following:

	2006 EUR 000's	2005 EUR 000's
Insurance compensation	410	100
Tax refund entitlements	280	675
VAT refund entitlements	222	207
VAT tax refund entitlements from abroad	177	0
Film subsidies	95	258
Security deposits	88	52
Collecting society for movie and television companys (VFF)	62	0
Berlin location subsidy	39	395
Travel expense advances / receivables from employees	33	26
Receivables from companies with which a joint venture exists in accordance to IAS 31	0	52
Creditors with debit balance	18	31
Advance payments	0	0
Receivables from offsetting production funds	0	108
Other	173	179
	1,597	**2,083**

The tax refund entitlements are primarily attributable to dividends, interest income and capital gains tax paid as well as solidarity surcharge payments, which are refunded or offset by the tax authorities as part of the tax return process.

In the case of the film subsidy and the Berlin location subsidy, these are grants that have been approved but not yet paid.

The insurance compensations are based on the standard insurance cases occurring in connection with production work, whereby none of the insurance compensation had been paid as of financial year-end.

The high VAT refund entitlements from production activities abroad in 2006 are being filed by way of the value-added tax reimbursement process.

(16) CASH AND CASH EQUIVALENTS

	2006 EUR 000's	2005 EUR 000's
Cash funds and credit balance with credit institutions	7,681	7,676

Credit balances held with banks earn interest at the variable rates payable on balances due daily.

As of 31 December 2006, the group had access to credit lines for operating funds amounting to EUR 750,000 (EUR 300,000 in the previous year) and for project funding totalling EUR 20,700,000 (previous year: EUR 13,155,000), of which use was made of a total amounting to EUR 3,939,000 (previous year: EUR 1,336,000).

(17) EQUITY

Please refer to the separate statement of change in equity for more detailed information on equity.

The key changes in equity are as follows:

Subscribed capital
The subscribed capital amounted to EUR 11,179,014 as of 31 December 2006 and, as such, was unchanged over that of the previous year. Company equity instruments ("treasury shares") are deducted from equity as in the previous year. The company holds 1,895 treasury shares (EUR 1,895).

Capital reserve
The capital reserve amounted to EUR 23,414,000 as of 31 December 2006 (previous year: EUR 23,414,000).

Authorised share capital
By way of the resolution passed at the general shareholders' meeting on 21 June 2002, the management board was authorised to increase the company' share capital, given supervisory board approval, on a one-off basis or on multiple occasions by a total of EUR 3,825,000.00 via the issue of new, bearer-denominated shares without a nominal

value but with a share of the subscribed capital calculated at EUR 1,00 per share in return for cash or non-cash contributions in the period up until 20 June 2007 (Authorised Subscribed Capital 2002). Of the Authorised Subscribed Capital 2002, use has been made of a total of EUR 3,440,000.00 via capital increases in connection with the sale of moviement GmbH.

The remaining amount of authorised subscribed capital totalling EUR 385,000 (Authorised Subscribed Capital 2002) lapsed via the resolution passed at the MME AG general shareholders' meeting on 31 May 2005. At the same general shareholders' meeting, the management board was authorised to increase the company's share capital, given supervisory board approval, on a one-off basis or on multiple occasions by a total of EUR 5,545,000.00 via the issue of new, bearer-denominated shares without a nominal value but with a share of the subscribed capital calculated at EUR 1.00 per share in return for cash or non-cash contributions (Authorised Subscribed Capital 2005).

In connection with the takeover of white balance GmbH, use was made of an amount of the Authorised Share Capital 2005 totalling EUR 90,909. As such, the Authorised Share Capital 2005 remains unchanged on the balance sheet date at an amount totalling EUR 5,454,091.

Contingent capital

The Contingent capital amounted to EUR 750,000 as of 31 December 2006. Shareholder subscription rights are excluded in this respect. Contingent capital is intended to be used for the issue of convertible bonds. Entries for "employee incentive schemes" are recorded in note (25).

	2006 EUR 000's	2005 EUR 000's
Convertible bonds (contingent capital I)	250	250
Convertible bonds (contingent capital II)	500	500
As of 31 December 2006	**750**	**750**

(18) MINORITY INTERESTS

As of 31 December 2006, third parties held minority interests in the consolidated companies ME, MYSELF and SOMEBODY ELSE GmbH, Hamburg, amounting to 49 per cent, in Park fernsehen GmbH, Cologne, amounting to 40 per cent and in Lunet Entertainment GmbH, Munich, amounting to 49 per cent.

