Your Family Entertainment AG

Annual Business and Financial Report 2008

Key data at a glance

Key financial data in K€	2008	2007
Sales	4,853	1,514
EBITDA	2,440	821
EBIT	971	1,044
Net income	820	907
Cash flow from current business operations	3,263	438
Total balance sheet amount	18,842	12,736
Value of film assets	14,622	11,300
Shareholders' equity	11,712	7,630

Table of contents

1. CEO's opening comments

Dear Shareholders,

We are pleased that this year we are once more able to present a positive report of the progress made by your company. The financial year 2008 was characterised by varied developments of fundamental importance for Your Family Entertainment AG.

In spite of the difficult market environment, you as our shareholders subscribed for all of the available shares offered as part of a cash capital increase of Your Family Entertainment AG in the first quarter of the previous year. All of the new bearer shares were placed. Moreover, as part of the capital increase, all the shares which up to this time had been non-negotiable were converted into negotiable shares.
The involvement of our major shareholder, F&M Film und Medien Beteilungs GmbH in Vienna, was also a clear sign of its support for Your Family Entertainment AG. The gross proceeds of the issue resulting from the capital increase were K€ 3,262. This measure not only signified an improvement in the financial situation of Your Family Entertainment AG, but also represented a considerable increase in the company's freedom to act in the market. A total of K€ 4,757 has been invested in film assets during the past financial year.

A further milestone, namely the termination of the distribution agreement with EM.Entertainment GmbH, gave Your Family Entertainment AG the opportunity to use its extensive portfolio in order to assert itself as a worldwide distributor in the market, completely independent of third parties.

The expansion of our brand "yourfamilyentertainment" as a TV channel and home entertainment label has also made considerable progress.

Our channel went on air in Switzerland, Luxembourg, Austria and, of course, on additional networks in Germany, such as for example the second largest cable network distributor, Unity Media. Since December 2008, we have even been available for the first time on the mobile telephone operator "Drei" in Austria as a Pay-TV channel.
A highly important development in this context was also the comprehensive extension of the licence term of 26 programmes from Nelvana International Limited, ensuring Your Family Entertainment AG the use of high-quality programmes until at least the end of 2024 and 2028.

Your Family Entertainment AG's sales have increased from K€ 1,514 to K€ 4,853 in the reporting period. The business division License Sales achieved sales of K€ 4,294 during the previous reporting year. Sales of K€ 559 achieved in the production sector were due primarily to the completion and delivery to Super RTL of 13 additional programmes of the second series of Dragon Hunters.

We are gratified by the increasingly positive feedback our company and the values for which we stand has received. For example, Your Family Entertainment AG was invited for the first time to deliver a talk at an event on the subject of ethical-ecological investment. Such instances also provide us with an assurance that there is a demand for our high-quality and educational range of programmes and that society also perceives this need.

The main focus of our activities remains the continuation of the company's development through growth in existing and new business sectors, based on the principle of increasing our company's profitability and thereby creating permanent value for you, our shareholders. It is currently difficult to predict the effects of the international financial crisis on the entertainment and media industry and especially on Your Family Entertainment AG. Based on what has been achieved in past years, 2009 should be a year in which existing business sectors continue to be intensified and stabilised.

I would like to take this opportunity of thanking you, our shareholders, for your trust in our company. I would also like to thank the members of the Supervisory Board of Your Family Entertainment AG who have supported and continue to support the company in both word and deed.
I would also like to express my sincerest thanks to all of our employees. Their performance and dedication made the achievements that I have described above possible, whereby I am fully aware that the changes we have experienced demand considerable personal dedication and I am therefore more than happy to work with a team that looks beyond the immediate situation and reacts positively to changes with imagination and initiative.

Munich, April 2009.

Yours sincerely

Dr. Stefan Piëch
CEO

YFE is a dependable supplier of good and high-quality entertainment of lasting value for both parents and children.

The "yourfamilyentertainment" brand sees itself as a seal of approval for family entertainment.

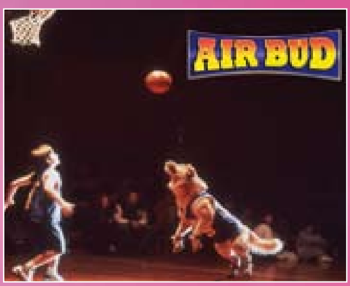
2. About us...

Your Family Entertainment AG (YFE) is one of Germany's longest-established television and film production companies in the field of entertainment formats for children, teenagers and the whole family. The company YFE, which was started in the mid-1980s as part of Ravensburger AG, embodies traditional "Ravensburger values" in parts of its product range and has more than 3,500 half-hour programmes at its disposal.

The contents of these programmes are trusted, known and popular with children and parents.

To help you to get to know us, we would like to introduce you to some examples from our range of programmes:

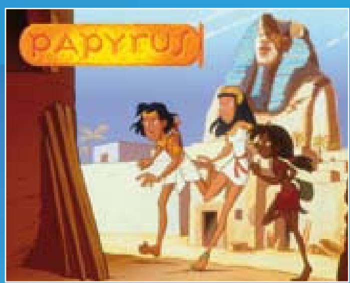
Fix & Foxi
Follow world-famous cartoon foxes Fix and Foxi in their most fantastic and exciting adventures.



Air Bud
Following the death of his father, eleven-year old Josh moves to the idyllic little town of Fernfield with his mother and younger brother. Josh misses his father very much and often feels lonely. His life is transformed as he meets the stray dog Buddy one day. Josh finds a true friend here.

Wilf, the Witch's Dog
The series is based on short stories written and illustrated by Frank Rodgers about a dog who wishes to become a witch's pet. In order to achieve his ambition, he learns magic spells, how to fly a broom and everything else which goes towards making a real witch's life.

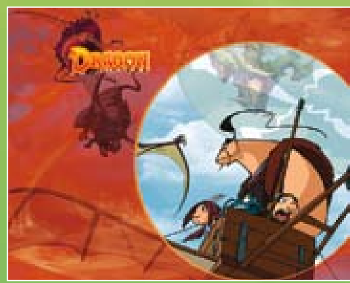
Cosmo & Wanda
This is the story of ten-year-old Timmy Turner, an almost normal child, well, almost normal that is, because Timmy has something that makes him different from other children: the two elves Cosmo and Wanda. They help Timmy out of every scrape and are also ready to fulfil the most unusual wishes.



Papyrus
The story of young Papyrus takes place in ancient Egypt. He fights against the Pharaoh's enemies on orders from the gods. Brave Papyrus is helped by his magic sword which he always has with him on his dangerous adventures.

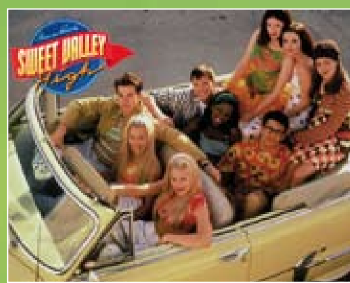
Enid Blyton – Secret Series
In these famous detective stories we can follow the adventures of Thaddäus Arnold, his four children, their dog Price and the beautiful and lively news photographer Charlotte Clancy. Together they follow up every mysterious clue.

Tobias Totz
Tobias Totz is a retired zoo-keeper who is always called in to help when there are problems at the zoo. Together with his friend the lion, he solves problems with the necessary composure and a lot of humour.



Dragon Hunters
A world in the distant future, inhabited by rogues, peasants and uneducated aristocrats, is threatened by a dreadful scourge: dragons have infested this far-off empire. The Dragon Hunters have dedicated themselves to capturing these unwanted and dangerous invaders.

Kommando Störtebeker
Nice Mr Bommel has lost a great deal of his company's money due to his passion for gambling. He believes that he can pay back this money with a treasure map he owns showing the way to the legendary pirate Störtebeker's treasure.



Sweet Valley High
The sixteen-year-old twins Liz und Jess experience the absolutely normal madness of an American high school in Sweet Valley in California. We follow the teenagers on their path to adulthood through lovesickness, stress at school and arguments with their parents.

3. Report of the Supervisory Board

Dear Shareholders,

The Supervisory Board regularly monitored, controlled and advised on the work of the Board of Management during the 2008 financial year. The Board of Management kept the Supervisory Board comprehensively and punctually informed by means of both verbal and written reports. The Supervisory Board and the Board of Management were also in constant contact between meetings. The Supervisory Board was therefore informed at all times on intended business policy, the company's planning including financial, investment and human resources planning as well as on the development of the business and its current situation.

A total of five meetings of the Supervisory Board were held in the 2008 financial year at which, with two exceptions, every member of the Supervisory Board took part. All of the members of the Supervisory Board have therefore participated in at least half of its meetings during their period of office in the 2008 financial year. During these meetings all major matters of business policy, especially those relating to the company's commercial and financial development, its strategy and planning, important business events and matters requiring the consent of the Supervisory Board were subjected to detailed and empirical analysis, deliberated upon and discussed with the Board of Management on the basis of comprehensive and complete reports prepared by the Board of Management. In view of the company's profit situation, which was still unsatisfactory in the 2008 financial year, the Supervisory Board has also, on several occasions, made use of its right to inspect the company's financial records and correspondence as well as its assets. The Board of Management was available at all times to answer questions and to give explanations.

Key subjects discussed by the Supervisory Board
As in previous years, the Supervisory Board's deliberations and control activities in the 2008 financial year were dominated by, on the one hand, the stabilisation of the company's core business and, on the other, discussions on the development of new business sectors and monitoring activities newly initiated by the company. The "Home Entertainment" segment has, in this regard, not yet developed according to expectations and sales are below those forecast in the budget. The Pay-TV channel "yourfamilyentertainment" has been transmitting since 2007. Distribution to other platforms was achieved in the 2008 financial year. The sales derived from this business sector are not yet significant. The development of the "License Sales" business segment has been the subject of considerable discussion and is being closely monitored. Whilst sales in this area were considerably increased in the 2008 financial year, a sustained breakthrough has still not been achieved. The profit situation of the distribution activities of external distribution associates was particularly unsatisfactory, especially that of EM.Entertainment GmbH. In this context, the Supervisory Board followed the separation from the previous distributor, EM.Entertainment GmbH particularly closely. The Supervisory board regards this measure as a major step in the improvement of the sales situation. The same applies to the establishment of the company's own distribution department. The Supervisory Board regards this as a promising step in improving the exploitation of the company's film assets. However, the Supervisory Board has emphasised the absolute necessity of a permanent stabilisation of sales to the Board of Management and sees this subject as a major priority in its control function during the coming financial year.

