YOUR FAMILY ENTERTAINMENT AG
2007 Half–Yearly Report

1. Key financial data

Key financial data (German Commercial Code)	01.01. – 30.06.2007	01.01. – 30.06.2006
Sales (K€)	290	1,510
EBITDA (K€)	608	417
EBIT (K€)	468	191
Half-yearly results (K€)	396	90

Your Family Entertainment AG, Munich	
Security identification numbers	540891; 540893
ISIN	DE 0005408918
Quoted in	General Standard
Numbers of shares on 30.06.2007	6,525,488

Company calender	
November 07	Interim report 3rd quarter
April 08	Annual financial statements 2007

2. Interim management report

Results achieved during the reporting period

The following 2007 half-yearly report of Your Family Entertainment AG in Munich for the first half-year of 2007 was prepared in accordance with §§ 242 ff., 264 ff. of the German Commercial Code and the relevant provisions of the German Companies Act. The new § 37 w of the German Securities Trading Law governing the form and the contents of the half-yearly report was applied particularly in connection with the Law to Implement Transparency Guidelines which came into force on 20.01.2007. Due to the newly-defined presentation of the business into the business segments License Sales and Productions in the 2006 financial statements required under the accounting regulations, the half-yearly results of the comparable period from 01.01.2006 to 30.06.2006 (first half-year 2006) were presented in a comparable manner in accordance with the German Commercial Code.

Following the conclusion of the restructuring programme and the new start made in the financial year 2006 to which it gave rise, the first half-year of 2007 was characterised by a concentration on the establishment and expansion of new business lines and the continued development of the core business. The basic business policies involved in the future development of Your Family Entertainment AG were described in a number of ad hoc reports and press releases and implemented in initial co-operation agreements.

At K€ 290, sales in the first half-year were considerably lower by K€ 1,220 than the K€ 1,510 achieved during the comparable period of the previous year. The reason for this development lies chiefly in the termination of the cooperation agreement with Super RTL, which contributed K€ 505 to sales in the comparable period of the previous year.

The half-yearly sales of K€ 290 were achieved chiefly in the licence sales business segment (previous year K€ 1,410). The distribution agreement with EM.Entertainment GmbH (EM.SPORT Media AG) contributed K€ 154 to total sales compared with K€ 522 in the previous year. The distribution partnership with Planeta Junior S.L. has not yet led to any additional sales in the first half-year of 2007, whilst in the comparable period of 2006 sales of K€ 162 were achieved. The continued development of the business lines DVD/Home Entertainment, Audio and VOD in the first half-year of 2007 should also be emphasised. Already sales of K€ 45 have been achieved. As already announced in individual ad hoc reports and press releases during the first half of 2007, YFE anticipates continued sustained development in this business line.

In the production business segment the preparations for the second series of "Dragon Hunters" (see ad hoc report of 17.04.2007) are operating "at full steam". The company assumes that the series will be completed at the end of the current financial year. For this reason no sales were achieved in the first half-year (previous year K€ 100).

Other operating income of K€ 1,026 (previous year K€ 501) is due to the First Look Agreement concluded between YFE and The Walt Disney Company (Germany) GmbH. As announced in the ad hoc report of June 1st 2007, an agreement has been concluded granting The Walt Disney Company (Germany) GmbH a prior option over a period of six years to negotiate all rights to all Your Family Entertainment AG's entertainment programmes and the associated merchandising rights. Simultaneously, a legal dispute was set aside. As part of this transaction the Walt Disney Company (Germany) GmbH paid an amount of K€ 1,000.

Earnings before interest, tax and depreciation, EBITDA, were K€ 608 compared with K€ 417 in the comparable half-year of 2006. Earnings before interest and taxes, EBIT, were K€ 468 as against K€ 191 in the comparable period of the previous year. Including interest and taxes, Your Family Entertainment AG's half-yearly results were K€ 396 (previous year: K€ 90). 7 employees were on the company payroll on 30.06.2007 (previous year 6), of which one was the CEO. Other operating expenses were reduced once more relative to the previous year, by K€ 58 from K€ 335 to K€ 277. There are no bank liabilities leading to interest expense on the balance sheet cut-off date.