	2006 EUR 000's	2005 EUR 000's
As of 1 January	**58**	**22**
Additions from first consolidation activities	0	9
Share in net profit	126	27
As of 31 December	**184**	**58**

(19) PROVISIONS

	01/01/2006 EUR 000's	Additions 25/04/2006 Lunet Entertainment GmbH EUR 000's	Usage EUR 000's	Releases EUR 000's	Additions EUR 000's	31/12/2006 EUR 000's
Income tax liabilities	**3,612**	**34**	**205**	**502**	**1,394**	**4,333**
Provisions						
Bonuses, remuneration and other personnel costs	2,252	0	2,235	18	1,150	1,149
Earn out white balance	750	0	0	750	0	0
Purchased services	491	0	238	4	50	299
Profit participations	185	0	0	185	0	0
Annual General Meeting	70	0	50	20	65	65
Compensation/ redundancy scheme	31	0	25	0	75	81
Other	472	0	328	106	325	363
Total provisions	**4,251**	**0**	**2,876**	**1,083**	**1,665**	**1,957**
Total amount	**7,863**	**34**	**3,081**	**1,585**	**3,059**	**6,290**

Bonuses and share in profits were proposed by the management for each company within the possible limits. The actual amounts to be paid out have not been determined due to lack of approval by the Supervisory Board as of the period in which the balance sheet was drawn up.

The incurred earn-out liability of MOVIEMENT AG in the amount of EUR 750,000 due to the acquisition of white balance GmbH has been sufficiently defined and is for this reason listed under other liabilities as of 31 December 2006.

The provisions for purchased services fundamentally include estimated amounts for production services in the year under review.

The provisions all have a residual term to maturity of less than one year.

(20) LIABILITIES

	< 1 year EUR 000's	1-5 years EUR 000's	> 5 years EUR 000's	2006 total EUR 000's
Bonds, notes and debentures	0	39	0	39
(previous year)	(0)	(53)	(0)	(53)
Liabilities to banks	5,939	7,250	0	13,189
(previous year)	(5,336)	(7,250)	(0)	(12,586)
Advance payments received	554	0	0	554
(previous year)	(649)	(0)	(0)	(649)
Trade payables	5,957	0	0	5,957
(previous year)	(5,420)	(0)	(0)	(5,420)
Other liabilities	4,644	900	0	5,544
(previous year)	(5,543)	(1,310)	(0)	(6,853)
Total	**17,094**	**8,189**	**0**	**25,283**
	(16,948)	**(8,613)**	**(0)**	**(25,561)**

Bonds
In the case of the above, these are convertible bonds issued as of 31 December 2006. Please refer to note (25) for further details.

Liabilities to banks
In connection with the acquisition of all the shares in moviement GmbH, Munich (now filmpool Film- und Fernsehproduktion GmbH, Cologne) and white balance GmbH, Hamburg, MME AG took out an acquisition loan which amounted at EUR 9,250,000 on the balance sheet date (previous year: EUR 11,250,000)

In accordance with the maturity of the loan, EUR 7,250,000 (previous year: EUR 7,250,000) were recorded under long-term liabilities and EUR 2,000,000 (previous year: EUR 4,000,000) under short-term liabilities.

As customary in the industry, the loan carries approx. 6 per cent p.a. interest and is amortised on a straight-line basis until 30 June 2011. In the fiscal year 2006, EUR 2,000,000 (previous year: EUR 4,000,000) was repaid.

The credit contracts for the acquisition funding in respect of moviement GmbH (now filmpool Film- und Fernsehproduktion GmbH) and white balance GmbH foresee covenants customary in the industry that serve as indicators for the banks in terms of the creditworthiness of MME MOVIEMENT Group and, as such, of the company as a borrower. The covenants concerned are parameters indicating both the company's profitability and its equity ratio as set out in the consolidated annual financial statements.

Collateral in the form of shares in the companies taken over were pledged to the banks providing the loans. The book value of these shares held by MME MOVIEMENT AG amount to EUR 32,745,000 for the former moviement GmbH (now filmpool Film- und Fernsehproduktion GmbH) and EUR 4,374,000 for white balance GmbH in accordance with the German Commercial Code. Changes against the previous year have not resulted.

Moreover, the short-term liabilities also include the temporary usage of credit lines for project funds and operating funds amounting to EUR 3,939,000 (previous year: EUR 1,336,000).

Advance payments received

The advance payments received are attributable to payments made by broadcasters for film projects that are in production but have not yet been delivered, which could not yet be realised as sales revenue in accordance with the percentage-of-completion method.

Other debts

Other debts amounting to EUR 900,000 (previous year: EUR 1,200,000), have a residual term to maturity of more than one year. These include in particular the debts arising from the earn-out obligation vis-à-vis the former shareholders of moviement GmbH (now: filmpool Film- und Fernsehproduktion GmbH) and the agreements concluded in connection herewith.

	2006 EUR 000's	2005 EUR 000's
Earn out in connection with the acquisition of the moviement Group	1,200	1,200
Liabilities from outstanding invoices	1,168	2,235
Earn out in connection with the acquisition of white balance GmbH	750	0
Wage tax	691	663
Holiday, overtime, salaries and wages	282	298
Liabilities from contributions to social security	228	610
Liabilities to companies with which there is a joint venture in accordance with IAS 31	176	48
Building cost allowance	110	270
Creditors with debit balance	33	33
Other tax liabilities	25	150
Liabilities due to the revenue office (income tax)	6	0
Liabilities due to the revenue office (VAT)	6	131
Donations - self-balancing item	0	491
Film subsidies	0	75
Other liabilities	869	649
	5,544	**6,853**

MISCELLANEOUS NOTES

(21) NOTES TO CASH FLOW STATEMENT

The group's cash flow statement is drawn up in accordance with IAS 7 "Cash Flow Statements". It shows the changes in cash and cash equivalents during the year under review, whereby cash inflows and outflows are divided into operating cash flows, cash flows from investment activities and cash flows from financing activities. The operating cash flow was determined according to the indirect method whereas the direct method was used for cash flows from investment and financing activities.