A further key activity of the Supervisory Board in 2008 laid in the continued involvement of the cash capital increase approved by the company. The Supervisory Board established the details of the cash capital increase in a resolution it passed on January 16th 2008. The capital increase was recorded in the commercial register on March 18th 2008. The Supervisory Board regards the successful execution of this resolution as an essential element in stabilising the company and in restoring operational freedom to act on the markets.

The company's acquisition of a minority stake of more than 3% in TV Loonland AG was the subject of detailed discussions. This stake currently constitutes a purely financial investment.

As in previous years, the continuous monitoring of the company's cash flow received considerable attention from the Supervisory Board. The Board of Management submitted regular reports on this subject. The cash flow situation was considerably eased as a result of the successful execution of the capital increase.
The Supervisory Board closely followed the rescissory action pursued by the shareholder, Burkhard Ceppa. The District Court of Munich I rejected Mr Ceppa's action and the Higher District Court indicated that it would reject an appeal against the district court's judgement, whereupon Mr Ceppa withdrew his writ.

Human Resources
In a resolution passed on September 9th 2008, the Supervisory Board appointed Dr. Stefan Piëch as CEO of the company for an additional year, namely until December 31st 2009.

Changes in the Supervisory Board
The shareholders' meeting that took place on July 9th 2008 elected Prof. Dr. Michael Judis, a lawyer from Munich, as a new substitute member of the Supervisory Board. The term of office of the members of the

Supervisory Board runs until the end of the shareholders' meeting in 2009 called to approve the actions of the Board of Management in 2008. In its constitutive meeting held on July 9th 2008, the Supervisory Board elected Dr. Hans-Sebastian Graf von Wallwitz of Munich as Chairman of the Supervisory Board and Johannes Thun-Hohenstein of Vienna as his deputy.

Sub-committees of the Supervisory Board
The Supervisory Board has not established any subcommittees.

Report on the audit of the annual financial statements
The annual financial statements and the management report of Your Family Entertainment AG were prepared in accordance with the provisions of the German Commercial Code (HGB).

In accordance with the Supervisory Board's instructions, Ernst & Young AG, auditors and tax advisers in Ravensburg, audited the company's accounting system and its financial statements and management report for the 2008 financial year. The auditors issued their unqualified auditors' certificate on the basis of this audit. The company's annual financial statements and management report, as well as the audit reports, were submitted to the members of the Supervisory Board and examined by them. The Supervisory Board discussed these documents in detail at its meeting held on March 18th 2009 to discuss the financial statements in the presence of the auditors who reported on the principle findings made in their audit. The Supervisory Board took note of and approved the results of the audit. Following its own conclusive examination, the Supervisory Board established no grounds for objecting to the company's financial statements and management report for the 2008 financial year. In its meeting of March 18th 2009, the Supervisory Board approved Your Family Entertainment AG's financial statements submitted by the Board of Management. Accordingly, the company's financial statements are adopted. The Board of Management has prepared its report on the company's relationships with affiliated companies and submitted this report, together with the auditors' report on this subject, to the Supervisory Board. The auditor granted the following unqualified audit certificate:

"We confirm, following our obligatory examination and assessment, that

1. the factual details contained in the report are correct,
2. the services provided by the company in the legal transactions listed in the report were not excessive."

The auditors took part in the Supervisory Board's deliberations on the report dealing with relations with affiliated companies and reported on the principle results of its audit. The Supervisory Board's examination of the Board of Management's report and the audit report gave no cause for objections; the Supervisory Board agrees with the results of the audit. The Supervisory Board, having examined the matter, raised no objection to the declaration made by the Board of Management at the end of the report on the relations of Your Family Entertainment AG with affiliated companies.

The auditor also carried out an examination in accordance with § 317 section 4 of the German Commercial Code and concluded that the Board of Management has installed a monitoring system, that the legal requirements as regards the early recognition of risks threatening the existence of the company are fulfilled and that the Board of Management has taken appropriate measures to recognise developments at an early stage and to counter risks.

The auditors submitted the independence declaration required by the Corporate Governance Code to the Supervisory Board and disclosed the audit and consultancy fees in the current year to the Supervisory Board.

Corporate governance and the compliance declaration
The subject of corporate government has a high priority for the Supervisory Board. The Supervisory Board involved itself with the refinement of the Corporate Governance principles in the company, thereby taking account of amendments to the German Corporate Governance Code of June 2008. The declaration given by the Board of Management and the Supervisory Board in accordance with § 161 of the German Companies Act is reproduced in the chapter of the company report dealing with Corporate Governance and is also to be found on the company's web-site (www.yf-e.com) under Investor Relations.

Additional information on the subject of Corporate Governance is contained in the company report on pages 9 to 10 (Corporate Governance Report).

The Supervisory Board thanks the Board of Management and all employees for their commitment during 2008.

Munich, March 2009

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

4. The share

4.1 Summary

Your Family Entertainment AG is quoted under the security identification number 540891/ISIN: DE0005408918 and the abbreviation "RTV" on the regulated market of the Frankfurt Stock Exchange (General Standard).

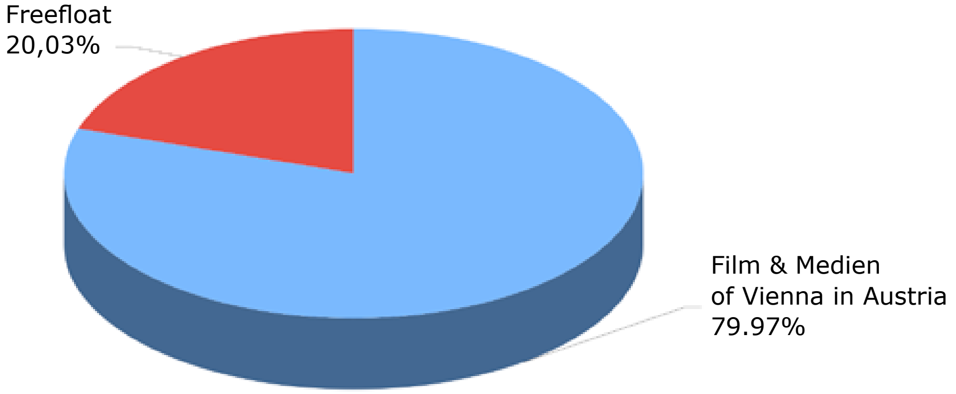
Number of shares:	8,700,000 units	(Situation on	December 31st 2008)
Subscribed capital:	€ 8,700,000	(Situation on	December 31st 2008)
First quoted:	June 8th 1999		
Designated Sponsor:	Schnigge AG		
Industry:	Media & Entertainment		

4.2 Development of the price of the share

During the period from January to December 2008, the price of the Your Family Entertainment AG share on the Frankfurt Stock Exchange developed as follows:

Source: www.ariva.de

4. 3 Shareholding structure December 31st 2008



5. Corporate governance report

Your Family Entertainment AG continued to develop its corporate governance practice in 2008 and also complies as far as possible with the changes in the code introduced in the version issued on June 6th 2008 published in the electronic German Federal Gazette ("Bundesanzeiger") on August 8th 2008.

Your Family Entertainment AG publishes the documents demanded by law for the shareholders' meeting in an easily accessible manner on its website. The consent of the shareholders' meeting to the electronic distribution of documents was obtained in 2008.

Your Family Entertainment AG complies with the new recommendations with respect to clauses on termination indemnities in contracts with board members (section 4.2.3) in that in general no special rules on termination indemnities in the case of acquisitions or other types of premature contract terminations are provided for in the board member's service contract.
The Supervisory Board regularly reviews the Board of Management's remuneration system. The Supervisory Board passes appropriate resolutions on the remuneration system and the principle contents of the contract as far as the existing board members' contract allows for flexibility in this field (new recommendation in section 4.2.2). Your Family Entertainment AG will comply with the new recommendation in section 7.1.2, which requires the Supervisory Board to discuss semi-annual financial reports with the Board of Management before they are published. The discussion of quarterly reports is not applicable since, as a subscriber to the General Standard, the company does not prepare and publish these reports.

The fees paid to the Board of Management and the Supervisory Board are shown in the appendix to the 2008 financial report. No conflicts of interest arose in 2008 in either the Board of Management or the Supervisory Board. A possible conflict of interest in connection with the Supervisory Board member, Dr. Sebastian Graf von Wallwitz was avoided in that a resolution sought by the company on co-operation with the legal firm of Schwarz Kelwing Wicke Westphal, in which Graf von Wallwitz is a partner, was passed by the shareholders' meeting in 2007.

It is still the case that the Board of Management does not hold any Supervisory Board or comparable office. The Supervisory Board monitors the efficiency of its own activities every year. It is the Supervisory Board's opinion that it has a sufficient number of independent members.

A comparison of the compliance declaration with the Corporate Governance Code. Which was actually implemented in 2008, did not reveal any discrepancies. Your Family Entertainment AG complies as far as possible with the recommendations of the government-appointed commission on the Corporate Governance Code, departing from the Code only in areas where this appears justified due to the company's size, the usefulness of such measures and the financial possibilities of such a medium-sized company.

The rules of business procedure under which the Board of Management and the Supervisory Board operate were not changed in 2008. The shareholders' meeting changed four items in the statutes. 30 shareholders and guests constituting 85.9 % of the voting capital took part in the shareholders' meeting. All items on which resolutions had been submitted were approved. Your Family Entertainment AG has issued five ad hoc announcements in accordance with §15 of the German Securities' Trading Law during the past year.

The compliance declaration required by § 161 of the German Companies Act was published on the Internet (www.yf-e.com) in December 2008 under the heading Investor Relations / Corporate Governance and made permanently available to the shareholders.

