Company Report 2006

Your Family Entertainment AG

Key financial data (HGB)	FY 2006	FY 2005
Sales (K€)	3,663	7,403
EBITDA (K€)	2,180	2,266
EBIT (K€)	1,227	-21,049
Financial result (K€)	-148	-951
EBT (K€)	1,078	-22,000
Net income	1,011	977
Result per share	0.15	0.15
Cash flow from current business activity	477	-1,670
Total balance sheet amount	12,131	12,195
Film assets an d other rights	10,323	10,319
Equtiy	6,723	5,712

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Home page	www.yfe-ag.com
Security Identification Numbers	540891; 540893
International Security Identification Number	DE 0005408918
Quoted in	General Standard
Number of shares on 31.12.2006	6,525,488

Company calendar	
18/07/07	Shareholders' meeting

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CEO’s opening comments

Sehr geehrte Aktionärinnen und Aktionäre,

The year 2006 represents a phase in the history of Your Family Entertainment AG when the company’s future course was determined.

We were able to establish a solid basis for a fresh start. Our 27 years of experience in the business and an extensive stock of programme rights constitute a good starting point for the company’s long-term and sustained positive development.

A first step was taken in 2006 with the re-naming of our company from RTV Family Entertainment AG to Your Family Entertainment AG and the restructuring which accompanied it. The new name and combined word-picture brand immediately convey our new and forward-looking orientation: Your Family Entertainment, a reliable supplier of timelessly good and high-quality entertainment, not only for children but also for teenagers and the whole family. Our films, series and characters are the “family heirlooms” among children’s and family programmes: programmes of substance which are both educational and capable of generating enthusiasm and inspiration. Parents can be certain that our programmes are free of violence and safe for younger viewers. Your

Family Entertainment is "an all-round trouble-free package" for families with high standards who also expect high standards from the media they use.

We have added the business line home entertainment to our core business and thereby enriched the whole product range. Our own domestic trademark, your family entertainment, will establish itself as a seal of quality for family entertainment.

We are currently operating in a volatile environment in which our target group is beginning to make increasing use of new methods of communication such as video-on-demand and mobile-content products.

Your Family Entertainment AG is forcing the expansion of partner networks in these growth markets too, in order to be able to increase quickly and skilfully the potential offered by its extensive library of programmes and to better exploit its skill in the development of new formats.

We are making progress in the operational business and are now seeking to convince the capital markets too of the qualities of new Your Family Entertainment AG and acquiring additional investors in our shares. Since the book value alone of our conservatively-valued portfolio of licence rights accounts for a predominant share of our current market capitalisation, there are weighty arguments in favour of an investment.

The main focus of our activities is concentrated on the continued development of our company through profitable growth in both existing and new business lines.

Our overriding priority in this process remains the increase in our company's profitability and thereby the creation of permanent value for you, our shareholders. You can rely on us.

Munich, April 2007

Sincerely yours

Dr. Stefan Piëch

CEO

Report of the Supervisory Board

The Supervisory Board exercised its advisory and supervisory role continuously throughout the year 2006. The Board of Management kept the Supervisory Board informed comprehensively and punctually in its verbal and written reports. The Supervisory Board and the Board of Management were also in constant contact with each other between meetings.

The Supervisory Board met on seven occasions in 2006. 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 and deliberated upon and discussed with the Board of Management on the basis of comprehensive and complete reports prepared by the Board of Management. Given the continued difficult commercial situation of the company during the financial year 2006, the Supervisory Board made use on several occasions of its right to inspect the company's books and correspondence as well as its assets. The Board of Management was at all times available to answer questions and to give explanations. The Supervisory Board, which was newly elected at the company's annual general shareholders' meeting held on 12th July 2006, gave particular priority in its first regular meeting to obtaining a complete overall picture of the company's current situation.