The total balance sheet amount increased to K€ 12,470 in comparison with K€ 12,131 on December 31st 2006. Intangible assets declined only slightly to K€ 10,201 (K€ 10,323 on December 31st 2006) due to depreciation resulting from disposals. The item shown in the balance sheet under start-up and expansion costs includes chiefly capitalised expenses and costs (e.g. trailer and cover productions as well authorship costs of DVD's and CD's) which are directly linked to new business lines . Accounts receivable, trade were reduced once more from K€ 985 to K€ 781. Liquid funds consisting of bank balances were increased from K€ 729 (31.12.2006) to K€ 1,271 on the cut-off date of the report. This increase is due above all to positive cash flow from current business activities, especially to cash flow resulting from the agreement with Disney already described. Shareholders' equity was increased once more compared with December 31st 2006 from K€ 6,723 to K€ 7,120. This means that YFE reports an equity ratio of 57.1% on the balance sheet cut-off date of June 30th 2007. Prepayments received relate to warranty pre-payments from the EM.TV and the Planeta distribution contracts. Liabilities to affiliated companies on the balance sheet cut-off date of June 30th 2007 relate solely to F&M Film und Medien Beteiligungs GmbH.

All items on the agenda which were put to a vote at the regular annual shareholders' meeting held on July 18th 2007 were adopted with a large majority. These included amongst others: a vote approving the board of management's actions during the financial year 2006, a vote approving the supervisory board's actions during the financial year 2006, the appointment of Ernst & Young Wirtschaftsprüfungsgesellschaft AG as year-end auditors for the financial year 2007, the election of Dr Andreas Aufschnaiter as the new substitute member of the supervisory board, the election of Dr. Hans-Michel Piech as a new supervisory board member, a resolution changing the articles of association, a resolution concerning the disclosure of individual board members' remuneration and the appointment of Schwarz Kelwig Wicke Westpfahl as the company's lawyers.

Report on risks and opportunities

Fluctuations in future business results

Fluctuations in YFE's sales and operating profit during the year and also from year to year are certainly possible – as they are generally 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.

Competition-related risks

Even though the first signs of an increase in demand are discernable, the film and television market in which YFE 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 did 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.

Risks in the production of programmes

The development and production of formats and television broadcasts is generally highly cost-intensive and consequently entails a considerable financial risk. The availability of adequate resources for the development of programmes and their production is therefore a basic pre-condition for the company's business actions.

Co-production:
YFE hedges its risks in completing co-productions on the one hand by the careful selection of established and reliable co-production partners and service-providers as well as by hedging instruments such as insurance policies or completion bonds. YFE 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.

Productions-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 in return a fixed price from the client. 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 and he has failed to agree an increase in the budget with the client. 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

YFE 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 and 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.

Repayment of the shareholder loan

The shareholder loan of K€ 2,500 from F&M was granted until December 31st 2008 as part of the implementation of restructuring measures and is repayable to F&M, together with interest, on January 1st 2009. Large parts of the film library were transferred to F&M as collateral in order to secure the shareholder loan.

Access to external means of financing

All credit liabilities to banks have been eliminated as a consequence of the restructuring programme successfully carried out in 2005. There is currently no external borrowing in the form of loans from banks. The company is however considering using external financing once more in connection with the planned expansion of the company's business activities.

