



Half-Yearly Financial Report 2008

January 1st to June 30th

Your Family Entertainment AG, Munich
(August 29th, 2008)



Key data at a glance

Key financial data in K€ (German Commercial Code)	1st half-year 2008	1st half-year 2007
Sales (K€)	1,373	290
EBITDA* (K€)	181	608
EBIT (K€)	548	468
Net income at the half-year (K€)	504	396
* Profit before interest, taxes and depreciation / write-ups		
	June 30th 2008	December 31st 2007
Value of film assets (K€)	12,264	11,300
Shareholders' equity (K€)	11,396	7,630
Total balance sheet amount (K€)	16,544	12,736

The Your Family Entertainment AG share

Security Identification number ("WKN"):	540891
ISIN (International Security Identification Number):	DE 0005408918
Abbreviation:	RTV
Stock exchanges:	Regulated market in Frankfurt (General Standard); over-the-counter in Berlin, Hanover, Hamburg, Düsseldorf, Stuttgart
Total number of shares on June 30 th 2008	8,700,000



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1. Brief profile of Your Family Entertainment AG

Your Family Entertainment AG (YFE) is one of Germany's longest established companies in the field of production and licence trading for entertainment programmes for children, young people and families.

Your Family Entertainment, which previously traded under the name of RTV Family Entertainment AG and which has its origins in Ravensburger AG, sees its main area of activity in educational and non-violent programmes for the whole family. Its high-quality programme library currently includes more than 3,500 half-hourly programmes and is therefore one of the largest of its kind in Europe. YFE distributes and markets this rights-library via free-TV, pay-TV, DVDs, video-on-demand (VoD) and merchandising.

Since November 2007, the company has also been on air with its own pay-TV channel, "yourfamily".



2. Interim financial statements for the period ending June 30th 2008

2.1 Balance Sheet

ASSETS

	Juni 30 th 2008	December 31 st 2007
	€	€
A. Fixed assets		
I. <u>Intangible assets</u>		
1. IT Software	31,535.69	39,113.00
2. Film assets and other rights	12,263,761.79	11,299,834.80
3. Advances paid	<u>18,000.00</u>	<u>0.00</u>
	<u>12,313,297.48</u>	<u>11,338,947.80</u>
II. <u>Property, plant and equipment</u>		
Other equipment, operational and office equipment	<u>58,400.65</u>	<u>65,929.00</u>
III. <u>Financial assets</u>		
Long-term securities	<u>144,146.57</u>	<u>0.00</u>
B. CURRENT ASSETS		
I. <u>Inventories</u>		
Finished goods	<u>25,152.99</u>	<u>1,752.82</u>
II. <u>Accounts receivable and other assets</u>		
1. Accounts receivable trade	1,161,654.78	777,003.78
2. Other assets	<u>67,819.55</u>	<u>22,001.70</u>
	<u>1,229,474.33</u>	<u>799,005.48</u>
III. <u>Cash on hand and balances with banks</u>	<u>2,752,686.54</u>	<u>523,585.66</u>
C. DEFERRED CHARGES AND PREPAID EXPENSES	<u>20,770.14</u>	<u>6,611.79</u>
	<u>16,543,928.70</u>	<u>12,735,832.55</u>



Liabilities

	Juni 30 th 2008 €	December 31 st 2007 €
A. SHAREHOLDERS' EQUITY		
I. Capital subscribed	8,700,000.00	6,525,488.00
II. Capital reserve	2,287,456.00	1,200,000.00
III. Loss brought forward	- 95,367.20	- 1,002,119.38
IV. Net income	503,648.95	906,752.18
	<u>11,395,737.75</u>	<u>7,630,120.80</u>
B. RESERVES & ACCRUED LIABILITIES		
1. Pension reserves and reserves for similar obligations	345,960.72	345,984.00
2. Accrued taxes	0.00	5,586.00
3. Other reserves and accrued liabilities	296,887.48	174,050.00
	<u>642,848.20</u>	<u>525,620.00</u>
C. LIABILITIES		
1. Advance payments received on account of orders	922,560.36	1,038,797.49
2. Trade accounts payable	655,978.81	628,118.10
3. Accounts due to affiliated companies	2,905,000.00	2,830,000.00
4. Other liabilities	21,803.58	83,176.16
- thereof for taxes: € 14,287.06 (previous year K€ 36)		
- thereof for social security: € 0.00 (previous year K€ 0)		
	<u>4,505,342.75</u>	<u>4,580,091.75</u>
	<u>16,543,928.70</u>	<u>12,735,832.55</u>