Joint declaration by the Board of Management and Supervisory Board of Your Family Entertainment AG concerning the recommendations of the "Government Commission on the German Corporate Governance Code" in accordance with § 161 of the Companies Act:

The Board of Management and Supervisory Board welcome the Corporate Governance Code. § 161 of the German Companies Act requires the Board of Management and Supervisory Board of a public limited company quoted on the stock exchange to issue an annual declaration that the recommendations of the "Government Commission on the German Corporate Governance Code", published by the German Federal Ministry of Justice in the electronic Federal Gazette, were or are complied with, or which recommendations were not or are not applied. The following declaration relating to the past is covered by the Code issued on June 14th 2007. The current version of the declaration issued on June 6th 2008 covers the company's current and future practice with respect to corporate governance. The last annual declaration was submitted in December 2007.

The Board of Management and Supervisory Board of Your Family Entertainment AG declare that the recommendations of the "Government Commission on the German Corporate Governance Code", published by the German Federal Ministry of Justice in the electronic Federal Gazette, have been complied with since the last annual declaration submitted in December 2007 and still are being complied with, subject to the following exceptions:

- Due to time constraints, it cannot be guaranteed that the published company report will be available at the time the invitation to the shareholders' meeting is issued (section 2.3.1 of the Code), it also cannot be guaranteed that the group financial statements will be made publicly available within 90 days of the end of the financial year and the half-yearly report within 45 days of the end of the reporting period (section 7.1.2 of the Code).

- The transmission of the shareholders' meeting via modern means of communication (section 2.3.4. of the Code) has not been carried out since the company's shareholding structure does not warrant the required expense.

- The D&O (Directors' and Officers') insurance policy for the members of the Board of Management and the Supervisory Board is not subject to any excess as this does not reflect general practice in the business (section 3.8 of the Code).

- Following the conclusion of the company's restructuring in January 2003 and due to the reduced volume of business, the Board of Management is composed of one person only (section 4.2.1. of the Code).

- No disclosure will be made of the total remuneration of each member of the Board of Management in a remuneration report included in the Corporate Governance Report. In this respect, we do not comply with the recommendations of section 4.2.5.

- Due to the limited size of the company and the Supervisory Board, no committees have been created (section 5.3. of the Code).

- The Supervisory Board receives a fee which is laid down in § 16 of the company's statutes. Performance-related components have not so far been included in this remuneration (section 5.4.7. of the Code).

In accordance with the Regulations Governing the Regulated Market and the rules imposed by the German Securities Trading Law, a semi-annual report and interim announcements are published in addition to the annual report; for cost reasons, these are not prepared in accordance with international accounting standards (section 7.1.1 of the Code), but in accordance with the provisions of the German Commercial Code.

Munich, December 2008

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

Dr. Stefan Piëch
CEO

6. Annual financial report 2008
(in accordance with the German Commercial Code)
(January 1st to December 31st 2008)

6.1 Balance sheet

6.1.1 ASSETS

		December 31st 2008			Dec. 31st 2007
		€	€	€	€
A.	**FIXED ASSETS**				
I.	**Intangible Assets**				
1.	IT Software	22,643.00			39,113.00
2.	Film assets and other rights	14,622,387.55			11,299,834.80
			14,645,030.55		11,338,947.80
II.	**Property, plant and equipment**				
	Other equipment, operational and office equipment		67,576.00		65,929.00
III.	**Financial investments**				
	Security investments		73,150.00		0.00
				14,785,756.55	11,404,876.80
B.	**CURRENT ASSETS**				
I.	**Inventories**				
	Finished goods		57,998.23		1,752.82
II.	**Accounts receivable and other assets**				
1.	Accounts receivable trade	1,024,596.23			777,003.78
2.	Other assets	74,465.63			22,001.70
			1,099,061.86		799,005.48
III.	**Cash on hand and balances with banks**		2,832,870.11		523,585.66
				3,989,930.20	1,322,591.14
C.	**DEFERRED CHARGES AND PREPAID EXPENSES**			66,009.99	6,611.79
				18,841,696.74	12,735,832.55

6.1.2 LIABILITIES

	December 31st 2008 €	€	Dec. 31st 2007 €
A. SHAREHOLDER'S EQUITY			
I. Capital subscribed Conditional capital € 65,534.00 (Previous year K€ 66)	8,700,000.00		6,525,488.00
II. Capital reserve	2,287,456.00		1,200,000.00
III. Accumulated earnings (previous year accumulated loss)	724,305.35		-95,367.20
		11,711,761.35	7,630,120.80
B. RESERVES & ACCRUED LIABILITIES			
1. Pension reserves	345,569.00		345,984.00
2. Accrued taxes	0.00		5,586.00
3. Other reserves and accrued liabilities	354,637.58		174,050.00
		700,206.58	525,620.00
C. LIABILITIES			
1. Advance payments received on account of orders	1,714,403.50		1,038,797.49
2. Accounts payable, trade	1,625,361.79		628,118.10
3. Accounts due to affiliated companies	2,992,079.30		2,830,000.00
4. Other liabilities thereof for taxes € 17,289.21 (previous year K€ 36) thereof for social security € 250.87 (previous year K€ 0)	97,884.22		83,176.16
		6,429,728.81	4,580,091.75
		18,841,696.74	12,735,832.55

6.2 Income statement

		2008		2007
	€	€	€	€
1. Sales		4,853,082.78		1,514,459.79
2. Other operating income		2,020,175.11		3,288,763.00
			6,873,257.89	4,803,222.79
3. Cost of materials				
a) Cost of licences, commissions and materials		275,860.75		251,624.67
b) Cost of purchased services		266,388.87		127,512.18
			542,249.62	379,136.85
			6,331,008.27	4,424,085.94
4. Personnel expenses				
a) Salaries	882,617.28			529,911.86
b) Social security expenses	94,890.33			64,275.40
c) Pension expenses	18,608.81			19,571.48
		996,116.42		
5. Depreciation of intangible assets and property, plant and equipment		3,259,885.12		1,754,364.51
6. Other operating expenses		1,103,479.48		1,012,321.12
			5,359,481.02	
			971,527.25	1,043,641.57
7. Other interest and similar income		83,976.60		14,370.52
8. Depreciation of financial investments		70,996.57		0.00
9. Interest and similar expenses		163,133.81		150,310.97
			-150,153.78	-135,940.45
10. Result from ordinary operations			821,373.47	907,701.12
11. Taxes on income		991.92		702.94
12. Other taxes		709.00		246.00
			1,700.92	948.94
13. Net income			819,672.55	906,752.18
14. Previous year's loss brought forward			-95,367.20	-1,002,119.38
15. Accumulated earnings (previous year accumulated loss)			724,305.35	-95,367.20

6.3 Notes to the financial statements

I. General information

The annual financial statements of Your Family Entertainment AG in Munich for the 2008 financial year were prepared in accordance with §§ 242 ff., 264 ff. of the German Commercial Code and the relevant provisions of the German Companies Law. The rules applicable to larger companies limited by shares were applied.

Your Family Entertainment AG has its registered office at Nordendstraße 64 in Munich in Germany.

Object of the company:

The creation, editing and production of films, video and audio carriers and merchandising products, the purchase and sale of rights, investment in broadcasting companies and national and international rights as well as event marketing. The company is also a full-service supplier in the sense of an agency for the marketing of its own and others' merchandising rights at home and abroad. The company's object also includes music publishing and all related transactions or transactions promoting the purpose of the company, including the production of music, especially film music, either in its own capacity or through third parties.

The company's business activities are split into the business divisions "Production" and "License Sales".

II. Accounting and valuation methods

The presentation and valuation principles applied in the preparation of the financial statements 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.

In addition, an impairment test is carried out every year-end on the cut-off date.

A revaluation takes place when indications are present which show that the reduction in value no longer applies, or may have been reduced. The revaluation is shown as income in the statement of income. The increase in value or the reduction of the value impairment of an asset is, however, only carried out to the extent that it does not exceed the book value which would have resulted, taking account of the effects of depreciation, had no impairment of value been recorded in previous years.

Computer software and fixed assets 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 useful lives of the assets customary in the business. This is three years in the case of computer software and two to ten years in the case of fixtures, fittings and equipment.

Inventories are valued at their average costs 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%.

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 which sensible commercial judgement considers to be necessary.

Liabilities are shown with the amounts due for repayment.

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

Statement of income

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 line) 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 is realised when the licensee realises these sales.

Sales in the „Production" business line are, in the case of co-productions, 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. Explanations of the balance sheet

Fixed assets

The development of the individual items of fixed assets may be seen in the separate summary "Development of fixed assets in 2008".

Receivables and other assets

The position "other assets" includes items with a value of K€ 13 (previous year K€ 13) with a remaining term in excess of one year.

Deferred charges and prepaid expenses
This position includes a loan discount of K€ 44 (previous year K€ 0) relating to a long-term liability with respect to goods and services.