3. Balance sheet on June 30th 2007

Your Family Entertainment AG Balance sheet on June 30th 2007 (German Commercial Code)		
ASSETS	**30.06.2007** **K€**	**31.12.2006** **K€**
FIXED ASSETS		
Intangible assets		
IT software	23	11
Film assets and other rights	10.201	10.323
Star-up and expansion expenses	47	0
	10.272	10.334
Properts, plant and equipment		
Other equipment, operational and office equipment	59	55
	10.331	**10.389**
CURRENT ASSETS		
Accounst receivable and other assets		
Accounts receivable, trade	781	985
Other assets	86	26
	867	1.011
Cash on hand and balances at banks	1.271	728
	2.138	**1.739**
DEFERRED CHARGES & PREPAID EXPENSES	2	4
Total assets	**12.470**	**12.131**

Your Family Entertainment AG		
Balance sheet on June 30th 2007 (German Commercial Code)		
LIABILITIES & SHARHOLDERS' EQUITY	**30/6/2007 K€**	**31.12.2006 K€**
SHAREHOLDERS' EQUITY		
Capital subscribed	6,525	6,525
Capital reserve	1,200	1,200
Accumulated loss	-606	-1,002
	7,120	**6,723**
RESERVES & ACCRUED LIABILITIES		
Pension reserves	338	355
Accrued taxes	5	5
Other reserves and accrued liabilities	138	164
	481	**524**
LIABILITIES		
Advance payments received on account of orders	1,127	1,235
Trade account payable	612	745
Accounts due to affilated companies	2,755	2,680
Other liabilities	375	224
	4,869	**4,884**
Total liabilities & shareholders' equity	**12,470**	**12,131**

4. Income statement for the period half-year 2007

Your Family Entertainment AG Income statement (German Commericial Code) for the period 01.01.2007 - 30.06.2007		
	1st Half-Year 2007 K€	**1st Half-Year 2006 K€**
Sales	290	1,510
Other operating income	1,026	501
	1,316	2,011
Cost of materials		
(Licences, commission, materials and purchased services)	161	911
	161	911
Personnel expenses		
a) Salaries including social security costs	261	338
b) Pension expenses	10	10
	271	348
Other operating expenses	277	335
EBITDA	**608**	**417**
Depreciation of intangible assets and property, plant & equipment	140	226
EBIT	**468**	**191**
Other interest and similar income	4	4
Interest and similar expenses	75	75
Result of financial operations	-71	-71
EBT (results from ordin ary operations)	**397**	**120**
Taxes on income	0	30
Other taxes	1	0
Half-yearly results	**396**	**90**

5. Forecast of the second half-year 2007

Building on the foundations already laid in the first half year of 2007 to continue the development of the new business lines, YFE will also press on with opening up additional new areas of business. As already described in the shareholders' general meeting held on July 18th 2007, the company sees a growth market in new marketing forms such as video-on-demand, mobile TV and IPTV. Particularly in the development of the market offered by broad-band links, the number of potential sales channels is increasing constantly. YFE's mission is to is to adapt our excellent and popular product range which is as fresh as ever to these new markets and to exploit them profitably.

As already mentioned, YFE anticipates only limited growth from its two core business segments of License Sales und Productions also in the second half of 2007.

6. Notes to the financial statements for the first half-year 2007

I. General information

The 2007 half-yearly report of Your Family Entertainment AG in Munich for the first half-year of 2007 was prepared in accordance with §§ 242 ff., 264 ff. of the German Commercial Code and the relevant provisions of the German Companies Act. The company is subject to the regulations governing larger companies.

Your Family Entertainment AG has its registered office in Nordendstraße 64 in Munich in Germany. The company, which previously traded under the name of RTV Family Entertainment AG, Ravensburg, and has its origins in Ravensburger AG, has more than 26 years of experience in the production and marketing of programmes for children and young people. The renaming of the company acquired legal force with its entry in the commercial register of the district court of Munich (under HRB 164992) on November 29th 2006. The company's activities include the production of television films, the trade in films and film rights and the marketing of its own and third parties' ancillary rights. Its activities are divided into the business segments production and license sales.