The inflow of cash from the acquisition of subsidiaries was charged against payments for acquired companies pursuant to IAS 7.42. For the year under review, an amount totalling EUR 133,000 was calculated from the acquisition of Lunet Entertainment GmbH, Munich. In the previous year, EUR 328,000 in cash and cash equivalents was received from the acquisition of white balance GmbH, Hamburg, which due to comparison reasons, was also charged against payments for this acquisition.

Included in the amount paid out for acquired companies, which totalled EUR 299,000 are the acquired cash and cash equivalents on the one hand, and the accrued transaction costs resulting from the acquisition of Lunet Entertainment GmbH, Munich on the other hand. In addition, this amount also includes a payment in the amount of EUR 400,000 for the acquisition of a claim arising from a loan agreement in connection with this company acquisition.

The cash flow calculation is depicted on page 43.

(22) OTHER FINANCIAL OBLIGATIONS

	< 1 year EUR 000's	1 - 5 years EUR 000's	> 5 years EUR 000's
Lease obligations	669	1.006	0
(previous year)	(637)	(900)	(0)
Leasing obligations	160	196	0
(previous year)	(100)	(93)	(0)
Other financial obligations	165	70	0
(previous year)	(257)	(89)	(0)
Total	**994**	**1,272**	**0**
(Total previous year)	**(994)**	**(1,082)**	**(0)**

The calculation of the other financial obligations is based on the earliest possible dates of cancellation of contract.

(23) FINANCIAL RISK MANAGEMENT

The key financial instruments used by the group – with the exception of derivative financial instruments – encompass bank loans and current account loans as well as cash funds. The main purpose of the financial instruments concerned is the funding of the groups business activities. The group has various other financial assets and liabilities such as trade receivables and payables that arise directly in connection with its business activities.

In addition, the group undertakes derivative transactions attributable exclusively to interest swaps. The purpose of the derivative financial instruments concerned is the risk management of such interest risks as arise from the group's business activities and its funding sources. It was and remains group policy that no trading with financial instruments is undertaken.

The key group risks arising from the given financial instruments comprise interest-related cash flow risks, liquidity risks and default risks. The company's management draws up and checks guidelines governing the risk management of each of the risks concerned, which are presented below.

Interest-related cash flow risks

The risk of interest rate changes to which the group is exposed arise mainly from the long-term financial liabilities with variable interest rates.

Group interest expenses are controlled via debt subject to a combination of fixed and variable interest rates. It is the group's policy to borrow between 35 per cent and 65 per cent of its external capital at fixed interest rates. For the cost-efficient configuration of this combination of external capital subject to fixed and variable interest rates, the group undertakes interest swap transactions, via which the group exchanges with the contractual partner the difference between fixed-interest and variable-interest amounts determined on the basis of an agreed nominal sum at set intervals. The interest swaps concerned are used to hedge the underlying external capital. As of financial year-end, approx. 50 per cent of the group's external capital was subject to fixed interest rates taking account of the impact of the interest swaps.

Default risk

MME MOVIEMENT concludes transactions almost exclusively with recognised, creditworthy third parties. In individual cases, it may happen that transactions are concluded, in which no established German broadcasting company participates. Such business transactions are conducted in part with foreign business partners. As far as the possible credit risk of such business transactions is not covered by insurance, well-renowned business partners in the industry are involved. The amount of other operational expenses recorded under loan loss primarily refers to a co-production partner who has a domicile abroad. We anticipate a non-payment under this item.

Liquidity risk

The aim of the group is to maintain a fine balance between the ongoing coverage of funding needs, on the one hand, and the assurance of flexibility via the usage of current account credits, loans, bonds, finance lease arrangements and hire purchase contracts.

Credit risk

The scope of MME MOVIEMENT's balanced credit risk equates to the total of its trade receivables and other assets. No further need for value adjustment is seen.

(24) FINANCIAL INSTRUMENTS

Interest swaps

In the 2004 financial year, an interest rate swap transaction (payer swap) was concluded with DZ-Bank for the purposes of hedging interest rates in connection with the loan from the acquisition of moviement GmbH, Munich (now filmpool Film- und Fernsehproduktion GmbH, Cologne) which fixes the interest rate for 50 per cent of the outstanding loan amount at the given point in time. Due to the rise in interest rates as of financial year-end as compared with the level at the time of the conclusion of the interest swap transaction, no risks arising from this transaction existed as of financial year-end.

In the 2005 financial year, an interest rate swap transaction (payer swap) was concluded with Commerzbank for the purposes of hedging interest rates in connection with the loan from the acquisition of white balance GmbH, which fixes the interest rate for 50 per cent of the outstanding loan amount at the given point in time. Due to the rise in interest rates as of financial year-end as compared with the level at the time of the conclusion of the interest swap transaction, no risks arising from this transaction existed as of financial year-end.