Shareholders' equity
The company's share capital on the balance sheet cut-off date was still composed of 8,700,000 unit shares, each with a share in capital of €1.00. The company's share capital was therefore € 8,700,000.00 on December 31st 2008. The shares are bearer-shares. They are fully paid up.
In accordance with a resolution of the Board of Management passed on January 16th 2008 and the consent of the Supervisory Board, and using the authorisation granted on July 12th 2006 (approved capital IV), the company's share capital was increased by € 2,174,512.00 to € 8,700,000.00 through the issue of 2,174,512 new ordinary shares paid for in cash with a total value of € 3,261,968.00. The excess amount in cash contributions of € 1,087,456.00 was transferred to capital surplus. The capital surplus now stands at € 2,287,456.00. The capital increase was recorded in the commercial register on March 18th 2008.
On November 3rd 2005, the Board of Management of the company then trading under the name of RTV Family Entertainment AG, issued the following announcements in the German stock exchange newspaper ("Börsenzeitung") in accordance with § 25 section 1 of the German Securities' Trading Law:
"Dr. Stefan Piëch (of Vienna in Austria) has informed us, in accordance with §§ 21 section 1, 22 section 1.1.1 of the German Securities' Trading Law, that the share of voting rights held by F&M Film und Medien Beteiligungs GmbH (of Vienna in Austria) in RTV Family Entertainment AG (security identification numbers 540891 and 540893) attributed to him in accordance with § 22 section 1.1.1. of the German Securities' Trading Law had, on October 26th 2005, exceeded the thresholds of 5%, 10%, 25%, 50% and 75% of the voting rights and is now 89.27%."
"F&M Film und Medien Beteiligungs GmbH (of Vienna in Austria) has informed us, in accordance with § 21 section 1 of the German Securities' Trading Law, that its share of the voting rights in RTV Family Entertainment AG (security identification numbers 540891 and 540893) had, on October 26th 2005, exceeded the thresholds of 5%, 10%, 25%, 50% and75 % of the voting rights and is now 89.27%."
The company published the following announcements in the previous year relating to voting rights:
"Mr Raimund Köhler, resident in Germany, informed us on March 25th 2008, in accordance with § 21 section 1 of the German Securities Trading Law, that his share of the voting rights in Your Family Entertainment AG in Munich in Germany, ISIN: DE0005408918, security identification number: 540891, in the form of shares fell below the threshold of 3% on March 18th 2008 and is now 2.874% (corresponding to 250,000 voting rights)."
"On March 26th 2008 Your Family Entertainment AG of Munich in Germany (ISIN: DE0005408918, security identification number: 540891) received the following information concerning voting rights from ACON Actienbank AG of Munich in Germany:
We hereby inform you in accordance with § 21 section 1 of the German Securities Trading Law that on March 18th 2008 our share of the voting rights in Your Family Entertainment AG exceeded the thresholds of 3%, 5%, 10%, 15% and 20% and now stands at 24.99% (2,174,512 voting rights). Using the capital increased approved on November 22nd 2007 / January 16th 2008, we have subscribed for and received 2,174,512 new non-par-value bearer shares (individual share certificates) in Your Family Entertainment AG, subject to the proviso that these shares are offered for subscription by the shareholders and then offered to the general public in a public offering. The subscription period ended on March 11th 2008.
We also announce in accordance with § 21 section 1 of the German Securities Trading Law that on March 20th 2008, following the capital increase, our share of the voting rights in Your Family Entertainment AG fell below the thresholds of 20%, 15%, 10%, 5% and 3% and that we now hold no shares entitling us to voting rights (0 voting rights)".
"We were informed by The Ascendo Group N.V. with its place of business in Eindhoven in The Netherlands in a letter received on March 28th 2008 that:
In accordance with § 21 section 1 of the German Securities Trading Law, we hereby inform you that on March 18th 2008 our share of the voting rights in Your Family Entertainment AG exceeded the thresholds of 3%, 5%, 10%, 15% and 20% and now stands at 24.99 % (2,174,512 voting rights). This 24.99% (2,174,512) are to be allocated to us by ACON Actienbank AG in Munich in accordance with § 22 section 1.1.1 of the German Securities Trading Law. ACON Actienbank AG subscribed for and received 2,174,512 new non par-value bearer shares (individual share certificates) in Your Family Entertainment AG on the basis of the capital increased approved on November 22nd 2007 / January 16th 2008, subject to the proviso that these shares are offered for subscription by the shareholders and then offered to the general public in a public offering. The subscription period ended on March 11th 2008.
We also announce in accordance with § 21 section 1 of the German Securities Trading Law in conjunction with § 22 section 1.1.1 of the same law that on March 20th 2008, following the capital increase, our share of the voting rights in Your Family Entertainment AG fell below the thresholds of 20%, 15%, 10%, 5% and 3% and that we now hold no shares entitling us to voting rights (0 voting rights)".
With effect from December 31st 2008, F&M Film und Medien Beteiligungs GmbH of Vienna in Austria owns 79.97 % of the share capital.

Approved capital IV
The shareholders' meeting held on July 12th 2006 authorised an approved share capital (approved capital IV). The Board of Management was empowered, with the Supervisory Board's approval, to increase the company's share capital by July 12th 2011 through the issue of new bearer share certificates against cash and/or contributions in kind by up to € 3,250,000.00. The shareholders are to be granted the right to subscribe to this capital. The

Board of Management may. However, with the Supervisory Board's consent, exclude the shareholders' right to subscribe should the new shares be issued in return for contributions in kind.
The Board of Management may also, with the approval of the Supervisory Board, exclude the shareholders' right to subscribe with respect to fractional amounts.
The Board of Management is also entitled, with the consent of the Supervisory Board, to exclude the shareholders' right to subscribe to capital increases in cash should the issue price of the new shares not be materially lower than the stock exchange price. This authority is, however, subject to the condition that the newly issued shares from which subscription rights, in accordance with §§ 203 section 1, 186 section 3.4 of the German Companies Act, are excluded may not exceed 10% of the share capital, neither at the time the exclusion comes into force nor at the time it is exercised.
On November 22nd 2007, the Board of Management resolved, with the Supervisory Board's consent, to use the approved capital and to increase the share capital through a capital increase in cash by up to € 2,174,512.00 to up to € 8,700,000.00 through the issue of up to 2,174,512 new bearer share certificates. In accordance with a resolution of the Board of Management passed on January 16th 2008, the shares were offered to existing shareholders during the period from February 8th to 22nd 2008 at an average subscription price of € 1.50 per share. Following the implementation of the capital increase described above in 2008, there remained an amount of € 1,075,488.00 in Approved Capital IV. On July 9th 2008, the shareholders' meeting rescinded its approval of the previous approved capital (Approved Capital IV) in accordance with § 4 section 3 of the company's statutes.

Approved capital V

The shareholders' meeting held on July 9th 2008 voted to create new authorised capital (Authorised Capital V). The Board of Management was empowered, with the Supervisory Board's approval, to increase the company's share capital by July 8th 2013 through the issue of new bearer share certificates in return for cash and/or contributions in kind by up to € 4,350,000.00. The shareholders are to be granted the right to subscribe to this capital. The Board of Management may however, with the Supervisory Board's consent, exclude the shareholders' right to subscribe should the new shares be issued in return for contributions in kind.
The Board of Management may also, with the approval of the Supervisory Board, exclude the shareholders' right to subscribe with respect to fractional amounts arising as a result of subscription ratios.
The Board of Management is also entitled, with the consent of the Supervisory Board, to exclude the shareholders' right to subscribe to capital increases in cash should the issue price of the new shares not be materially lower than the stock exchange price. This authority is, however, subject to the condition that the newly issued shares, from which subscription rights in accordance with §§ 203 section 1, 186 section 3.4 of the German Companies Act are excluded, may not exceed 10% of the share capital, neither at the time the exclusion comes into force nor at the time it is exercised.

Conditional capital I

On May 6th 1999, an extraordinary meeting of the shareholders authorised a conditional increase in capital of up to € 400,000.00 through the issue up to 400,000 new shares. The new shares are entitled to participate in profits from the beginning of the financial year in which the issue is made. The purpose of the conditional capital increase is to grant (share) option rights to members of the Board of Management and employees of the company. The option rights are not transferable and may not be sold. They may be exercised only as long as the beneficiary is not under notice of termination.
Those entitled to benefit include the members of the Board of Management (a maximum of 45% of the option rights) and the company's employees (a maximum of 55%).
The issue of option rights should take place in annual tranches over a period of three years:
first tranche:
200,000 option rights up to June 30th 1999
second tranche:
100,000 option rights up to June 30th 2000
third tranche:
100,000 option rights up to June 30th 2001
199,500 option rights were issued on June 30th 1999 as part of the first tranche. The average price for the exercise of the share option was fixed at €51.12.
Those entitled to purchase receive the right to subscribe to one new share of the company for each option right. The option rights may not be exercised until two years after they have been granted. The last year in which the rights may be exercised is restricted to five years after the scheduled date of issue.
The beneficiary may be paid a cash amount instead of the subscription to new shares. The Board of Management shall decide whether to exercise this option, or the Supervisory Board, if members of the Board of Management are personally involved.
The shareholders' meeting of May 4th 2000 resolved that of the first tranche of 200,000 option rights, only 199,500 should be issued and the issue of the further 200,000 option rights should be terminated. The share option plan is therefore only valid for the option rights to 199,500 new shares. The date by which the option rights must be exercised was extended to June 30th 2004.
Following the capital increase from the company's own resources (officially registered on May 23rd 2000), the number of option rights had to be doubled and the issue price halved. The share option plan therefore includes 400,000 option rights, of which 399,000 have been issued. The issue price was accordingly € 25.56.
The shareholders' meeting that took place on May 23rd 2001 decided that the conditional increase in capital should only be carried out to the extent that the holders of option rights make use of their rights. The new shares participate in profits from the beginning of the financial year in which they were created as a result of the exercise of option rights. The date by which the option rights must be exercised was extended to 30th June 2009. Departing from the rule according to which option rights may only be exercised as long as the beneficiary is not under notice of termination, the option rights for

which the waiting period had already expired at the time the letter of termination was received may be exercised by the holder within a further grace period of six months from the date the letter of termination was received.
An extraordinary meeting of the shareholders held on August 12th 2002 resolved that the conditional capital I should now be € 17,267.00 instead of € 400,000.00. The conditional capital increase will only be carried out providing that the holders of option rights make use of their option right issued under a share option plan in accordance with the resolutions passed by the extraordinary shareholders' meeting on May 6th 1999, amended and extended by resolutions passed by the regular shareholders' meetings held on May 4th 2000 and May 23rd 2001 and the extraordinary shareholders' meeting of August 12th 2002. The new shares are entitled to participate in profits from the beginning of the financial year in which the option rights are exercised.
Following the simplified capital reduction (officially registered on October 9th 2002), the number of option rights had to be divided by 15 and the issue price multiplied by a factor of 15. The share option plan thus includes 17,267 option rights at an issue price of € 383.40.