2.2 Income statement

	1 ST half-year 2008		1 st half-year 2007	
	€	€	€	€
1. Sales		1,372,889.46		290,359.20
2. Other operating income		1,518,101.38		1,025,404.34
3. Cost of materials				
a) Cost of licences, commissions and materials	-330,252.01		-134,322.86	
b) Cost of purchased services				
	<u>-59,037.99</u>	-389,290.00	<u>-25,929.44</u>	-160,252.30
4. Personnel expenses				
a) Wages and salaries	-346,413.44		-225,844.31	
b) Social security and pension expenses				
- thereof pension expenses: € 9,546.64 (previous year: K€ 9)	<u>-48,825.66</u>	-395,239.10	<u>-40,603.57</u>	-266,447.88
5. Depreciation of intangible assets and property, plant and equipment		-1,055,195.32		-139,913,71
6. Other operating expenses		-503,307.36		-281,268.91
7. Other interest and similar income		31,522.83		3,715.10
8. Interest and similar expenses		<u>-75,000.00</u>		<u>-75,000.00</u>
- thereof to affiliated companies: € 75,000.00 (previous year: K€ 75)				
9. Result from ordinary operations		504,481.89		396,595.84
10. Taxes on income		0.00		-1,033.77
11. Other taxes		<u>-832.94</u>		<u>10.00</u>
12. Net income		<u><u>503,648.95</u></u>		<u><u>395,572.07</u></u>



3. Notes to the financial statements (abbreviated)

3.1 Information on accounting and valuation methods

With the exception of the following items, the present interim financial statements for the first half-year of 2008 are based on the same accounting and valuation methods as were used in the last financial statements for the period ending on December 31st 2007:

- The accounting method used in dealing with low-value assets was adjusted due to changes in the law. In accordance with §6 (2) of the German Income Tax Law, depreciable movable assets, whose cost of acquisition or manufacture is below € 150, may be deducted as business expenses. §6 (2a) of this law requires that a collective item be created should the asset's cost of acquisition lie above € 150 but below €1,000. All assets acquired in a year with acquisition or manufacturing costs above € 150, but not exceeding € 1,000, are grouped in this position which is then depreciated on a straight-line basis over 5 years.
- For reasons of materiality and expense, no change was made to the pension reserves on the basis of actuarial studies in the present interim financial statements for the period ending June 30th 2008. The next adjustment will be made on December 31st 2008.

The premature termination of the distribution co-operation agreement with EM.Entertainment GmbH and the establishment of Your Family Entertainment AG's own distribution structure entailed a detailed evaluation of the rights library as at June 30th 2008, including the carrying-out of impairment tests. The method used corresponded with that applied in the 2007 financial statements. For this reason, individual items in the statement of income are not necessarily comparable with each other.

The valuation of the rights library led to write-ups of the film assets K€ 1,422 (shown under other operating income). Parallel to this write-up, the film assets were depreciated by K€ 1,035 during the reporting period.

Expenses of K€ 140 incurred in 2008 in connection with the capital increase are shown in the income statement under other operating income. No costs were incurred for the capital increase in the comparable period of 2007.



In order to make comparisons easier, certain minor reclassifications from other operating expenses into personnel expenses were made.

The financial investment acquired in the first half-year (TV-Loonland AG) was valued with its cost of acquisition and related acquisition costs.

3.2 Major transactions carried out with affiliated persons and companies

No major transactions were carried out with affiliated persons and companies during the period January 1st to June 30th 2008.

3.3 Audit review

The present interim financial statements were neither audited in accordance with § 317 of the German Commercial Code (HGB) nor subjected to an audit review by the company's auditors.