II. Accounting and valuation methods

The presentation and valuation principles applied in the preparation of the financial statements are unchanged and are as follows:

Balance sheet

Film assets and other rights are shown at their updated costs of acquisition. Depreciation is booked in line with the use of the film rights. A share of depreciation is posted in every accounting period based on the share of sales achieved during the financial year in relation to the use still planned for the film rights, including the sales achieved during the financial year.

The approach used here is based on US standard SOP 00-2 (Accounting by Producers or Distributors of Films) which is specific to our industry. The German Commercial Code does not include any such regulations specific to the industry.

Computer software and property, plant and equipment are shown at their costs of acquisition less scheduled depreciation. Computer software is depreciated pro rata temporis in accordance with the straight-line method. Movable fixed assets are depreciated pro rata temporis at the highest rates permissible for tax purposes in accordance with the declining-balance method. A change to depreciation at equal depreciation rates takes place as soon as this gives rise to higher amounts of depreciation. The period of depreciation is governed by the assets' useful lives as established by customary practice in the industry. This period is three years in the case of computer software, three to four years in the case of motor vehicles and two to ten years in the case of fixtures, fittings and equipment.

Low-value items whose cost of acquisition is below € 410.00 are fully depreciated and shown as disposals in the year of acquisition.

Receivables and other assets are shown at their nominal values. Account is taken of all items subject to risk through the establishment of specific bad debt provisions. The overall credit risk is also taken account of through a general bad debt provision of 1%. Non-interest-bearing receivables with a term longer than one year are discounted.

The pension reserves are calculated in accordance with actuarial principles using an interest rate of 5.5%. Dr Klaus Heubeck's "2005 G Tables" are used as the basis for the calculation.

Other reserves and accrued liabilities are established to take account of all uncertain liabilities and threatened losses from pending transactions. They are shown with the amounts considered necessary in accordance with sound commercial judgement.

Liabilities are shown with the amounts due for repayment.

Amounts in foreign currency are converted at the rate prevailing when they arose or at a less favourable exchange rate on the balance sheet cut-off date.

Income statement

The statement of income is prepared in accordance with the cost summary method.

Sales achieved through trading in TV rights (in the licence sales business segment) are shown as realised at the time of their transfer to the licensee, provided however that all obligations can essentially be regarded as having been fulfilled, i.e. the TV series or TV programmes are at the disposal of the licensee or only have to be requested by him. It is irrelevant for the timing of the realisation of the sale that the rights are not used by the licensee until a later date. In the case of merchandising sales (licence sales business line) the guaranteed income is shown when the contract is concluded or at the beginning of the particular licence period. Income which is dependent solely on sales made is realised when the licensee realises these sales.

In the case of co-productions, sales in the business segment production are shown as realised when the film is completed and, in the case of productions-to-order, on completion and acceptance of each individual episode.

III. Information on the review carried out by the auditors

The 2007 half-yearly report was neither audited in accordance with § 317 of the German Commercial Code nor subjected to an audit review by the year-end auditors.

7. Declaration by the company's legal representative

"We confirm that, to the best of our knowledge, the half-yearly report of Your Family Entertainment AG, prepared in accordance with the accounting principles applicable to interim reporting, gives a true and fair picture of the company's assets, financial position and income and that the development of the business, including the results achieved and the company's situation, are presented in the half-yearly report in such a way that a true and fair picture of the actual situation is given and that the risks and opportunities involved in the probable development of the business during the remainder of the financial year are correctly described."

8. Report on transactions with affiliated companies and persons

No transactions with affiliated companies and persons took place during the period of the first half-year of 2007 which had a significant effect on the company's assets, financial position and income.

9. How to contact us

Your Family Entertainment AG
Nordendstraße 64 D - 80801 D-
80801 Munich

Person to contact:
Edmund Appelt
Telephone: +49 (0)89 99 72 71 –22
Telefax: +49 (0)89 99 72 71 –91
Email: edmund.appelt@yfe-ag.com

The board of management
Munich in August 2007