Conditional capital II
On May 4th 2000, an extraordinary meeting of the shareholders authorised a conditional increase in capital of up to € 800,000.00 through the issue of up to 800,000 new shares (conditional capital II). The new shares are entitled to participate in profits from the beginning of the financial year in which the issue is made. The purpose of the conditional capital increase is to grant (share) option rights to members of the Board of Management, employees of the company, members of the company's management bodies and employees of subordinated affiliated companies. The option rights are not transferable and may not be sold. They may be exercised only as long as the beneficiary is not under notice of termination.
Those entitled to benefit include the members of the Management Board (a maximum of 25% of the option rights) and employees of the company, members of the company's management bodies and employees of subordinated affiliated companies (a maximum of 75% of the option rights).
The issue of option rights is to take place in annual tranches over a period of three years:

first tranche: 400,000 option rights in the period from July 1st up to November 15th 2000
second tranche: 200,000 option rights in the period from July 1st up to November 15th 2001
third tranche: 200,000 option rights in the period from July 1st up to November 15th 2002

Those entitled to purchase receive the right to subscribe to one new share of the company for each option right. Several waiting periods were established for the exercise of the option rights. The waiting period is two years for 40% of the total amount of option rights issued to the individual beneficiaries, three years for a further 30% and four years for the remaining 30%. The option rights under the first tranche may not be exercised before November 15th 2002, those under the second tranche not before November 15th 2003 and those under the third tranche not before November 15th 2004. The dates November 15th 2005, 2006 and 2007 were established as the last dates on which rights may be exercised.
The beneficiary may be paid a cash amount instead of the subscription to new shares.
The Board of Management decides on the exercise of this choice, or the Supervisory Board, if members of the Board of Management are personally involved.
Following the capital increase from the company's own resources (officially registered on May 23rd 2000), the number of option rights and the individual tranches had to be doubled. The share option plan thus contained 1,600,000 option rights.
711,500 option rights were issued as part of the first tranche on August 4th and November 15th 2000. The average price for the exercise of the option was fixed at € 22.56.
The shareholders' meeting, which took place on May 23rd 2001, resolved that the conditional increase in capital should only be carried out to the extent that the holders of option rights make use of their rights. The new shares participate in profits from the beginning of the financial year in which they arose as a result of the exercise of share options. The date by which the option rights must be exercised was extended for the option rights under the first tranche to November 15th 2010, for the option rights under the second tranche to November 15th 2011 and for the option rights under the third tranche to November 15th 2012. In the event of a termination of the contract of employment, the option rights for which the waiting period had already expired at the time the letter of termination was received may be exercised within a further grace period of six months from the time the letter of termination is received.
396,500 option rights were issued as part of the second tranche on July 30th 2001 at an issue price of € 1.27
The extraordinary meeting of the shareholders held on August 12th 2002 resolved that the conditional capital II should now be € 48,267.00 instead of €1,600,000.00. The conditional capital increase will only be carried out provided that the holders of option rights make use of their option right issued under a share option plan in accordance with the resolutions passed by the extraordinary shareholders' meeting held on May 4th 2000, amended and extended by resolutions passed by the regular shareholders' meeting held on May 23rd 2001 and the extraordinary shareholders' meeting of August 12th 2002. The new shares are entitled to participate in profits from the beginning of the financial year in which the option rights are exercised.
Following the simplified capital reduction (registered on October 9th 2002), the number of option rights had to be divided by 15 and the issue price multiplied by a factor of 15, so that thereafter the share option plan contained 48,267 option rights at an issue price of € 19.05.

Following the capital reduction, the share option programme (conditional capital I and II) may be summarised as follows:

	Number of option rights granted in 2008	Average subscription price per unit in Euro 2008	Number of option rights granted in 2007	Average subscription price per unit in Euro in 2007
Number at the beginning of the financial year	10,000	295.53	11,200	302.00
expired	0	0	1,200	355.90
Number at the end of the financial year	10,000	295.53	10,000	295.53
thereof exercisable	10,000		10,000	

Reserves and accrued liabilities
The other reserves and accrued liabilities relate chiefly to personnel matters, outstanding invoices and the reserve created for the costs of the annual close and the audit.

Liabilities

Liabilities in K€ on December 31st 2008	**Remaining term**			**Total**
	Less than 1 year	2 to 5 years	More than 5 years	
	K€	K€	K€	K€
1. Advance payments received in account of orders	1,714	0	0	1,714
2. Accounts payable, trade	1,268	357	0	1,625
3. Accounts due to affiliated companies	2,992	0	0	2,992
4. Other liabilities	98	0	0	98
thereof for taxes	(17)	(0)	(0)	(17)
thereof for social security	(0)	(0)	(0)	(0)
Total liabilities	6,072	357	0	6,429

Liabilities in K€ on December 31st 2007	**Remaining term**			**Gesamt**
	Less than 1 year	2 to 5 years	More than 5 years	
	T€	T€	T€	T€
1. Advance payments received in account of orders	1,039	0	0	1,039
2. Accounts payable, trade	628	0	0	628
3. Accounts due to affiliated companies	0	2,830	0	2,830
4. Other liabilities	83	0	0	83
thereof for taxes	(36)	(0)	(0)	(36)
thereof for social security	(0)	(0)	(0)	(0)
Total liabilities	1,750	2,830	0	4,580

Accounts due to affiliated companies
The accounts due to affiliated companies on December 31st 2008 relate solely to F&M Film und Medien Beteiligungs GmbH (T€ 2,992, previous year T€ 2,830). This position basically concerns a loan of € 2,500,000.00 granted as part of the restructuring programme in a contract concluded on October 17th 2005. The loan is subject to interest at the rate of 6% p. a. and expires on December 31st 2008.
The loan and interest due (K€ 150 with respect to 2008 and K€ 330 with respect to previous years) were repaid on January 2nd 2009.

The lender was given the following security as collateral for its claims:

Assignment of all present and future claims and rights from contracts to purchase copyright-protected rights to use film material, ancillary copyrights and other rights

Assignment of all present and future claims and rights arising from sales contracts relating to marketing and exploitation rights to film material, agency and consignment contracts and sub-licence contracts with other film distribution companies or other third-parties to sell rights of use

Assignment of all present and future claims and rights from co-operation, production and co-production contracts

Transfer of all rights of property and possession and claims to the delivery of the relevant film material

18 programmes were excluded from the collateral granted. Title to these programmes was passed to EM.Entertainment GmbH as security for the pre-payments of future sales income made by EM.Entertainment GmbH to the company (advance payments received on account of orders). 11 programmes were transferred back to the company by an addendum signed on September 12th and 13th 2007 so that only seven programmes are assigned as collateral to EM.Entertainment GmbH.

Contingent liabilities
Contingent liabilities amounted to K€ 1,040 on December 31st 2008 and relate to the attachment of bank balances as security for bank guarantees.

Other financial commitments
The company signed a rental contract on March 15th 2006 for new commercial premises that came into effect on June 15th 2006. The rental contract commits the company to an annual rental obligation of K€ 58 plus associated ancillary costs. The rental contract expires on May 31st 2011. A rental contract was also signed on December 1st 2008 for the company's permanent establishment in Vienna entailing rental commitments of K€ 11 per annum plus ancillary costs. The contract was concluded for an indefinite period and may be terminated with a notice period of one quarter to the end of a calendar month.
Leasing contracts (for motor vehicles, telephone equipment and copiers) for the years 2009 to 2011 give rise to commitments of K€ 44, of which K€ 22 relates to 2009.
The company is also committed to the payment of K€ 71 in the 2009 financial year for consultancy and service contracts.

IV. Explanations of the income statement

Sales
Sales of K€ 3,990 (previous year K€ 1,420) were achieved in the domestic market and K€ 863 (previous year K€ 94) outside Germany.
Of these sales, K€ 4,294 (previous year K€ 955) were achieved by the „Licence Sales" business division and K€ 559 (previous year K€ 559) by the „Productions" division.

Other operating income
This item primarily includes income from revaluations of intangible assets to the amount of K€ 1,791 (previous year K€ 1,977). The revaluations result primarily from the termination of the distribution agreement with EM.Entertainment GmbH and the extension of rights.

Cost of materials
This position relates to sales-related costs for licences, commissions and materials. These are principally the costs of licences (authors' shares) to the amount of K€ 81 (previous year K€ 128) and commissions (K€ 162 previous year K€ 71). The expenses of purchased services relate chiefly to an amount of K€ 166 (previous year K€ 55) for services provided by third parties and copying costs.

Personnel expenses
An average of 13 salaried employees (of which one is the CEO) were employed over the year.

Depreciation
Unplanned write-offs of film assets K€ 2,081 (previous year K€ 1,108) had to be made as a result of so-called impairment tests. In addition, write-offs of K€ 1,137 (previous year K€ 609) were made on film assets as a result of the use made of the assets.

Other operating expenses
This collective item chiefly includes the costs of repairs and administration (especially investor relations, legal, court, audit and consultancy costs), rental and leasing costs as well as press, advertising and industrial fair costs.

Interest and similar expenses
Interest expense to affiliated companies was K€ 150 (previous year K€ 150).

V. Information on the company's statutory bodies

Supervisory Board
The members of the Supervisory Board during the financial year 2008 were:

• Dr. Hans-Sebastian Graf von Wallwitz, Munich
Germany
Lawyer
(Chairman)

• Johannes Thun-Hohenstein, Vienna
Austria
Media consultant
(Deputy chairman)

• Dr. Andreas Aufschnaiter, Munich
Germany
Business consultant

• Prof. Dr. Michael Judis, Munich
Germany
Lawyer
(Substitute member since July 9th 2008)

The total remuneration of the Supervisory Board in the 2008 financial year was K€ 28. In accordance with § 16 of the company's statutes, K€ 12 of this amount is due to the chairman, K€ 9 to the deputy chairman and K€ 6 to the other members. Due to the changes which took place on the Supervisory Board, the remuneration was calculated on a pro rata temporis basis. The members of the Supervisory Board owned 100 shares on December 31st 2008.