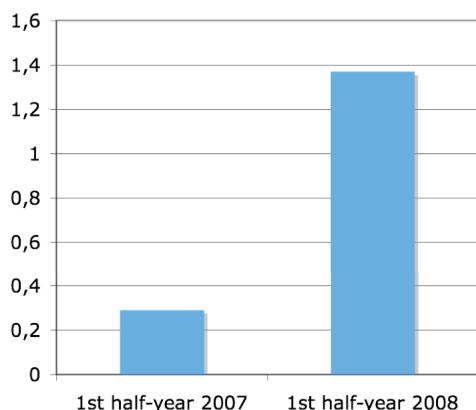
4. Interim management report for first half-year of 2008

4.1 Report on the income, financial and asset situation

Development of sales

Your Family Entertainment AG was able to increase its sales by € 1.08 million to € 1.37 million (1st half-year 2007: € 0.29 million).

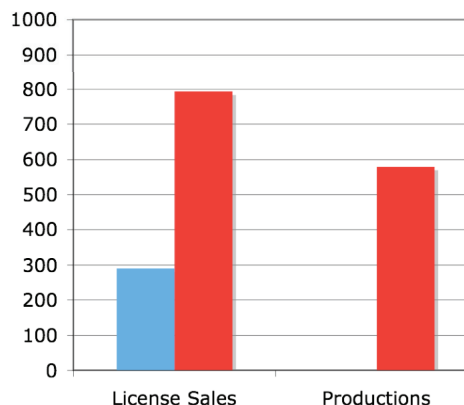
■ Sales in millions of EURO



K€ 794 of the total sales in the first half-year of 2008 (1st half-year 2007: K€ 290) were achieved in the license sales business segment and K€ 579 (1st half-year 2007: K€ 0) in the productions business segment.

Business segment sales in K€

■ 1st half-year 2007
■ 1st half-year 2008

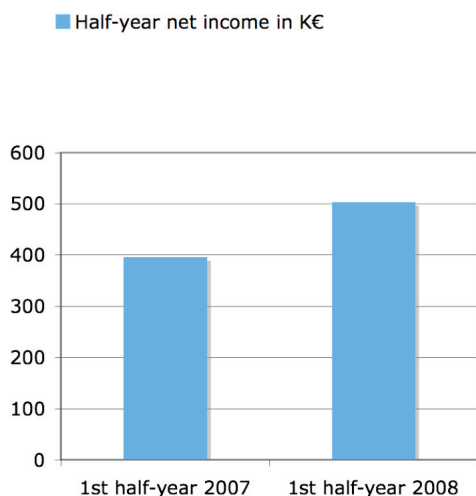


The increase in sales deriving from productions is due to the completion of the second series of "Dragon Hunters – Die Drachenjäger" in April 2008. This programme was still being produced in the comparable period of the previous year and did not generate sales until the second half-year of 2007.



Development of the results

Net income as at June 30th 2008 has increased in comparison to the same period of the previous year by K€ 108 (approximately 27 %) to K€ 504 (1st half-year 2007: K€ 396).



Financial and assets situation

The total balance sheet amount increased in comparison with the previous year to € 16.5 million (December 31st 2007: € 12.7 million).

Intangible assets (chiefly film assets and other rights) increased to € 12.3 million (December 31st 2007: € 11.3 million)

The capital increase carried out in March 2008 which generated gross emission receipts of € 3,261,968 led, together with the net income, to an increase in shareholders’

equity from € 7.63 million to € 11.40 million (equity ratio approximately 69%) and, on the assets side, to a marked increase in liquid funds to € 2.75 million (December 31st 2007: € 0.5 million).

Investments

Including advances paid, the company invested K€ 744 in the first half-year of 2008.

Investments were made chiefly in film assets (K€ 579) and in financial assets (K€ 144). Advance payments of K€ 18 were also made for film assets.



4.2 Risks and opportunities report

General business risk

Fluctuations in future business results

Fluctuations in Your Family Entertainment AG's sales and operating profit during the year, and also from year to year, are certainly possible – as they generally are with film and television production companies. These fluctuations have a variety of causes such as, for example, the degree and timing of the completion of new productions, the degree and timing of the sales of films and television rights, as well as market and competitive influences on the demand for products and consequently on sales prices.

