



Half-Yearly Financial Report 2009

January 1st to June 30th

Your Family Entertainment AG, Munich



Key data at a glance

Key financial data (German Commercial Code)	1st half-year 2009	1st half-year 2008
Sales (K€)	1,287	1,373
EBITDA* (K€)	399	181
EBIT (K€)	496	548
Net income at the half-year (K€)	468	504
* Profit before interest, taxes and depreciation / write-ups		
	June 30th 2009	December 31st 2008
Value of film assets (K€)	14,957	14,622
Shareholders' equity (K€)	12,180	11,712
Total balance sheet amount (K€)	16,944	18,842

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 2009	8,700,000



Table of contents

1. Brief profile of Your Family Entertainment AG	3
2. Interim financial statements for the period ending June 30th 2009	4
2.1 Balance sheet	4
2.2 Profit and loss account	6
3. Notes to the financial statements (abbreviated)	7
3.1 Information on accounting and valuation methods	7
3.2 Major transactions carried out with affiliated persons and companies	7
3.3 Audit review	7
4. Interim management report for first half-year of 2009	8
4.1 Report on the income, financial and asset situation	8
4.2 Risk and opportunities report	10
4.3 Forecast	13
4.4 Subsequent events report	14
5. Assurance given by the company's legal representative	14
6. Financial Calendar 2009	15
7. Impressum / How to contact us	15

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 station, "yourfamilyentertainment".



2. Interim financial statements for the period ending June 30th 2009

2.1 Balance sheet

ASSETS

	June 30 th 2009 €	December 31 st 2008 €
A. Fixed assets		
I. <u>Intangible assets</u>		
1. IT Software	13,612.40	22,643.00
2. Film assets and other rights	14,956,954.69	14,622,387.55
	<u>14,970,567.09</u>	<u>14,645,030.55</u>
II. <u>Property, plant and equipment</u>		
Other equipment, operational and office equipment	61,919.05	67,576.00
III. <u>Financial assets</u>		
Security investments	103,950.00	73,150.00
B. CURRENT ASSETS		
I. <u>Inventories</u>		
Finished goods	68,396.06	57,998.23
II. <u>Accounts receivable and other assets</u>		
1. Accounts receivable trade	709,582.94	1,024,596.23
2. Other assets	89,555.76	74,465.63
	<u>799,138.70</u>	<u>1,099,061.86</u>
III. <u>Cash on hand and balances with banks</u>	889,811.17	2,832,870.11
C. DEFERRED CHARGES AND PREPAID EXPENSES	50,540.39	66,009.99
TOTAL ASSETS	<u>16,944,322.46</u>	<u>18,841,696.74</u>



Liabilities

	June 30 th 2009 €	December 31st 2008 €
A. SHAREHOLDERS' EQUITY		
I. Capital subscribed	8,700,000.00	8,700,000.00
II. Capital surplus	2,287,456.00	2,287,456.00
III. Profit brought forward/ loss brought forward from previous year	724,305.35	-95,367.20
IV. Net income	468,456.41	819,672.55
	<u>12,180,217.76</u>	<u>11,711,761.35</u>
B. RESERVES & ACCRUED LIABILITIES		
1. Pension reserves and reserves for similar obligations	336,365.72	345,569.00
2. Other reserves and accrued liabilities	218,891.65	354,637.58
	<u>555,257.37</u>	<u>700,206.58</u>
C. LIABILITIES		
1. Liabilities due to banks	1,370,000.00	0.00
2. Advance payments received on account of orders	1,402,403.50	1,714,403.50
3. Accounts payable, trade	1,254,186.29	1,625,361.79
4. Accounts due to affiliated companies	1,450.99	2,992,079.30
5. Other liabilities	180,806.55	97,884.22
- thereof for taxes: € 12,244.34 (previous year K€ 17)		
- thereof for social security: € 0.00 (previous year K€ 0)		
	<u>4,208,847.33</u>	<u>6,429,728.81</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>16,944,322.46</u>	<u>18,841,696.74</u>