(25) EMPLOYEE INCENTIVE SCHEMES

Employee incentive scheme 2000 (Staff) – WSV A 2000/2005
On 8 December 2000, the management board decided to issue a restricted-transfer, registered bond subject to interest at 4 per cent p.a. with a total nominal value of EUR 244,800.00 and divided into 244,800 individual partially convertible bonds, each with a nominal value of EUR 1.00, to employees of the company and of the company's subsidiaries. Shareholder subscription rights are excluded. The subscription deadline was on 20 December 2000.

Subscribers have the right to exchange the bond either in full or in part for company shares. Each nominal amount of EUR 1.00 entitles the holder to exchange it for a bearer share of the company, to which a stake of EUR 1.00 in the company's share capital is attributed.

In the case of convertible bonds, issued at the latest to subscribers on the day prior to the company's share being listed on the Frankfurt stock exchange, the conversion price for the acquisition of an individual share, entitling the holder to a stake of EUR 1.00 in the company's share capital, equates to the issuing price of the company's share at the time of its initial flotation on the stock market.

In the case of convertible bonds, issued to subscribers on the day of flotation or later, the conversion price is calculated via the arithmetic average of the closing prices of the company's share, determined by trading in the given shares via Deutsche Börse AG's electronic trading system on the last five stock market days prior to the issue of the bond concerned.

Conversion rights may only be exercised after two years have elapsed, and then only to a maximum extent of 25 per cent of the total conversion rights issued to the given subscriber. After a period of three years, the given subscriber may exercise his or her conversion rights to the maximum extent of a further 25 per cent, after four years to a maximum extent of a further 25 per cent and after a total of five years the remaining 25 per cent.

In the 2006 financial year under review, the remaining, no longer exercisable conversion rights (10,200 individual shares) were paid out to the staff together with the contractually agreed interest amounts totalling EUR 10,684. The WSV A 2000/2005 programme ran out in 2006.

Employee incentive scheme 2003 (Staff) – WSV A 2003/2008
On 13 October 2003, the management board decided to issue a restricted-transfer, registered bond subject to interest at 3.75 per cent p.a. with a total nominal value of EUR 140,000.00 and divided into 140,000 individual partially convertible bonds, each with a nominal value of EUR 1.00, to employees of the company and of the company's subsidiaries. Shareholder subscription rights are excluded. The subscription deadline was on 19 December 2003.

Subscribers have the right to exchange the bond either in full or in part for company shares. Each nominal amount of EUR 1.00 entitles the holder to exchange it for a bearer share of the company, to which a stake of EUR 1.00 in the company's share capital is attributed.

In the case of convertible bonds issued to subscribers on the day of stock market flotation or later, the conversion price for the acquisition of an individual share is calculated via the arithmetic average of the closing prices of the company's share, determined by trading in the given shares via Deutsche Börse AG's electronic trading system on the last five stock market days prior to the issue of the bonds concerned.

Conversion rights may only be exercised after two years have elapsed, and then only to a maximum extent of 25 per cent of the total conversion rights issued to the given subscriber. After a period of three years, the given subscriber may exercise his or her conversion rights to the maximum extent of a further 25 per cent, after four years to a maximum extent of a further 25 per cent and after a total of five years the remaining 25 per cent.

As of 31 December 2005, the company issued a total of 12,500 individual, convertible bonds to employees. The conversion price amounted to EUR 1.60. As far as the exercisable share of conversion rights for 2006 is concerned, a cancellation agreement was concluded with the given employees in return for payment of compensation in the total amount of EUR 14,844. Thereafter, the number of conversion rights as yet unexercised amounted to 9,375 individual rights as of 31 December 2006.

Employee incentive scheme 2003 (Management Board/Staff) – WSV V 2003/2008
On 13 October 2003, the management board decided to issue a restricted-transfer, registered bond subject to interest at 3.75 per cent p.a. with a total nominal value of EUR 140,000.00 and divided into 140,000 individual partially convertible bonds, each with a nominal value of EUR 1.00, to the company's management board members. Share-

holder subscription rights are excluded. The subscription deadline was on 19 December 2003.

Subscribers have the right to exchange the bond either in full or in part for company shares. Each nominal amount of EUR 1.00 entitles the holder to exchange it for a bearer share of the company, to which a stake of EUR 1.00 in the company's share capital is attributed.

In the case of convertible bonds issued to subscribers on the day of stock market flotation or later, the conversion price for the acquisition of an individual share is calculated via the arithmetic average of the closing prices of the company's share, determined by trading in the given shares via Deutsche Börse AG's electronic trading system on the last five stock market days prior to the issue of the bonds concerned.

Conversion rights may only be exercised after two years have elapsed, and then only to a maximum extent of 25 per cent of the total conversion rights issued to the given subscriber. After a period of three years, the given subscriber may exercise his or her conversion rights to the maximum extent of a further 25 per cent, after four years to a maximum extent of a further 25 per cent and after a total of five years the remaining 25 per cent.

As of 31 December 2006, the company had issued no convertible bonds to management board members or staff.