External risks / market risk

Competition-related risks

Even though the first signs of an increase in demand are discernible, the film and television market in which Your Family Entertainment AG operates is still characterised by a process of consolidation and concentration, among both producers and customers. These developments can have implications on the demand for productions. TV stations and groups of stations in particular look far more thoroughly at the profit contributions of the programmes they broadcast than they have done in the past. This, together with the increasing number of repeats of individual

programmes in the industry, leads to a more efficient use of companies' own programme resources and accordingly to reduced investment in new projects. This process is particularly marked in the field of children's programmes. Moreover, external factors such as current consumer and leisure behaviour and basic shifts in the advertising market influence the stations' purchasing policy.

Business performance risks / litigation risk

Risks in the production of programmes

The production of programmes – produced both by the company itself and co-productions – involves a range of operational risks. The production of programmes and television broadcasts is generally highly cost-intensive and entails a correspondingly high financial risk. Should, for example, in spite of a careful selection of co-production partners and service-providers delays in completion occur, then this may give rise to postponements of the sales and profit planned by the company to a later accounting period. The risk can also not be excluded that Your Family Entertainment AG will not have sufficient financial resources available for the development of programmes and their production, something which is a basic condition for the company's ability to act commercially.



Co-production

Your Family Entertainment AG ensures the completion of its co-productions by the careful selection of established and reliable co-production partners and service-providers as well as by means of insurance policies or completion bonds. Your Family Entertainment AG also carries out regular checks on both finances and content during the production. Nevertheless, completion time slippages can occur on individual projects which can lead to the postponement of sales and profit from one accounting period to the next.

Production-to-order

As the producer of a made-to-order production, the company is responsible for carrying out the production according to contract and generally receives a fixed price from the client in return. The producer therefore carries the risk of possible budget overruns should he have wrongly estimated the costs of the production or should unplanned costs arise. In the case of a licence production, the producer carries the full financing risk right through to the delivery of the complete product. The costs of production and, where applicable, profit are covered by the licence fee if the production is delivered according to contract. Should, however, the budget not be covered or not fully covered by licence sales, then the producer carries the risk of the resulting loss.

Risks in the purchasing and marketing of programmes

Your Family Entertainment AG tries to recognise trends in the programme area and in TV stations' requirements as early as possible and to design its own product range accordingly. In doing this, the company has to take account of TV stations' currently restrictive purchasing policy, its own limitations as regards investment possibilities and the provision of security for its productions. The company has concluded a variety of contracts with licensors for the licensing of programmes. The company carries, in the first instance, the general contractual risk, such as the risk of (non)-fulfilment. Moreover, a variety of copyrights and ancillary copyrights have to be transferred to the relevant customers as part of the contract. The company must therefore ensure, in its contracts with those involved in the production of the particular programme, that in order to avoid infringements of industrial property rights (e.g. rights of copyright, licence and personality), the necessary copyrights and ancillary copyrights are transferred to it. Even though the company uses internal and external legal advice, the possibility can never be excluded that third parties will assert claims relating to the above-mentioned rights, something which could have extremely negative implications for the company's asset, financial and profit situation.



The depreciation of film assets (that is the rights of use and exploitation referred to above) and the other rights are governed by the use made of the film rights. Depreciation is calculated in accordance with the sales realised in the financial year in proportion to total planned future sales from the use of the film rights including the sales in the current financial year. Moreover, a test of the lowest cost or market value (a so-called impairment test) is carried out on every balance sheet cut-off date. It is impossible to completely exclude the risk that impairment tests carried out in the future will considerably reduce the value of the film library. Two-thirds of the company's catalogue of film rights, which currently consists of approximately 170 titles, derives from licences from third parties, whilst only a third of the titles were produced by the company itself or co-produced. The licences from third parties in Your Family Entertainment AG's possession have not been granted indefinitely but generally for a limited time period. Your Family Entertainment AG may no longer use these licences should it not be possible to renew a large part of them on expiry. An essential part of the library, and thereby the basis of the company, would then cease to exist. This can have negative implications for the company's asset, financial and earnings situation.

Financial risks

Access to external means of financing

Liabilities to banks have been completely eliminated as a result of the restructuring project successfully carried out in 2005. No

external financing in the form of bank loans is currently used.