2.2 Profit and loss account

	1 st half-year 2009		1 st half-year 2008	
	€	€	€	€
		1,287,396.87		1,372,889.46
1. Sales				
2. Other operating income		937,115.70		1,158,101.38
3. Cost of materials				
a) Cost of licences, commissions and materials	-209,742.37		-186,470.50	
b) Cost of purchased services	<u>-141,245.86</u>	-350,988.23	<u>-152,216.69</u>	-338,687.19
4. Personnel expenses				
a) Wages and salaries	-405,789.72		-346,413.44	
b) Social security and pension expenses				
- thereof pension expenses: € 0,00 (previous year: K€ 9)	<u>-49,522.21</u>	-455,311.93	<u>-48,825.66</u>	-395,239.10
5. Depreciation of intangible assets and property, plant and equipment		-554,609.36		-1,055,195.32
6. Other operating expenses		-367,560.18		-553,910.17
7. Other interest and similar income		12,080.70		31,522.83
8. Interest and similar expense		<u>-38,189.16</u>		<u>-75,000.00</u>
- thereof to affiliated companies: € 0,00 (previous year: K€ 75)				
9. Result from ordinary operations		469,934.41		504,481.89
10. Other taxes		<u>-1,478.00</u>		<u>-832.94</u>
11. NET INCOME		<u><u>468,456.41</u></u>		<u><u>503,648.95</u></u>



3. Notes to the financial statements (abbreviated)

3.1 Information on accounting and valuation methods

The same accounting and valuation methods were applied in preparing the present interim financial statements (half-yearly financial report) covering the first half-year of 2009 as in the last annual financial statements (annual financial report) covering the period up to December 31st 2008.

Advertising costs incurred during the reporting period are shown in the income statement under other operating expenses, whilst broadcasting costs are shown under the costs of purchased services. For purposes of comparability, the previous year's amounts were reclassified accordingly.

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 2009.

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.

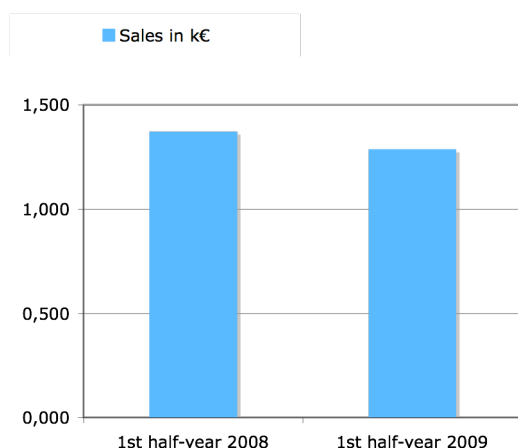


4. Interim management report for first half-year of 2009

4.1 Report on the income, financial and asset situation

Development of sales

Sales to the value of K€ 1,287 were realised in the first half-year of 2009 (1st half-year 2008: K€ 1,373).



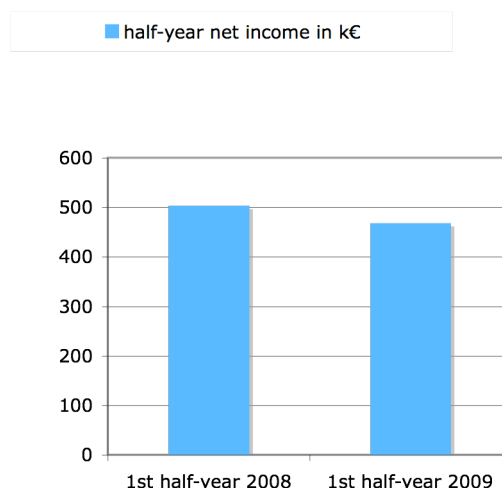
All of the sales during the reporting period were achieved by the Licence Sales business segment (1st half-year 2008: K€ 794).

The Productions business segment achieved sales of K€ 579 sales in the same period last year. These sales resulted from the completion of the second series of "Dragon Hunters – Die Drachenjäger". No productions were carried out in the present reporting year and consequently no sales were achieved.

Basically, fluctuations may occur in the development of sales as a result of project transactions and/or so-called "package deals".

Development of the results

The net income for the period ending on June 30th 2009 was K€ 468 (1st half-year 2008: K€ 504).



Earnings before interest, taxes, depreciation and amortisation (EBITDA) were K€ 399 (1st half-year 2008: K€ 181).

Total other operating income in the first half-year was K€ 937 (1st half-year 2008: K€ 1,518) and principally includes revaluations of film assets to an amount of K€ 620 (1st half-year 2008: K€ 1,422), income relating to another accounting period from a payment of K€ 99 on account of accounts receivable that had already been written off and income of

K€ 31 resulting from the revaluation of financial assets.