Employee incentive scheme 2004 (Staff) – WSV 2004/2009 (A)
On 23 June 2004, the management board decided to issue a restricted-transfer, registered bond subject to interest at 3.75 per cent p.a. with a total nominal value of EUR 30,000.00 and divided into 30,000 individual partially convertible bonds, each with a nominal value of EUR 1.00, to employees of the company and of the company's subsidiaries. Shareholder subscription rights are excluded. The subscription deadline was on 30 June 2004.

Subscribers have the right to exchange the bond either in full or in part for company shares. Each nominal amount of EUR 1.00 entitles the holder to exchange it for a bearer share of the company, to which a stake of EUR 1.00 in the company's share capital is attributed.

In the case of convertible bonds issued to subscribers on the day of stock market flotation or later, the conversion price for the acquisition of an individual share is calculated via the arithmetic average of the closing prices of the company's share, determined by trading in the given shares via Deutsche Börse AG's electronic trading system on the last five stock market days prior to the issue of the bonds concerned.

Conversion rights may only be exercised after two years have elapsed, and then only to a maximum extent of 25 per cent of the total conversion rights issued to the given subscriber. After a period of three years, the given subscriber may exercise his or her conversion rights to the maximum extent of a further 25 per cent, after four years to a maximum extent of a further 25 per cent and after a total of five years the remaining 25 per cent.

As of 31 December 2005, the company issued a total of 30,000 individual, convertible bonds to employees. The conversion price amounted to EUR 3.04. The number of conversion rights as yet unexercised was unchanged as of 31 December 2006 and amounted to 30,000 individual rights.

Exercising of convertible bond rights
As of 31 December 2006, the company had issued a total of 39,375 individual convertible bonds to employees. The conversion price amounted to EUR 1.60 for the 9,375 individual rights and EUR 3.04 for the other 30,000 bonds.

The details of the above are shown in the following overview:

	Date	Interest	issued in EUR	Number of shares 31/12/06	Conversion price in EUR
WSV A 2000/2005	8/12/2000	4.00 per cent	56,000	0	6.53
WSV A 2003/2008	13/10/2003	3.75 per cent	29,000	9,375	1.60
WSV V 2003/2008	13/10/2003	3.75 per cent	20,000	0	1.60
WSV 2004/2009 (A)	23/06/2004	3.75 per cent	30,000	30,000	3.04
Gesamt				**39.375**	

The company refrained from splitting the convertible bond issue into equity and debt components due to the minor impact this would have had on the financial year under review.

The stock market price (Xetra closing price) as of financial year-end amounted to EUR 4.77.

The following parameters were used for calculation purposes:

Volatility (in per cent):	between 56.2 and 64.5
Risk-free interest rate:	5.0 per cent
Term to maturity:	5 years from time of launch
Fluctuation:	30 per cent

The options were valued at the fair value at the time of their launch via application of the Black-Scholes Formula and taking account of the contractual terms under which the instruments were granted. The expense incurred would normally be recorded over the anticipated period of usage. However, due to the minor nature of the given amounts, the company refrained from reporting it with the corresponding impact on expenses in the financial year under review. No adjustments were required for the previous year either.

(26) SEGMENT REPORTING

MME MOVIEMENT's business model is primarily characterised via the so-called commissioned productions. This means as a general rule that the production of a given television programme is covered by an order placed by a TV broadcasting authority for a fixed price, i.e. the customer buying the programme produced and the sale price are both known prior to the commencement of production. All television productions produced on the basis of the commissioned production business model form MME MOVIEMENT's core business that is grouped under the segment "Commissioned Production".

Alongside its core business, MME MOVIEMENT also produces film projects as so-called "In-House Productions". Due to the different nature of the funding and associated risk structure of this production business, MME MOVIEMENT has set up an "In-House Production" segment.

Furthermore, the group already started in 2005 with the launch of activities aimed at marketing ancillary rights in particular in respect of mobile devices. These activities are grouped under the segment "New Media".

Due to the minor nature of the contributions made to consolidated sale revenues via the segments "In-House Production" and "New Media" in the 2006 financial year under review, the company refrained from preparing separate reports for each segment.

Taking account of the geographic distribution of sale revenues, the company distinguishes between the secondary segments Domestic and International. Due to the minor nature of the sales revenues generated abroad in the financial year under review, the company refrained from preparing separate reports for the two secondary segments.

(27) INFORMATION ON RELATIONS TO ASSOCIATED COMPANIES AND PERSONS

The members of the management board and supervisory board are to be considered associated persons as defined under IAS 24. In the financial year under review, no business relations existed between the management board and supervisory board and the companies incorporated into the consolidated financial statements, apart from those mentioned explicitly here.