Given the new direction taken by the company following the restructuring of its operations, which took place in 2005, the main focus of the Supervisory Board's deliberations and control function during financial year 2006 was on the one hand the conclusion of the restructuring process and the stabilisation of the company's core business, and on the other consultations on the development of new business lines. The Supervisory Board discussed the conclusion of a co-production contract with Futurikon S.A. on a second series of "Dragon Hunters" and approved the project on the basis of the overall commercial data presented by the Board of Management. The Supervisory Board was also involved in intense deliberations on an extension of the contract with Super RTL, which ultimately did not come about. The implications for the company's cash flow were thoroughly discussed. The same was true of the measures taken to recover financial claims due from D'Ocon Films in Spain. In 2006 the company initiated litigation to enforce payment of the debt. At the time of reporting, however, there was still no prospect that payment would be made. The Supervisory Board maintained its continuous monitoring of the current cash flow situation. The Board of Management submitted regular reports on this subject. The use of borrowing facilities was discussed as a means of easing cash flow problems. In the opinion of the Supervisory Board and the Board of Management, however, this would require further stabilisation of the company's business operations.

The development of new business lines was discussed, such as the establishment of a distribution system in the field of home entertainment. A start was made in 2006 in developing this line of business.

It was decided, as part of the separation of the company from Ravensburger AG, to approve the re-naming of the company "Your Family Entertainment AG". This was preceded by appropriate market research activities into the adoption of a new name and the development of a new corporate identity. Discussions took place at the same time on the proposed relocation of the company into new premises, which was approved due to the reduction in rental costs which this entailed.

Prior to the annual general shareholders' meeting, the Supervisory Board and the Board of Management studied the item on the agenda proposed by the Board of Management dealing with the creation of new authorised capital. In the course of the discussions it had with the Board of Management, the Supervisory Board reached the conclusion that it continues to make sense to give the company the opportunity to create authorised capital in order to be able to react flexibly to trading conditions in a way which secures the share price.

The Supervisory Board also examined improvements made to the company's Corporate Governance and adherence to the recommendations of the German Corporate

Governance Code. The declaration made by the Board of Management and the Supervisory Board in accordance with § 161 of the German Companies Act will be made permanently available to shareholders on the internet under www.yfe-ag.de.

The Supervisory Board has not established any sub-committees.

For reasons of economy, the Board of Management and the Supervisory Board decided to prepare the financial accounts for the reporting year solely in accordance with the requirements of the German Commercial Code (HGB) and no longer in accordance with IFRS. This decision was primarily influenced by the fact that the preparation of the financial statements in accordance with IFRS would have resulted in considerably higher auditing costs. The preparation of the financial statements in accordance with IFRS is also not required by stock exchange regulations.

In accordance with the Supervisory Board's instructions, Ernst & Young AG, auditors and tax advisers in Stuttgart, audited the company's accounting system and its financial statements and management report for the financial year 2006. The auditors issued their unqualified audit 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. In its meeting of 14.03.2007, the Supervisory Board discussed these documents in detail 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 financial year 2006. In its meeting of 14.03.2007 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.

We also discussed in our meeting of 14.03.2007 the mandatory information required under §§ 289 section 4 and 315 section 4 of the German Commercial Code and the report prepared on this subject. Reference is made to the relevant explanations given in Your Family Entertainment AG's management report. We examined and adopted this information and the explanations given, which are in our opinion complete.

Changes in the composition both of the Supervisory Board and of the Management Board occurred as a result of the acquisition of the majority of the company's shares at the end of 2005 by F&M Film und Medien Beteiligungs GmbH in Vienna and the new course adopted by the company.

Mr. Frank Mallet, the deputy chairman of the Supervisory Board and member of the Board of Management of Ravensburger AG in Ravensburg, resigned from the Supervisory Board with effect from 31.01.2006. Dr. Wolfram Freudenberg, substitute member of the Supervisory Board, also resigned his post on the Supervisory Board with effect from 31.01.2006.

Dr. Stefan Piëch of Vienna in Austria was initially appointed to the Supervisory Board on 09.02.2006 by the District Court in Ravensburg. The resignations of Mr. Frank Mallet and Dr. Wolfram Freudenberg and Dr. Stefan Piëch's appointment as the new member of the Supervisory Board should be considered part of the company's restructuring process.

The Supervisory Board elected Dr. Piëch as its deputy chairman in its meeting of 16.03.2006.