The members of the Supervisory Board hold the following positions on other supervisory boards and control bodies within the meaning of § 125 section 1.3 of the German Companies Act:

Dr. Andreas Aufschnaiter:
Full member of the Supervisory Board of the following companies
- PFAFF Industrie Maschinen AG, Kaiserslautern
- MEA Melsinger AG, Aichach
- Konsortium AG, Augsburg
- STEMAS AG, Munich

Chairman of
- Vantargis AG, Munich

Prof. Dr. Michael Judis:
Full member of the Supervisory board of Arques Industries AG, Starnberg

Board of Management
The sole board member of YFE in the 2008 financial year was
Dr. Stefan Piëch,
Vienna, Austria
Graduate in Film Studies

The Board of Management's salary expenses were K€ 251 in the 2008 financial year. They are made up of fixed remuneration, bonuses and benefits-in-kind.
The Board of Management held 59,881 shares on the balance sheet cut-off date.
The total remuneration of former members of the Board of Management was K€ 111.
The pension reserves for former members of the Board of Management and their dependents are fully provided for and amounted to K€ 301 on December 31st 2008.

VI. Audit and consultancy fees

The auditors' fee for the audit of the financial statements in accordance with the German Commercial Code and of the dependency report for the period ending December 31st 2008 shown as an expense in the financial year amounted to K€ 33.

VII. Declaration in accordance with § 161 of the German Companies Act (AktG) relating to the Corporate Governance Code

Your Family Entertainment AG in Munich has issued, and made available to the shareholders, the declaration prescribed in § 161 of the Companies Act for 2008.

Munich, March 5th 2009

The Board of Management

6.4 Development of fixed assets (fixed asset schedule)

Development of fixed assets in 2008

		Jan. 1st 2008 €	Costs of acquisition Additions €	Disposals €	Dec. 31st 2008 €	Write-ups 2008 €	Accumulated depreciation €	Book value Dec. 31st 2008 €	Depreciation for the year €
I.	**Intangible assets**								
1.	IT software	52,123.10	1,595.80	0.00	53,718.90	0.00	31,075.90	22,643.00	18,065.80
2.	Film assets and other rights	133,520,603.43	4,757,150.35	123,003.76	138,154,750.02	1,791,393.63	125,323,756.10	14,622,387.55	3,217,648.37 [1)]
		133,572,726.53	4,758,746.15	123,003.76	138,208,468.92	1,791,393.63	125,354,832.00	14,645,030.55	3,235,714.17
II.	**Property, plant & equipment**								
	Other equipment, operational and office equipment	190,589.35	25,817.95	976.40	215,430.90	0.00	147,854.90	67,576.00	24,170.95
II.	**Financial assets**								
	Security Investments	0.00	144,146.57	0.00	144,146.57	0.00	70,996.57	73,150.00	70,996.57
		133,763,315.88	4,928,710.67	123,980.16	138,568,046.39	1,791,393.63	125,573,683.47	14,785,756.55	3,330,881.69

1) Including unscheduled depreciation of €2,080,750.97.

6.5 Management report

A. General

Your Family Entertainment AG (YFE) in Munich is one of Germany's longest-established companies engaged in the production of entertainment programmes for children, young people and families and trade in the licences for these products.

YFE, which previously traded as RTV Family Entertainment AG (RTV) and which has its origins in Ravensburger AG, focuses its activities on educational, non-violent programmes for the whole family. The company's high-quality library of programmes currently consists of more than 3,500 half-hour programmes and is there-fore one of the largest of its kind in Europe. YFE uses and markets this library of rights in Free-TV, Pay-TV, via DVD, Video on Demand (VoD) and in merchandising. The library was built up by the Ravensburger Group over a period of 25 years and is being continued by YFE with the same traditional values.

The company's business divisions are divided between „Licence Sales" and „Productions".

The business division „Licence Sales" includes the trade in licences for Free-TV and Pay-TV as well as the whole value creation chain of ancillary rights marketing.

The "License Sales" business division also includes the manufacture and the distribution by the company itself or third parties of DVDs and audio products in the field of home entertainment. The company's own distribution is made under the DVD label "yourfamilyentertainment". Since the end of 2007, YFE has also been represented in the market with its own pay-TV channel "yourfamilyentertainment" and was able to use this channel to create additional access to the customer. The German-language channel broadcasts the YFE programme 24 hours a day via satellite, cable and DSL (IPTV).

The "Productions" division is divided into two sub-divisions, productions-to-order and so-called repertoire productions and extends from the pure development of programmes through to full-service productions. This spectrum includes both animation and live-action programmes on the one hand and game and quiz shows and infotainment programmes on the other. The company also develops and produces television series as co-producer together with international partners. YFE also strengthens its involvement in the production of shows and infotainment programmes as a supplier of entertainment programmes for the whole family.

B. Annual financial statements

1. The overall economic situation

1.1 International economic climate and the Euro zone

"The ifo International Economic Climate Indicator deteriorated still further in the fourth quarter of 2008. The indicator has dropped to its lowest level for 20 years. The decline is primarily the result of the unfavourable assessment of the current economic climate, but expectations for the next six months have declined still further. Overall, the data recorded indicates a world recession.
In the first quarter of 2009, the economic climate deteriorated in all the countries forming part of the Euro zone and is at its lowest point ever. Since the last survey, the current economic situation has deteriorated most sharply in Germany and The Netherlands. The worst assessment of the current economic situation is however still reported for France, Ireland, Portugal, Spain and Italy. The assessment of the economic situation in Finland and Austria is considerably above the average for the Euro zone, but the youngest Euro zone members Slovakia and Slovenia also receive favourable assessments. According to the WES experts, the economic slump in the Euro zone countries will continue during the next six months, albeit at a slower pace."
(Source: ifo-Institut in Munich)

1.2 Entertainment and media industry

"The development of the international entertainment and media industry during the next few years will be chiefly characterised by the continued digitalisation of programme contents and channels. The "Global Entertainment and Media Outlook: 2006-2010" issued by the auditing and consultancy company PricewaterhouseCoopers(PwC), forecasts that the industry's worldwide turnover will increase over the period from 2006 to 2010 by an annual average percentage of approximately 6.6 % to US$ 1.8 trillion as a result of new sources of income and reduced turnover losses through product plagiarism."
(Source:www.innovations-report.de)

2. Key events during the 2008 financial year

Cash capital increase

Your Family Entertainment AG was able to successfully implement its cash capital increase in the capital market in spite of the difficult market environment. All of the new 2,174,512 bearer shares were placed. Existing shareholders subscribed to 275,726 new shares as part of a rights issue (including over-subscription) that preceded the public offering. 1,898,786 new shares were allocated to private and institutional investors as part of a public offering at an average placement price of € 1.50 per share. The issue generated gross proceeds of € 3,261,968.00.

Termination of the distribution agreement with EM.Entertainment GmbH

Your Family Entertainment AG and EM.Entertainment GmbH terminated their distribution agreement with effect from September 30th 2008. An agreement to this effect was signed in July 2008.

The two companies had concluded a wide-ranging distribution agreement in March 2004. EM.Entertainment GmbH had been granted the non-exclusive distribution rights up until the time that this agreement was terminated on September 30th 2008.

The termination of the agreement was influenced on the one hand by the sale to the Belgian media company Studio 100 of EM.SportMedia AG's entertainment division to which EM.Entertainment GmbH belongs and on the other hand by the decision by Your Family Entertainment AG to establish its own distribution organisation as part of a reorientation of the company's activities.

Your Family Entertainment AG will return any prepayments still open on September 30th 2008 to EM.Entertainment.

This agreement means that the distribution rights are once more completely in the hands of Your Family Entertainment AG.

Extension of the rights package with Nelvana International Limited

On December 31st 2008, Your Family Entertainment AG and Nelvana International Limited, a subsidiary of Corus Entertainment Inc., one of the largest and best known producers of children's television programmes in North America, signed an extension of licence rights to 26 programmes with approximately 700 episodes.

This extension guaranteed Your Family Entertainment AG the use of these high-value programmes on its own Pay-TV channel "yourfamilyentertainment" until the end of 2024 to 2028, as well as for its own label "yourfamilyentertainment" and distribution activities.

Changes in the Supervisory Board

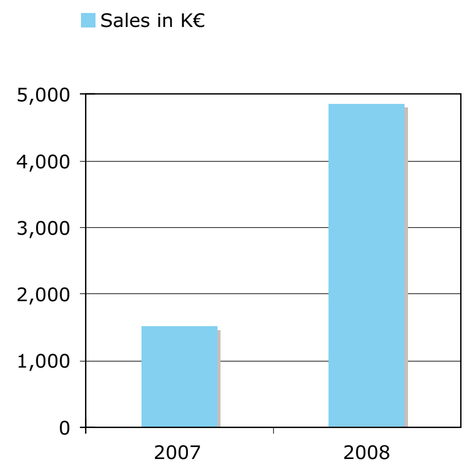
Dr. Andreas Aufschnaiter, a business consultant in Munich, was elected a full member of the Supervisory Board in a by-election held by the shareholders' meeting. The shareholders' meeting had elected Dr. Aufschnaiter as a substitute member of the Supervisory Board in 2007 and he automatically succeeded Dr. Hans-Michel Piëch as a full member following the latter's resignation on January 1st 2008.

The shareholders' meeting that took place on July 9th 2008 elected Professor Dr. Michael Judis, a lawyer in Munich, as a substitute member for all representatives of the shareholders in the Supervisory Board. Prof. Dr. Judis is appointed to serve until the end of the shareholders' meeting in 2009, called to deliberate on the 2008 financial year.

3. Development of the business

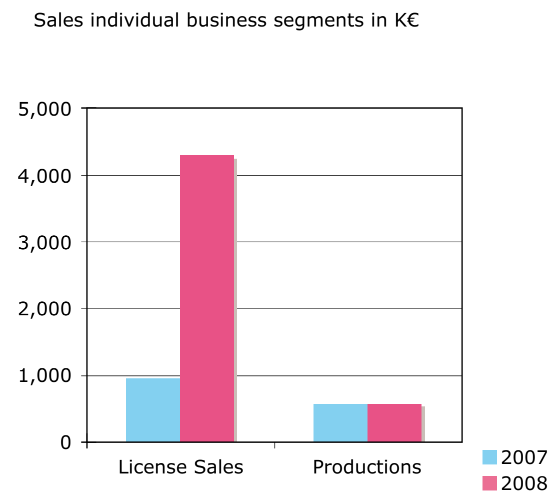
3.1 Sales Development

Your Family Entertainment AG's sales increased from K€ 1,514 to K€ 4,853 in the reporting period.