In the 2006 and 2005 financial years, the following business relations existed as per IAS 24:

	2006 EUR 000's	2005 EUR 000's
Personnel expenses for Board of Management members/former members		
- fixed remuneration	1,228	1,309
- variable remuneration	414	1,658
Expenses from consulting contracts with former members of the Board of Management	0	45
Expenses from consulting contracts with members of the Supervisory Board	285	525
Compensation to the Supervisory Board in accordance with the Articles of Association	100	100
	2,027	**3,637**
Interest expenses for loans received	56	0
Other receivables	11	17
Other liabilities	1,319	1,274

The variable remuneration of the management board members amounting to EUR 414,000
(EUR 1,658,000 in the previous year) is based on performance-linked targets. As these were not met in full in the 2006 financial year, the amount granted in terms of variable salary components is less than in the 2005 financial year, in which the targets had been met in full.

Expenses arising from consultancy contracts with members of the supervisory board are primarily attributable to remuneration for the producer services rendered by one supervisory board member for services regarding the development, production and marketing of TV formats.

The other debts are attributable primarily to remuneration not yet due arising from earn-out liablities incurred with the acquisition of the moviement group and agreements associated therewith vis-à-vis Guehring Automation GmbH, Linus Unternehmensmanagement GmbH and Gisela Marx amounting to a total of EUR 1,246,000. In accordance with the given purchase contract, the amounts concerned are subject to interest as from 1 April 2006 at a rate 5 per cent p.a. above that of the base rate applying at the given time (§ 247 BGB (German Civil Code)).

Grundy Light Entertainment GmbH/ White Balance GmbH GbR (“GbR”) is also to be seen as an affiliate in accordance to IAS 24.9. The Group achieve revenues in the amount of EUR 79,000 with the GbR. As of the balance sheet date, there was a receivable from the GbR totalling EUR 11,000.

(28) MANAGEMENT BOARD AND SUPERVISORY BOARD

Members of the **management board:**

Martin Hoffmann, Berlin, lawyer

Dr Christian Franckenstein, Munich, businessman

Gisela Marx, Cologne, journalist

Christoph Post, Berlin, journalist

Management board remuneration in the financial year under review amounted to EUR 1,642,000
(previous year: EUR 3,012,000), of which an amount totalling EUR 414,000 (previous year: EUR 1,658,000) was attributable to one-off, performance-linked payments.

Members of the **supervisory board:**

Dr Bernhard Heiss, Munich, lawyer (chairman)
Member of the supervisory board of Altium Capital AG
Member of the supervisory board of Centrotec Sustainable AG
Member of the supervisory board of Süddeutscher Verlag AG
Chairman of the supervisory board of Kögel Holding AG
Chairman of the supervisory board of Centrosolar AG

Stefan Eishold, Munich, businessman (deputy chairman)
Chairman of the supervisory board of Incity Immobilien AG

Jörg A. Hoppe, Berlin, journalist

Supervisory board remuneration in the financial year under review amounted EUR 385,000
(EUR 625,000 in the previous year), of which an amount totalling EUR 100,000 (EUR 100,000 in the previous year) was attributable to statute-related activities and an amount totalling EUR 285,000 (EUR 525,000 in the previous year) to other activities.

As of 31 December 2006, the company shares were held by members of the supervisory board and management board personally or by companies in which members of the supervisory board and management board had participations as follows:

Dr. Bernhard Heiss (supervisory board chairman)	2.045.000 Stück
Stefan Eishold (deputy supervisory board chairman)	118.000 Stück
Jörg Hoppe (supervisory board member)	643.839 Stück
Martin Hoffmann (Chief Executive Officer)	50.000 Stück
Dr. Christian Franckenstein (Chief Financial Officer)	823.000 Stück
Gisela Marx (management board member)	100.000 Stück
Christoph Post (management board member)	620.132 Stück

(29) DECLARATION OF COMPLIANCE WITH CORPORATE GOVERNANCE CODE

MME AG's management board and supervisory board have both submitted and published the declaration of their compliance with the terms of the Corporate Governance Code in December 2006 as required under § 161 AktG (Stock Corporation Act). The declaration can be accessed via the Internet at www.mmemoviement.de.

(30) EVENTS OCCURRING AFTER FINANCIAL YEAR-END

ALL3MEDIA Deutschland GmbH (formerly known as pertus Zehnte GmbH, Dusseldorf) has announced with effect of 27 February 2007 its intention to submit a voluntary takeover offer to the shareholders of MME MOVIEMENT AG. This intention is connected with the share purchase contract ALL3MEDIA Deutschland GmbH (formerly known as pertus Zehnte GmbH) concluded with the shareholders among the management and supervisory board and/or companies associated with them.

The share purchase contract foresees a purchase price of EUR 7 per share. In all, ALL3MEDIA Deutschland GmbH has secured itself a stake of 42 per cent in MME MOVIEMENT AG by means of the share purchase contract and irrevocable undertakings with several major shareholders. The share purchase contract is subject to various deferring conditions including the approval of the relevant cartel authority and the successful acceptance of the takeover offer. The management board welcomes the offer subject to its examination of the official offer documentation. Under the condition that the share purchase contract proves to be successful, MME MOVIEMENT AG management board members have undertaken to commit themselves to work on behalf of MME MOVIEMENT AG largely for up to a further three years. Once this share purchase contract has been fulfilled, ALL3MEDIA Deutschland GmbH (formerly known as pertus Zehnte GmbH) would become a new major shareholder in MME MOVIEMENT AG.