The previous chairman of the Supervisory Board, Professor Dr. Johannes Kreile, an attorney in Munich, and the Supervisory Board member Jochen Kröhne of Munich both resigned their positions on the Supervisory Board in accordance with all the required dates and legal formalities to come into effect at the end of the company's annual general shareholder's meeting which took place on 12.07. 2006. Both Supervisory Board members voluntarily resigned their positions in connection with the restructuring of the company.

The annual general shareholders' meeting, which took place on 12.07.2006, elected Dr. Stefan Piëch, Dr. Hans-Sebastian Graf von Wallwitz of Munich and Mr. Johannes Thun-Hohenstein of Vienna in Austria as members of the Supervisory Board. Dr. Hans-Michel Piëch of Vienna in Austria was elected substitute member. The terms of office of the newly-elected members of the Supervisory Board are to run until the conclusion of the annual general meeting called to approve the company officers' actions in financial year 2010. The Supervisory Board elected Dr. Stefan Piëch as its chairman and Dr. Hans-Sebastian Graf as his deputy in its constituent meeting held on 12.07.2006. Dr. Stefan Piëch resigned form the Supervisory Board with effect from 18.10.2006 and Dr. Hans-Michel Piëch automatically became a full member. The Supervisory Board elected Dr. Hans-Sebastian Graf von Wallwitz as its chairman and Mr. Johannes Thun-Hohenstein as his deputy in its meeting held on 18.10.2006.

Following the resignation by mutual agreement of Mr. Markus Reischl from the Board of Management on 18.10.2006, the Supervisory Board appointed Dr. Stefan Piëch as the company's CEO.

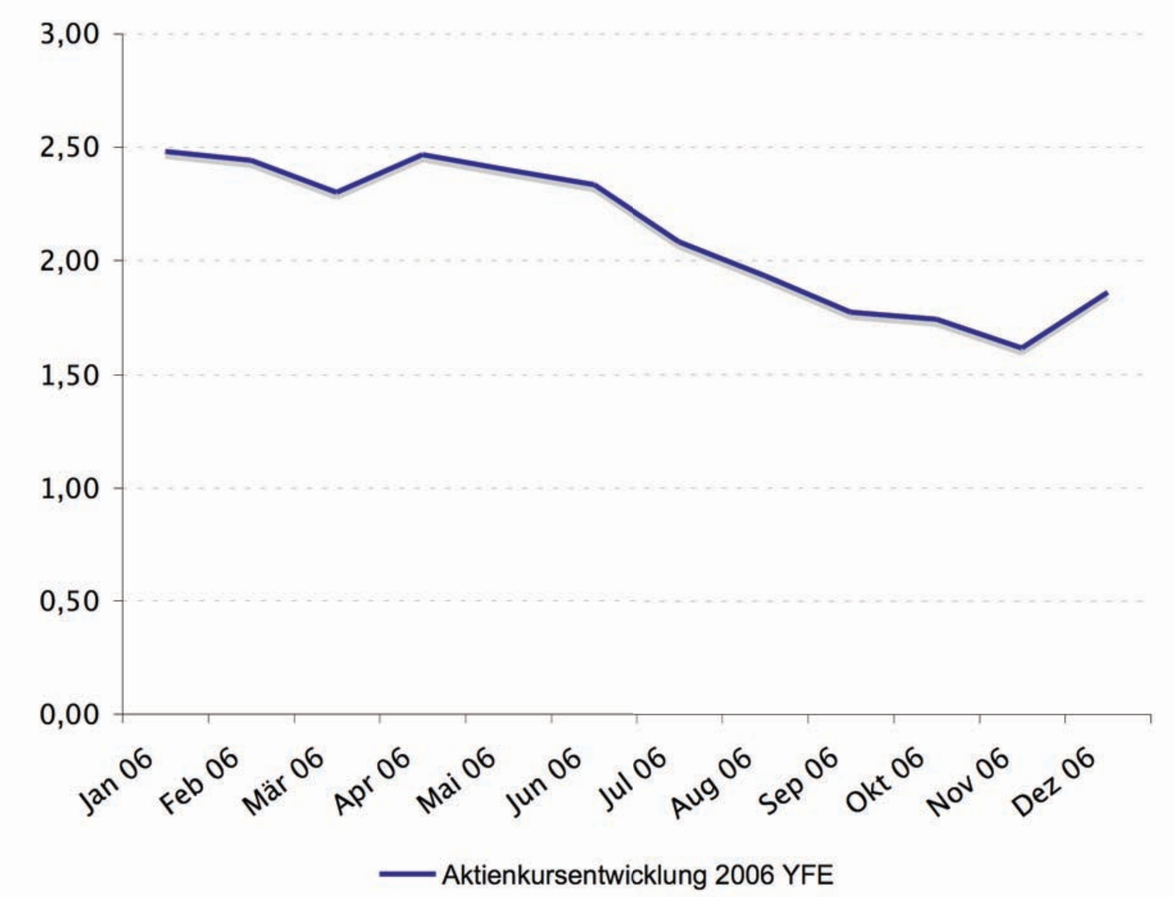
The Supervisory Board thanks the retiring members of the Supervisory Board and Board of Management for their many years of service and for their constructive support, particularly in connection with the company's restructuring, which was completed in the financial year 2006.