Basically, project transactions and/or so-called "package deals" can give rise to fluctuations in the development of sales.

The following sales were achieved in the individual business segments:



License Sales

The „Licence Sales" business division achieved sales during the past financial year of K€ 4,294.

Productions

Roughly 11.5% or K€ 559 (previous year K€ 559) of total sales were accounted for by the „Productions" division.

These sales were achieved principally through the completion and delivery to Super RTL of the second 13 episodes of the second series of Dragon Hunters.

Sales by region

YFE's sales during the reporting period were made up as follows:

Sales by region	2008		2007	
	in K€	in %	in K€	in %
Domestic	3,990	82	1,420	93
Foreign	863	18	94	7
Total	4,853	100	1,514	100

The sales made by EM.Entertainment GmbH for YFE are shown for accounting purposes as domestic sales, even though these sales relate almost wholly to the sale of licences in foreign licence territories.

4. Earnings situation

YFE is able to report a positive result for the fourth year in succession.
Earnings before interest and taxes, depreciation and amortisation (EBITDA) were K€ 2,440 (previous year K€ 821). The result from ordinary operations was K€ 821 compared with K€ 908 in the previous year.

Net income in 2008 was K€ 820 compared with K€ 907 in the previous year.

Total other operating income in the reporting period was K€ 2,020 (previous year K€ 3,289). The figure for the reporting year includes primarily the revaluation of film assets for an amount of K€ 1,791 (previous year K€ 1,977). The revaluation of film assets results partly from the premature termination of the distribution agreement with EM.Entertainment GmbH and the end of all future payments of distribution commission to EM.Entertainment GmbH to which this gives rise, as well as a comprehensive extension of licence rights between YFE and Nelvana International Limited.

Compared with the previous year, depreciation increased by K€ 1,506 from K€ 1,754 to K€ 3,260. In addition to scheduled depreciation, this position includes non-scheduled depreciation of film rights for an amount of K€ 2,081 (previous year K€ 1,108) resulting from an impairment test carried out at the end of the financial year.

5. Asset and financial situation

The total balance sheet amount increased to K€ 18,842 (previous year K€ 12,736). The intangible assets (primarily film assets and other rights) increased to K€ 14,645 (previous year K€ 11,339).
Accounts receivable increased from K€ 799 to K€ 1,099. This item includes receivables due from customers of programmes of the TV channels and distribution co-operation partners, as well as from D'Ocon. Shareholders' equity increased in comparison with the previous year by K€ 4,082 to K€ 11,712 (previous year K€ 7,630). YFE therefore reported a subscribed capital of K€ 8,700 on December 31st 2008, a capital reserve of K€ 2,288 and accumulated earnings of K€ 724 versus an accumulated loss of K€ 95 in the previous year.

YFE has liabilities of K€ 2,980 on account of a shareholders' loan plus accumulated interest from F&M Film und Medien Beteiligungs GmbH of Vienna in Austria ("F&M"). The loan expires on December 31st 2008 and was repaid together with the interest to F&M on January 2nd 2009.
The position other reserves and accrued liabilities increased to K€ 355 (previous year K€ 174). Amongst other things, this increase is due to an accrual for commissions and bonuses part of which was first set up in the reporting year due to a new target agreement that was introduced with effect from January 1st 2008.
Liquid assets consisting of balances at banks increased from K€ 524 in the previous year to K€ 2,833 on the balance sheet cut-off date. This increase is due primarily to the cash capital increase.

6. Investments

Investments of K€ 4,928 were carried out during the reporting period (previous year K€ 794).
Of these investments, the largest part, K€ 4,759, is accounted for by intangible assets (primarily in film assets) as well as K€ 144 in financial assets.

7. Key financial data

Key financial data in K€	2008	2007
Sales	4,853	1,514
EBITDA	2,440	821
EBIT	971	1,044
Net income	820	907
Cash flow from business operations	3,263	438
Total balance sheet amount	18,842	12,736
Film assets	14,622	11,300
Shareholders' equity	11,712	7,630
Interest-bearing liabilities	2,500	2,500

8. Employees

Personnel expenses of K€ 996 incurred in the 2008 financial year were higher than the previous year's value of K€ 614. This increase is due to an increase in the number of employees, the introduction of a variable remuneration element in 2008 and the end of a salary waiver by the Board of Management on December 31st 2007. 13 salaried people were employed on average during the year, one of whom was the CEO.
YFE employed a total of 15 people on the balance sheet cut-off date (previous year 13), including the CEO, one trainee and one part-time employee.

C. Risks and opportunities

1. General business risk

Fluctuations of 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 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.

2. External risks / market risk
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 channels and groups of channels 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.

3. Business performance risks / litigation risk

a) 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 YFE 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
YFE 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 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.

b) Risks in the purchasing and marketing of programmes
YFE tries to recognise trends in the programme area and in TV channels' requirements as early as possible and to design its own product range accordingly. In doing this, the company has to take account of TV channels' 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.
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 YFE's possession have not been granted indefinitely but generally for a limited time period. YFE 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.

4. Financial risks

a) Access to external means of financing
As a result of the restructuring project successfully carried out in 2005 no external financing in the form of bank loans is currently being used.

YFE has however granted collateral in the form of rights and claims derived from film licence contracts to Commerzbank AG as part of a contract in which the bank granted a loan facility (see the section on events of particular significance after the end of the financial year).
The lender was granted the following securities as collateral for its claims:

- Assignment of all present and future claims and rights from contracts to purchase copyright-protected rights to use film material, ancillary copyrights and other rights
- Assignment of all present and future claims and rights arising from sales contracts relating to marketing and exploitation rights to film material, agency and consignment contracts and sub-licence contracts with other film distribution companies or other third-parties to sell rights of use
- Assignment of all present and future claims and rights from co-operation, production and co-production contracts
- Transfer of all rights of property and possession and claims to the delivery of the relevant film material

18 programmes were excluded from the securities granted above. Title to these programmes was transferred to EM.Entertainment GmbH as security for the prepayments paid by EM.Entertainment GmbH (advance payments received on orders) in recognition of future distribution fees. 11 programmes were transferred back to the company in an addendum to the original agreement signed on September 12th and 13th 2007, so that on the balance sheet cut-off date title to only seven programmes had been transferred to EM.Entertainment GmbH as collateral.
YFE'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.
Moreover, K€ 1,040 of bank deposits were used as colla-

teral for bank guarantees, which could also make it more difficult to obtain additional borrowing.

b) 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 YFE 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.

5. Risk management

In accordance with the requirements of German Law on Control and Transparency Within Companies (abbreviated in German to KonTraG), all general and business risks are regularly listed and evaluated and measures established in order to minimise risks.
YFE's risk management is based in particular on three basic considerations: liquidity management, distribution controlling and balance sheet controlling. All major operating and structural risks of YFE's business activities are monitored by ensuring regular and systematic control in these areas. The overall responsibility for monitoring these risks lies with the company's CEO. The aim of liquidity management is the continuous examination and assurance of the company's ability to meet its obligations. Liquidity management is based on three reports – the liquidity plan, the business plan and the debtors and creditor management report, which are continuously updated. A daily liquidity report is also prepared.
The aim of controls in the area of distribution is to recognise, to quantify and to tap the company's sales potential though the planning and the co-ordination of sales activities. This ensures that realisable medium-term sales potential is recognised, that in the medium-term expenses and investments are covered by realisable income and that a realistic cash flow plan can be prepared. In addition, the company's sales activities are planned on the basis of the sales budget. Parallel to this, these figures are checked for their plausibility against the company's rights.
The aim of balance sheet controlling is the monitoring of balance sheet items in order to recognise necessary corrective measures in time, especially an under-recovery of equity. Balance sheet controlling is supported by three pillars – the audited financial statements, the semi-annual financial report and continuous checks on the balance sheet. In addition, a monthly report is prepared showing a calculation of profit contributions. The development of the particular market and company is also updated in an internal rolling forecast. Short-term budgeting is therefore used both as an important early-warning system and as the basis for variance analyses and budget control.

6. Opportunities

The capital increase carried out in March 2008 which generated gross emission proceeds of € 3,261,968.00 considerably improved Your Family Entertainment AG's financial situation and gave the company room to manoeuvre in the market. The termination of the distribution agreement with EM.Entertainment GmbH restores the opportunity to Your Family Entertainment AG to use its whole portfolio in the market and makes it independent of the effectiveness and organisation of a third party.

D. Events of particular significance occurring after the end of the financial year

Repayment of the shareholders' loan

YFE signed a contract for a loan facility with Commerzbank AG in Stuttgart (lender) on January 14th 2008. The lender granted a loan facility of € 3,500,000.00 which expires on December 30th 2010. YFE may use the facility either for overdraft purposes or as a money market loan. The loan is secured by the assignment of rights and claims derived from film licence and film sales agreements as well as insurance claims, including the transfer of rights to film material.
The loan granted by F&M Film & Medien Beteiligungs GmbH in Vienna including interest that had become due was repaid on January 2nd 2009. An amount of K€ 2,000 from the loan facility granted by Commerzbank in the form of a money market loan was used for this purpose, as were K€ 980 of the company's own cash resources. Short-term money market loans are currently being used in order to optimise the costs of outside borrowing.

Sales agency agreement with Nelvana International Limited

A sales agency agreement (distribution contract) was signed with Nelvana International Limited on January 2nd 2009.
The agreement allows Nelvana International Limited to offer selected titles on a non-exclusive basis in Eastern Europe and the CIS states.
The term of the individual titles was agreed separately, whereby, assuming that the agreement is not extended, the last title would expire at the end of 2028.