ALL3MEDIA Deutschland GmbH (formerly known as pertus Zehnte GmbH) is a wholly owned subsidiary of the English company ALL3MEDIA Limited. ALL3MEDIA is one of the leading independent English TV and film production and distribution companies. ALL3MEDIA has subsidiaries in England, the USA, Germany, the Netherlands, Australia and New Zealand. ALL3MEDIA covers the programme areas fiction, comedy, non-fiction and children's entertainment. The company was founded in 2003 and is owned by the private equity company Permira and its management. For further information on ALL3MEDIA please visit www.all3media.com.

The anticipated release of publication for the consolidated financial statements by the Supervisory Board is 29 March 2007.

Berlin, 28 March 2007

MME MOVIEMENT AG

Martin Hoffmann, Dr. Christian Franckenstein, Gisela Marx, Christoph Post

AUDIT OPINION

– Translation of the German language –

We have issued the following opinion on the consolidated financial statements and the group management report:
„We have audited the consolidated financial statements prepared by MME Moviement Aktiengesellschaft, Berlin, comprising the balance sheet, the income statement, statement of changes in equity, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the fiscal year from January 1, 2006 to December 31, 2006. The preparation of the consolidated financial statements and the group management report in accordance with IFRS as adopted by the EU, and the additional requirements of German commercial law pursuant to Sec. 315a (1) HGB [„Handelsgesetzbuch": „German Commercial Code"] are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit.
We conducted our audit of the consolidated financial statements in accordance with Sec. 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [Institute of Public Auditors in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit.

The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.
Our audit has not led to any reservations.
In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, 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 consolida-

ted 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."

Munich, March 29, 2007

Ernst & Young AG
Wirtschaftsprüfungsgesellschaft
Steuerberatungsgesellschaft

gez. **Moser**	gez. **Konzack**
Wirtschaftsprüfer	Wirtschaftsprüferin

INDIVIDUAL FINANCIAL STATEMENT | BALANCE SHEET (HGB)

MME MOVIEMENT AG, Berlin
(formerly known as MME Me, Myself & Eye Entertainment AG, Hamburg)

ASSETS			31/12/2006 in EUR	31/12/2005 in EUR
A.	**Fixed Assets**			
	I.	**Intangible assets**		
		1. Software	10,293.00	7,574.34
		2. Goodwill	0.00	1.00
	II.	**Tangible Assets**		
		Other equipment, operating and office equipment	68,712.04	43,616.43
	III.	**Financial assets**		
		1. Shares in associated companies	50,473,060.41	48,942,734.21
		2. Long-term loans to associated companies	500.00	500.00
			50,552,565.45	**48,994,425.98**
B.	**Current Assets**			
	I.	**Receivables and other assets**		
		1. Trade receivables	313,253.38	72,644.13
		2. Receivables from affiliated companies	3,587,048.39	2,944,573.59
		3. Other assets	438,650.69	415,196.47
			4,338,952.46	**3,432,414.19**
	II.	**Securities**		
		Treasury stock	1,713.53	1,713.53
	III.	**Cash, bank balances**	**32,314.47**	**749,557.76**
C.	**Accruals and deferrals**		**67,267.03**	**66,526.31**
			54,992,812.94	**53,244,637.77**

LIABILITIES			31/12/2006 in EUR	31/12/2005 in EUR
A.	**Equity capital**			
	I.	Subscribed capital (EUR 90,909.00 of this was entered in the commercial registry on 27 February 2006)	11,180,909.00	11,180,909.00
	II.	Provisions	18,697,202.41	18,697,202.41
	III.	Retained earnings		
		Provision for treasury stock	1,714.53	1,714.53
	IV.	Net profit/loss for the year	8,301,280.57	4,766,398.08
			38,181,105.51	**34,646,223.02**
B.	**Provisions**			
	1.	Tax accruals	3,626,269.00	3,235,000.00
	2.	Other accruals	810,505.06	1,612,072.05
			4,436,774.06	**4,847,072.05**
C.	**Liabilities**			
	1.	Bonds	39,375.00	52,700.00
	2.	Liabilities to banks	9,250,000.00	11,250,000.00
	3.	Trade payables	75,396.96	102,746.12
	4.	Liabilities to affiliated companies	971,084.33	871,899.56
	5.	Other liabilities	2,039,077.08	1,473,997.02
			12,374,933.37	**13,751,342.70**
			54,992,812.94	**53,244,637.77**

INDIVIDUAL FINANCIAL STATEMENT | INCOME STATEMENT (HGB)

MME MOVIEMENT AG, Berlin
(formerly known as MME Me, Myself & Eye Entertainment AG, Hamburg)