Munich, in March 2007

Dr. Hans-Sebastian von Wallwitz

Chairman

The development of the share price in 2006



1) Average share price in the respective month

Shareholding structure

Your Family Entertainment AG, Munich Shareholders' structure (540891;540893)	Shareholding in %
Free Float	12.03
F&M Film und Medien Beteiligungs GmbH	84.14
Raimund Köhler	3.83

Corporate Governance Code 2006

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

The Board of Management and the Supervisory Board of RTV Family Entertainment AG declare that the recommendations of the "Government Commission on the German Corporate Governance Code" published by the German Ministry of Justice on 2nd June 2005 in the electronic Federal Gazette ("Bundesanzeiger") are observed subject to the following exceptions:

Due to time constraints, it cannot be guaranteed that the published company report will be available at the time that the invitation to the shareholders' meeting is issued (section 2.3.1 of the Code), 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).

A broadcast of the shareholders' meeting by means of modern telecommunications (section 2.3.4 of the Code) will not be made, since the expense required for this is not warranted by the shareholding structure.

Die 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 since this does not reflect general practice in the business (section 3.8 of the Code).

Due to the reduced scope of the company's activity since the completion of the restructuring measures in January 2003, the Board of Management consists of just one person (section 4.2.1 of the Code).

Section 4.2.5. of the code is not adhered to.

Due to the small size of the company and its Supervisory Board, no sub-committees have been established (section 5.3 of the Code).

The Supervisory Board receives a fee established by the shareholders' meeting. Performance-related components have so far not been considered in this fee (section 5.4.7 of the Code).

In accordance with the Guidelines for the Regulated Market, apart from the company report, only a half-yearly report is published. For reasons of economy, the annual financial statements and the half-yearly report are prepared solely in accordance with domestic requirements (German Commercial Code) and not in accordance with International Accounting Standards (section 7.1.1 of the Code).

Munich, December 2006

Dr. Hans-Sebastian Graf von Wallwitz

(Chairman of the Supervisory Board)

Dr. Stefan Piëch

CEO

Management Report for 2006

A. General

Your Family Entertainment AG („YFE") is one of Germany's longest-established companies trading in licences and in the production of entertainment formats for children between the ages of 3 and 13, teenagers and the whole family. These two core skills are concentrated in the business divisions "licence sales" and "production". The basis of YFE's business is its extensive stock of high quality and attractive programmes, which are directed towards their target group and of high educational value. The company, which previously traded under the name RTV Family Entertainment AG („RTV") and originated from Ravensburger AG, has more than 20 years of experience in programmes for children and young people. The change in the company's name to "Your Family Entertainment AG" and the relocation of the company's registered office from Ravensburg to Munich was approved at the annual general shareholders' meeting which took place in Munich on 12th July 2006. The change of name and the relocation of the registered office to Munich acquired legal force with their registration in the Commercial Register of the District Court of Munich (under HRB 164992) on 29th November 2006.

The business division license sales includes the trade in licences for free and pay-TV entertainment products. The stock of programmes currently comprises more than 3,500 half-hour programmes. This business division also handles the sale of licence rights for DVD, video and audio products (home entertainment) as well as the use of ancillary rights.