The revaluation of film assets compares with unscheduled depreciation of K€ 282 (1st half-year 2008: K€ 478) that was posted as a result of the impairment test carried out at the end of the financial year.

Financial and assets situation

The total balance sheet amount declined in comparison with the value at the end of the previous year to K€ 16,944 (December 31st 2008: K€ 18,842).

Intangible assets (chiefly film assets and other rights) increased to K€ 14,971 (December 31st 2008: K€ 14,645)

The reduction of the balance sheet is due chiefly to the repayment of the shareholders' loan on January 2nd 2009 (partly from the company's own resources).

K€ 1,370 of a loan facility of K€ 3,500 granted by the Commerzbank AG in Stuttgart had been taken up as a money market loan at the end of the year.

Short-term money market loans are currently being concluded in order to optimise interest expenses on outside borrowing.

Investments

The company invested a total of K€ 256 in the first half of 2009 (1st half-year 2008: K€ 744).

4.2 Risk 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, delays in completion occur in spite of a careful selection of co-production partners and service-providers, 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. 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.

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 completed 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

As part of an agreement with Commerzbank AG on the grant of a loan facility, Your Family Entertainment AG has provided the bank with securities in the form of title to rights and claims under film licence contracts.

The lender was granted the following securities as collateral for its claims:

- assignment of all existing and future claims and rights under contracts to purchase copyrighted rights to use film works, ancillary copyrights and other rights
- assignment of all existing and future claims and rights under contracts with other film distribution companies or miscellaneous third parties to sell the rights to evaluate and use film material, agency and consignment contracts and sub-licensing contracts related to the sale of beneficial rights
- assignment of all existing and future claims and rights under co-operation, production and co-production contracts
- transfer of all proprietary and possessory rights and claims to deliver the relevant film material

18 programmes were excluded from the securities granted above. Title to these programmes has been transferred to EM.Entertainment GmbH as security for pre-payments of future sales income made by EM.Entertainment GmbH to the company (prepaid orders). 11 programmes were transferred back to the company in an addendum to this contract signed on September 12th / 13th 2007, such that on June 30th 2009, only seven programmes have been transferred to EM.Entertainment GmbH by way of collateral.

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.

In addition, K€ 854 of bank balances have been deposited as security for bank guarantees which could also make it more difficult to obtain additional bank loans.

Exchange rate fluctuations, 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 impact 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 € 3,261,968.00 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 opportunity 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

Building on the positive results achieved in previous years, the remainder of 2009 will continue to be characterised by an intensification of activities in existing business segments.

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

We will focus our activities on the continued expansion of international distribution in the field of licence sales and in obtaining new partners for our own pay-TV station „yourfamilyentertainment“.

The termination of the distribution co-operation agreement with EM.Entertainment GmbH and the comprehensive extension of rights with Nelvana International Limited were important steps in this direction.

The effects of the financial crisis that began in early summer 2007 with the real estate crisis (crisis in sub-prime market) on the entertainment and media industry, and especially on Your Family Entertainment AG, are currently difficult to predict.

It is assumed that the consolidation process in the market will continue to increase.

Your Family Entertainment AG's long-term goal is to win back its position as one of the key players in this market.

4.4 Subsequent events report

Supervisory board

All the members of the supervisory board were re-elected at the annual general shareholders' meeting that took place on July 8th 2009. Dr. Sebastian Graf von Wallwitz was confirmed as chairman of the supervisory board.

Contract concluded with cable network, Kabel-BW


The technical reach of our own pay-TV station "yourfamilyentertainment" has been considerably increased as a result of it being fed into Kabel Baden-Württemberg's cable network. "yourfamilyentertainment" is part of this company's pay-TV package, Clever Kids.

5. Assurance given by the company's legal representative

"I certify that, to the best of my knowledge and in accordance with the applicable accounting principles, the interim financial statements convey a true and fair picture of Your Family Entertainment AG's asset, financial and earnings situation and that the management report presents the development of the business and its results and the company's current situation in such a way that a true and fair picture is conveyed and that major risks and opportunities of the company's probable development are described."

Munich, August 24th 2009

Your Family Entertainment AG



Dr. Stefan Piech

CEO

6. Financial Calendar 2009

- Interim announcement for the first half-year of 2009 published on May 11th 2009
- Annual general shareholders' meeting on July 8th 2009
- half-yearly financial report 2009 published on August 24th 2009
- Interim announcement for the second half-year of 2009 on November 9th 2009

7. Impressum / How to contact us

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