E. Forecast

Based on the positive results of previous years, 2009 will also be characterised by the intensification of existing business sectors.
The optimisation of distribution channels and the expansion of the "yourfamilyentertainment" brand will continue to play a key role in the company's development.
The company will also concentrate on the continued expansion of international distribution in the field of "License

Sales" as well as on the acquisition of new partners for the company's Pay-TV channel "yourfamilyentertainment".
An important step in this direction was the termination of the distribution agreement with EM.Entertainment GmbH, as was the comprehensive extension of rights agreed with Nelvana International Limited.
The consequences for the entertainment and media industry, and especially for YFE, of the financial crisis that began with the real estate crisis (crisis in the sub-prime market) in the summer of 2007 are currently difficult to predict.
It is assumed that the consolidation process in the market will accelerate still further.
YFE's long-term goal is to recover its position as one of the strongest players in this market.

F. Principles of the company's remuneration system in accordance with § 285 section 1.9 of the German Commercial Code

The remuneration of the members of the Board of Management complies with the legal requirements of the German Companies Law. The members of the Board of Management receive a fixed salary which also includes benefits-in-kind, such as the use of a company car. These fixed elements ensure a basic remuneration enabling the board member to exercise his office in the interests of the company as properly understood and to fulfil the obligations of a conscientious businessman without falling prey to the pursuit of purely short-term performance goals. The contracts of employment also contain a variable remuneration element, dependent upon the commercial results achieved by the company.

G. Reporting in accordance with § 289 section 4 of the German Commercial Code

1. Composition of the subscribed capital

The company's share capital on the balance sheet cut-off date was still composed of 8,700,000 unit shares (previous year: 6,525,488 unit shares), each with a share in capital of € 1.00. The company's share capital was therefore unchanged on December 31st 2008 at € 8,700,000 (previous year: € 6,525,488.00). The shares are bearer-shares. They are fully paid up.

2. Limitations concerning the voting rights and transfer of shares

70,000 shares were subject to a holding period on the balance sheet cut-off date as part of limitations on disposal. This limitation period expires on December 15th 2009 for 35,000 shares and on December 15th 2010 for an additional 35,000 shares.

3. Direct or indirect participation in the company's capital

F&M Film und Medien Beteiligungs GmbH in Vienna in Austria owned 79.97% of the company's share capital on December 31st 2008.

4. Owners of shares with special rights

There were no shares with special rights on December 31st 2008.

5. Nature of controls on voting rights in the event of employee shareholdings

There were no such controls on voting rights on December 31st 2008.

6. Rules established by law and in the articles of association concerning the appointment and dismissal of members of the Board of Management and changes to the articles of association

The appointment and dismissal of members of the Board of Management occurs in accordance with §§ 84 and 85 of the German Companies Law. Changes to the articles of association occur in accordance with §§ 133 and 179 of the German Companies Law.

7. Rights of the Board of Management to issue and buy back shares

The annual general shareholders' meeting, which took place on July 9th 2008, established an authorised capital (authorised capital V). The Board of Management was empowered, with the approval of the Supervisory Board, to increase the company's share capital by up to € 4,350,000.00 by July 8th 2013 through the issue of bearer-shares in return for cash and/or payments-in-kind. Shareholders shall be granted the right to subscribe to these shares.
The Board of Management may however, with the consent of the Supervisory Board, exclude shareholders' rights to subscribe should the new shares be issued in return for payments-in-kind.
The Board of Management may also, with the Supervisory Board's approval, exclude shareholders' rights to subscribe to shares to eliminate fractional amounts in their shareholdings.
The Board of Management is also empowered, with the Supervisory Board's approval, to exclude the right of shareholders to subscribe to capital increases in return for cash when the offering price of the new shares is not markedly below the stock exchange price. This authority is however subject to the proviso that the new shares issued, excluding subscription rights in accordance with §§ 203 section 1, 186 section 3.4 of the German Companies Law, may not exceed 10% of the share capital, neither at the time that it comes into effect nor at the time it is exercised.

The approved capital (Approved Capital IV) remaining after the capital increase was annulled at the time the new approved capital (Approved Capital V) was recorded in the commercial register.

The shareholders' meeting that took place on July 9th 2008 also passed the following resolution:
The company is empowered to purchase the company's own shares.
This authorisation is however restricted to the acquisition of an arithmetic share of up to 10% of the company's total share capital. The authorisation may be exercised wholly or in partial amounts, once or on several occasions, by the company itself or on its account by third parties. The authorisation is valid until January 8th 2010.
The acquisition will take place either via the stock exchange or by means of a public offer to buy, sent to all of the company's shareholders.
Should the acquisition take place via the stock exchange, the counter-value per share paid by the company (excluding the ancillary costs of acquiring the shares) may not be higher or lower by more than 10% than the average closing price (XETRA trading or a comparable successor system) of shares of a similar nature on the Frankfurt Stock Exchange during the last five stock exchange trading days prior to the acquisition of the shares.
Should the acquisition take place by way of a public offer to purchase addressed to all of the shareholders, the purchase price per share offered (excluding the ancillary costs of acquiring the shares) may not be higher or lower by more than 10% than the average closing price on the Frankfurt Stock Exchange during the last five stock exchange trading days prior to the date the offer was published. The offer to purchase may include other conditions. Acceptance must be made by quota should the offer to purchase be over-subscribed. The Board of Management may provide for privileged acceptance of a limited number of shares per shareholder of up to 100 units of the shares offered for sale.
The Board of Management is authorised, with the consent of the Supervisory Board, to dispose of shares in Your Family Entertainment AG acquired on the basis of this authorisation in other ways than through sale by an offer to the shareholders or sale via the stock exchange, namely:
a) By offering shares to third parties as part of a company merger, the purchase of companies, investments in companies or parts of companies and as payment for the acquisition of claims due from the company;
b) By selling shares to third parties. The price at which the company's shares are issued to third parties may not be materially lower than the stock exchange price of the shares at the time of the sale. The exclusion of a subscription right due to other authorisation in accordance with § 186 section 3.4 of the German Companies Act must be considered when using this authorisation;
c) Annul the shares without the annulment or its execution requiring the approval of an additional resolution by the shareholders' meeting.

The above authorisations governing the use of the company's own shares acquired may be exercised once or on several occasions, wholly or partially, individually or collectively. The shareholders' subscription right to the company's own shares acquired is excluded should these shares be used in connection with the authorisations described above under a) and b) The Board of Management will, on each occasion, inform the shareholders of the reasons and the purpose of the acquisition of the company's own shares, the number of shares acquired and the amount of share capital that they represent as well as the amount that was paid for the shares.

8. Important agreements conditional on a change in control as a consequence of a take-over offer

There were no such agreements on the balance sheet cut-off date.

9. Compensation agreements

On the balance sheet cut-off date there were no compensation agreements with the members of the Board of Management or employees in the event of a take-over offer.

H. Dependent company report

The Board of Management has prepared and submitted a report on the relations of Your Family Entertainment AG with subsidiary companies (dependent company report) for the 2008 financial year to the year-end auditors. The Board of Management declares that the company received an appropriate return for the legal transaction, given the circumstances that were known to it at the time the legal transaction was carried out.

Munich, March 5th 2009

The Board of Management

7. Auditors' certificate - Ernst & Young, Ravensburg

We have audited the financial statements – consisting of the balance sheet, statement of income and the notes to these financial statements – including the accounting system and the management report of Your Family Entertainment AG in Munich for the financial year from January 1st to December 31st 2008. The accounting system and the preparation of the financial statements and management report in accordance with the provisions of German commercial law are the responsibility of the company's legal representatives. It is our responsibility, on the basis of our audit, to express an opinion on the group financial statements and the group management report.

We conducted our audit of the financial statements in accordance with § 317 of the German Commercial Code and in conformity with the generally accepted auditing standards laid down by the German Institute of Auditors (IDW = Institut der Wirtschaftsprüfer). These standards require that the audit be planned and carried out in such a way so as to identify, with reasonable certainty, inaccuracies and infringements that significantly impact on the presentation of the assets, financial position and income given by the company's financial statements in compliance with generally accepted accounting principles and by the management report. In determining auditing activities, account is taken of knowledge of the business activity and of the commercial and legal environment in which the company operates as well as of the likelihood of possible errors. As part of the audit scope, the efficiency of the internal control system as well as the evidence supporting the facts contained in the accounting system, company financial statements and the management report are evaluated largely on the basis of random tests. The audit includes an assessment of the accounting principles applied, as well as the principle judgements expressed by the legal representatives and also an evaluation of the overall presentation of the company's financial statements and management report. We believe that our audit provides a sound basis for our judgement.

Our audit did not give rise to any objections.

In our opinion, based on the knowledge we acquired during the course of the audit, the financial statements comply with the requirements of the law and give a true and fair picture of the group's assets, financial position and income in accordance with generally-accepted accounting principles. The management report is consistent with the annual financial statements, correctly reflects the company's current situation and accurately presents the risks present in future development.

Ravensburg, March 5th 2009

Ernst & Young AG
Auditors and tax advisers

Dr. Oechsle Certified auditor	Liebe Certified auditor

8. 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 annual 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, March 5th 2009

Dr. Stefan Piëch
CEO

9. Financial Calendar

- Publication of the annual financial report for 2008
  on April 27th 2009
- Publication of the interim announcement covering the first half-year of 2009
  on May 11th 2009
- Shareholders' annual general meeting
  on July 8th 2009
- Publication of the semi-annual financial report for 2009
  on August 24th 2009
- Publication of the interim announcement covering the second half-year of 2009
  on November 9th 2009

10. Impressum / How to Contact Us

Your Family Entertainment AG

Nordendstraße 64
D80801 Munich
Germany

Telephone:	+49 (0) 89 997271-0
Telefax:	+49 (0) 89 997271-91
Email:	info@yfe-ag.com
Internet:	www.yf-e.com www.yfe-tv.com

Who to contact:
Investor Relations
Michael Huber
Telephone: +49 (0) 89 997271-22
Email: ir@yfe-ag.com

Dein Fernsehen!

yfe

yourfamily
entertainment

Der Sender für die ganze Familie

www.yfe-tv.com