The business division production covers the simple development of a programme format through to full-service processing. The product range includes animation and live-action programmes, game and quiz shows as well as infotainment products. The company also develops and produces TV series as co-producer in partnership with international companies. YFE's involvement in the production of shows and infotainment products also strengthens its role as a supplier of entertainment programmes for the entire family.

For disclosure purposes YFE took advantage in the previous year of the opportunity provided by § 325 section 2a of the German Commercial Code to prepare individual company financial statements in accordance with international accounting standards. This was based on the International Financial Reporting Standards (IFRS) as applied within the European Union. The previous year's Management Report therefore primarily shows figures as required by IFRS. For reasons of economy, the Board of Management and the Supervisory Board decided to prepare the annual financial statements only in the reporting year in accordance with the requirements of the German Commercial Code and no longer in accordance with IFRS. Accordingly, the figures shown in the annual financial statements for the current year are only those required by the German Commercial Code together with the appropriate previous year's figures.

B. Annual financial statements in accordance with the German Commercial Code

1. Key events during the financial year 2006

Following the restructuring carried out in 2005, 2006 was dominated by the sense of a new start and a change in the company’s direction. The aim was also to concentrate once more on the company’s key skills, to expand the operative business and to implement planned measures to open up new lines of business. The business division “licence sales” once more provided the company’s main support. However, increasing focus was also directed towards programme development and an intensified exploitation of programme rights including, for the first time, the home entertainment sector. DVD’s have already been issued under the company’s own label “your family entertainment”. YFE will in future also market its own library of programmes for the final consumer in different product forms.

In the core business division of “production” – specifically the field of production-to-order – the 13-part animation series “Missy Milly” was finished in 2006 and the complete seventh series of “Spielegalaxie” was produced. Preparations for the production of the second series of “Dragon Hunters” were also started in 2006.

In addition to its own productions and its trading in licences, the company is also encouraging the growth of partner networks to enable it quickly and skilfully to increase the potential offered by its extensive library of programmes and to better exploit its skill in the development of new formats. In addition to existing cooperation agreements, among others with EM. Entertainment GmbH and Planeta Junior S.l., distribution and production partnership networks with Sony DADC Austria AG, M.I.B. Medienvertrieb in Buchholz and starmedia home entertainment GmbH & Co. KG were expanded even further.

On 9th February 2006, Dr. Stefan Piëch of Vienna in Austria was appointed to the Supervisory Board of RTV by a ruling of the District Court in Ravensburg – 1st Registry Chamber – given in accordance with § 104 of the German Companies Law in conjunction with § 145 of the German Law on Voluntary Jurisdiction FGG. Prior to this appointment, the previous deputy chairman of the Supervisory Board, Mr. Frank Mallet, board member of Ravensburger AG in Ravensburg and the substitute member Dr. Wolfram Freudenberg of Stuttgart had both resigned their posts on the Supervisory Board with effect from 31st

January 2006. Mr. Mallet's and Dr. Freudenberg resignations and the appointment of Dr. Piëch as the new member of the Supervisory Board should be seen as part of RTV's restructuring process.

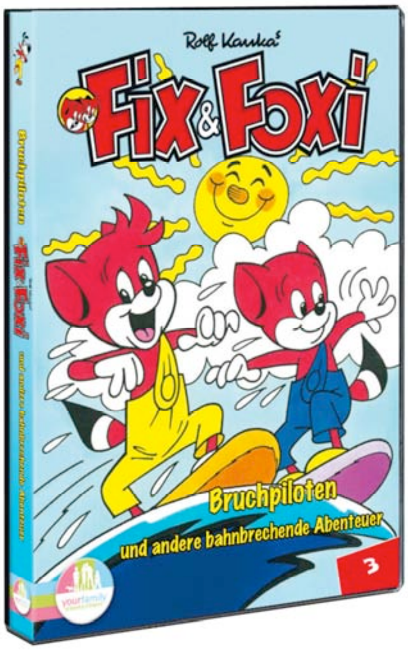
The previous chairman of RTV's Supervisory Board, Professor Dr. Johannes Kreile, an attorney in Munich, and the Supervisory Board member Jochen Kröhne of Munich both resigned their positions on the Supervisory Board in a letter of 12th April 2006 in conformity with all the required dates and legal formalities to come into effect at the end of the company's annual general shareholder's meeting which took place on 12th July 2006. Both Supervisory Board members voluntarily resigned their positions in connection with the restructuring of the company.