	1/1/2006 – 31/12/2006 in EUR	1/1/2005 – 31/12/2005 in EUR
Revenue	**963,698.00**	**941,737.61**
Other operating income	934,850.68	3,920,106.50
	1,898,548.68	**4,861,844.11**
Cost of materials	-953,698.00	-926,737.61
Personnel expenses		
a) Salaries and wages	-1,456,204.28	-2,224,191.11
b) Social insurance contributions and expenses		
for old age pensions	-114,407.02	-98,679.07
Amortisation and impairment of intangible assets		
of fixed assets and tangible assets	-39,865.92	-35,165.21
Other operating expenses	-1,598,651.19	-1,962,631.26
	-2,264,277.73	**-5,247,404.26**
Income from investments	1,820,000.00	1,580,000.00
Income from profit transfer agreements	5,186,734.67	8,955,682.32
Other interest and similar income	68,208.35	18,948.62
Depreciation on financial assets and on securities of the current assets	0.00	-16,727.76
Interest and similar expenses	-686,146.90	-932,773.55
Results from ordinary business activity	**4,124,518.39**	**9,219,569.48**
Income taxes	-592,897.62	-3,235,000.00
Other taxes	3,261.72	-1,764.08
Annual net income	**3,534,882.49**	**5,982,805.40**
Losses carried forward	4,766,398.08	-1,796,023.21
Withdrawals from provisions for treasury stock	0.00	579,615.89
Net profit/loss for the year	**8,301,280.57**	**4,766,398.08**

MANAGEMENT BOARD AND SUPERVISORY BOARD

Martin Hoffmann

Chief Executive Officer (CEO)

Dr. Christian Franckenstein

Chief Financial Officer (CFO)

Christoph Post

management board member

Gisela Marx

management board member

Dr. Bernhard Heiss

supervisory board chairman

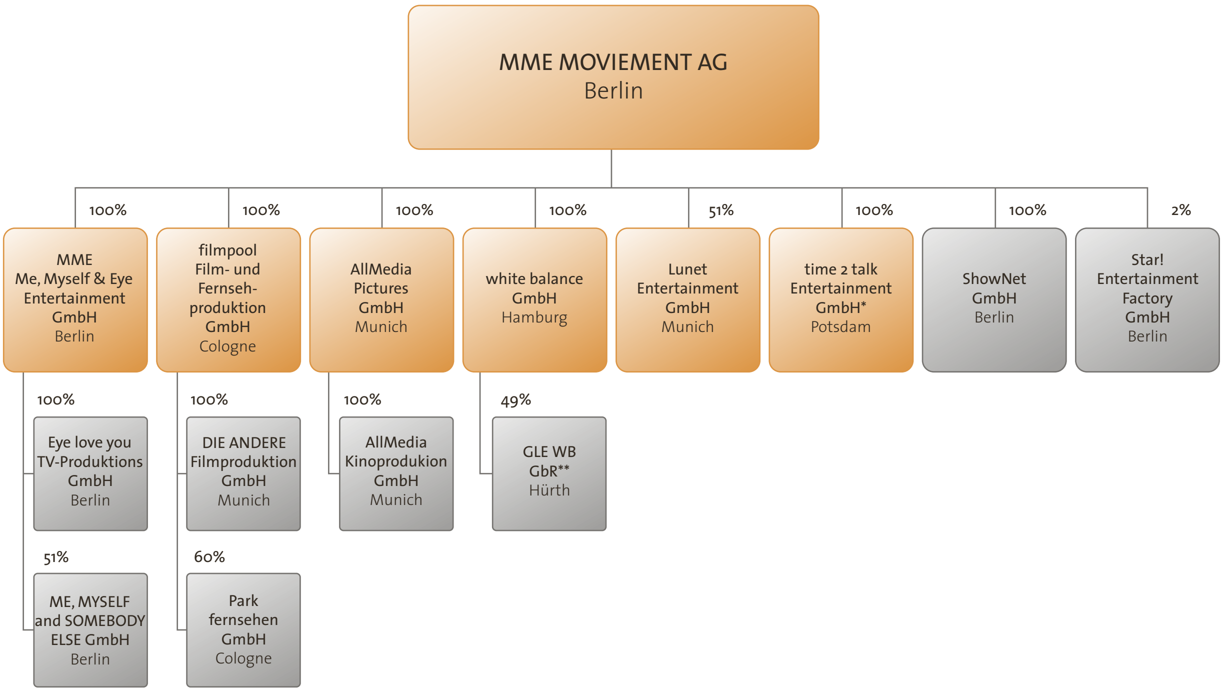
Stefan Eishold

deputy supervisory board chairman

Jörg A. Hoppe

supervisory board member

COMPANY STRUCTURE



* ab 01.01.2007
** Grundy Light Entertainment/ GmbH White Balance GmbH GbR

IMPRINT

MME MOVIEMENT

Responsible for content:	MME MOVIEMENT AG
Planning and design:	MME MOVIEMENT AG
Layout:	Stefan Schmitz | www.doktor-schmitz.com
Editorial deadline:	23 March 2007

MME MOVIEMENT AG's annual report is available via the Internet at www.mmemoviement.de and can be order in printed form from MME MOVIEMENT AG, Gotzkowskystrasse 21, D-10555 Berlin, Tel.: +49 (30) 5200 76 0.

Photo credits:

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Der Novembermann:	Sandra Hoever/WDR

FINANCIAL CALENDAR

- **30 March 2007:** Publication of 2006 annual report
- **31 August 2007:** Publication of half-yearly report for 2007

MME MOVIEMENT

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