However, as part of the sales co-operation agreement with EM.Entertainment GmbH, the loan agreement with F&M and the loan facility contract with Commerzbank AG, Your Family Entertainment has provided securities to these companies in the form of rights and claims.

Your Family Entertainment's chances of acquiring additional loans could be made considerably more difficult should valuable securities not be released. Should the company be unable to acquire additional loans when these are required, this could have considerable implications for the company's asset, financial and earnings situation.

Exchange rate fluctuation, exchange rate transactions

The company's current and future activities outside the area of the European currency union are partly transacted in currencies other than the Euro, either by Your Family Entertainment AG itself or by its sales distribution partners. The exchange rates in this area are subject to fluctuations which are entirely unpredictable and which may possibly prevent the company from generating a stable income. The basic risk of losses from such exchange rate fluctuations does exist.

Unfavourable exchange rate fluctuations or costs incurred in the future for exchange rate



transactions could therefore negatively impinge upon the development of sales and thereby the company's asset, financial and earnings situation.

Opportunities

The capital increase carried out in March 2008 which generated gross emission receipts of € 3,261,968 considerably improved Your Family Entertainment's financial situation and created the necessary flexibility in order to be able to act in the market.

The termination of the distribution co-operation agreement with EM.Entertainment GmbH gives Your Family Entertainment the possibility to present its whole product range on the market again and not to be dependent upon the effectiveness and organisation of a third party.

4.3 Forecast

With the benefit of the completed reorganisation and the positive results achieved in 2007, 2008 will be a year in which growth is achieved with limited risks.

The optimisation of distribution channels and the establishment of the brand "Your Family Entertainment" continue to play a key role in Your Family Entertainment AG's future development.

4.4 Subsequent events report

Distribution agreement with EM.Entertainment

Your Family Entertainment AG and EM.Entertainment GmbH have decided to terminate their present distribution co-operation agreement with effect from September 30th 2008. An agreement to this effect was signed on July 2nd 2008.

In March 2004, the two companies agreed on wide-ranging co-operation in their distribution activities. EM.Entertainment has been granted non-exclusive distribution rights until the agreement ends on September 30th 2008.

The end of the agreement should be seen against the background, on the one hand, of the sale of the entertainment division of EM.SportMedia AG, to which EM.Entertainment GmbH also belongs, to the Belgian media company Studio 100, and on the other, Your Family Entertainment AG's decision to expand its own distribution organisation as part of its reorientation.

Your Family Entertainment will repay EM.Entertainment any prepayments, which may still be open on September 30th 2008. This agreement means that the distribution rights are once more fully in the possession of Your Family Entertainment AG.

Changes in the Supervisory Board

On July 9th 2008, the shareholders' meeting elected Professor Dr. Michael Judis, a lawyer from Munich, as substitute member for all the shareholders' representatives on the supervisory board of Your Family Entertainment. Professor Judis is appointed a substitute member until the end of the shareholders' meeting in 2009 called to deliberate on the 2008 financial year. Professor Judis is a partner in the legal practice of Judis – Meyer – Papenberg – Reich which has its offices in Munich.

The shareholders' meeting also elected Dr. Andreas Aufschnaiter, a business consultant from Munich, in a by-election as a full member of the supervisory board. The shareholders' meeting elected Dr. Aufschnaiter as a substitute member of the supervisory board in 2007 and he automatically succeeded Dr. Hans-Michel Piëch as a full member upon the latter's resignation from the supervisory board on December 31st 2007.

5. Assurance given by the company's legal representative

"In confirm that, to the best of my knowledge, the interim financial statements give a true and fair picture of the company's assets, financial position and income in accordance the accounting principles applicable to interim financial reporting and that the interim management report presents the course of business, including the results achieved by the company and its current situation, in a manner that correctly conveys the true situation and describes the major risks and opportunities inherent in the company's development during the remainder of the financial year. "

Munich, August 18th 2008

Your Family Entertainment AG



Dr. Stefan Piëch

CEO



6. Financial calendar 2008

- Interim announcement for the first half-year of 2008 on May 16th 2008
- Annual general shareholders' meeting on July 9th 2008
- Semi-annual financial report on August 18th 2008
- Interim announcement for the second half-year of 2008 on November 14th 2008

7. Impressum / How to contact us

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