The annual general shareholders' meeting which took place on 12th July 2006 elected a new Supervisory Board. Dr. Stefan Piëch was elected chairman of this body. Mr. Johannes Thun-Hohenstein, a lawyer and media consultant based in Vienna in Austria, and the Munich lawyer Dr. Hans-Sebastian Graf von Wallwitz were also elected to the Supervisory Board. The terms of office of the newly-elected members of the Supervisory Board are to run until the conclusion of the annual general meeting called to approve the company officers' actions in the financial year 2010.

With effect from 18th October 2006 the Supervisory Board elected its then chairman, Dr. Stefan Piëch, as CEO of RTV with immediate effect to replace the previous CEO, Mr. Markus Rudolf Reischl. Mr. Reischl decided not to renew his contract with the company and used his remaining holiday entitlement to leave the company in October 2006 already. Previous to his appointment to the management board, Dr. Stefan Piëch had resigned from the Supervisory Board with effect from 18th October 2006. The previous substitute member, Dr. Hans-Michel Piëch, automatically became a full member of the Supervisory Board. The previous deputy chairman of the Supervisory Board, Dr. Hans-Sebastian Graf von Wallwitz, was elected chairman and Mr. Johannes Thun-Hohenstein as his deputy.

The existing cooperation agreement between RTV and the broadcaster Super RTL (RTL Disney Fernsehen GmbH & Co. KG) relating to a joint programme slot ran out at the end of 2006. Since January 2001, Super RTL had provided RTV with programme time during which RTV produced a two-hour programme slot every day from Sunday to Friday. In 2006 the programme time was reduced to an hour. From the time this co-operation started, RTV was also able to participate in Super RTL's increasing market share at these broadcasting times by designing the contents of the programme slot. The co-operation agreement was terminated due to changed market conditions in children's television, as a result of which Super RTL wished to change the design of the contents of the programme slot.

For the first time YFE published DVD's of its high-quality programmes under its own label in time to catch the Christmas trade. In all 11 DVD's taken from its programmes "Spirou & Fantasio", "Enid Blyton – die Verwegenen Vier" and „Donkey Kong Country" were issued. This move implemented a policy of expansion into new business segments which had been announced at the last annual general shareholders' meeting already. starmedia home entertainment GmbH & Co. KG immediately became our partner in the field of DVD sales. A further co-operation agreement was also concluded with our partners Sony DADC Austria AG and M.i.B. Medienvertrieb in Buchholz. Sony DADC, with its registered office in Salzburg in Austria, has taken over the complete DVD production including authorship, reproduction, packaging, distribution and general accounting. M.i.B. in its role as distribution partner not only markets the DVD's in traditional, stationary trade outlets but also in non-traditional sales outlets such as the retail food trade.



As described in 2005's Company Report, a settlement was concluded in April 2005 in the civil court in Barcelona with our long-standing Spanish co-production partner D'Ocon Films, S.A. ("D'Ocon"), according to which D'Ocon was required to pay an amount of K€ 550 to RTV. In 2004 RTV had lodged a plea to enforce payment by D'Ocon of co-production fees relating to the programme "Fix + Foxi II" which had been owed by D'Ocon since 2002. So far D'Ocon has made a part-payment of K€ 50. The company had anticipated that it would receive its principle claim of K€ 500 in 2006. Following D'Ocon's refusal to pay without giving any reasons, the company initiated litigation for the forcible recovery of the debt. The conclusion of the proceedings to enforce payment of the debt and the receipt of the amount owed is not anticipated before the end of 2007.

At the end of 2005 a shareholder lodged a plea with the District Court of Ravensburg for payment of compensation against the company, Ravensburger AG and two former members of the Supervisory Board. All four parties were sued jointly and severally. The amount at issue in the proceedings was approximately K€ 32. In its judgement of 23rd November 2006 the District Court in Ravensburg completely rejected the shareholder's plea. The shareholder has lodged an appeal against this judgement.

For reasons of economy the company moved from its offices in Cuvilliésstraße in Munich to Nordendstrasse in Munich in June 2006.

2. The development of the individual business segments

YFE sales declined during the current year from K€ 7,403 to K€ 3,663. This corresponds to a total reduction versus the previous year of approximately 50%.

The operational core business consists of on the one hand the classical trade in films and programme rights and the marketing of the company's own and third party ancillary rights, and on the other hand the production of animated films, cartoons and live-action programmes as well as game and quiz shows. These two core activities are concentrated in the business lines "license sales" and "productions".

The following sales were achieved during the past year in the individual business lines:

Sales by division

	FY 2006 K€	FY 2006 % of total	FY 2005 K€	FY 2005 % of total
License Sales	3,106	85	5,501	74
Productions	557	15	1,902	26
Total	3,663	100	7,403	100

On 31st December 2006 YFE owned a library of programmes, which included a total of 4,339 episodes or 1,675 programme hours. This range of programmes is basically marketable in several cycles both in Europe and throughout the whole world.

License Sales

In the past year under report, sales of K€ 3,106 were achieved in the license sales division, a reduction of approximately 44 % compared to the previous year (K€ 5,501). The reasons for this decline are to be found both in the reduction of programme time provided by Super RTL to just one programme slot a day, from 10 to 11 a.m. on Sundays to Fridays as well as on 26 Sundays of the year from 11 to 11.30 a.m. The co-operation agreement was terminated due to the changed market conditions in children's television, as a result of which Super RTL wished to change the design of the contents of the programme slot. Sales of K€ 1,222 (previous year K€ 2,542) were achieved as a result of this programme slot, which contributed a share of approximately 40% (previous year approximately 46%) to the sales of the product line.

A further reason for the reduction in the total turnover of the license sales division lies in the stage in the exploitation cycle and corresponds to the overall evaluation of our existing co-operation agreement with EM.TV. Sales of K€ 922 (previous year K€ 2,291) were achieved here, in addition to which sales of K€ 246 (previous year K€ 220) were again achieved by our sales partner Planeta Junior S.L. in the distribution territories of Italy, Spain and Portugal. Further major customers are UFA, SF DRS (Switzerland) and the Kinderkanal (children's station) in Germany. EM.TV has again proved to be a faithful customer for pay-TV rights with its pay-TV channel Junior.TV and generated sales of K€ 198 (previous year K€ 31).

Productions

Approximately 15% or K€ 557 (previous year K€ 1,902) of the company's sales in financial year 2006 were accounted for by the business line productions.

The seventh series (13 episodes of 26 minutes) of the successful programme "Spielegalaxie" was produced during the last year. This generated sales of K€ 412. This game show for children, which has been broadcast since autumn 2001 in Super RTL's programme slot, achieved consistently good audience ratings during the year under review. In addition, the 13-part animation series "Miss Milly" was completed in 2006. The preparations for a second series of "Dragon Hunters" were also commenced in 2006.

Sales areas

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

Sales by Region

	FY 2006 K€	FY 2006 % of total	FY 2005 K€	FY 2005 % of total
Domestic	3,395	93	7,108	96
International	268	7	295	4
Total	3,663	100	7,403	100

The sales cooperation agreement with EM.TV generated sales of K€ 922. The sales made by EM.TV for YFE are shown for accounting purposes as domestic sales, even though these sales relate almost wholly to sales of licences in foreign licence territories.

3. Earnings situation

YFE was once more able to report positive key data in its financial statements in the first year following the successful implementation of the restructuring programme.

Earnings before depreciation, interest and taxes (EBITDA) were K€ 2,180 (previous year K€ 2,266). EBIT in the reporting year was K€ 1,227, compared with a loss of K€ 21,049 in the previous year. The results of ordinary business operations was a profit of K€ 1,081 compared with a loss of

K€ 22,000. The extraordinary profit/loss in the previous year amounted to K€ 22,995 and related to various remissions of accounts receivable granted as part of the restructuring plan. The net income for the year was K€ 1,011, compared with K€ 977 in the previous year.

Total other operating income in the current year was K€ 2,022 (previous year K€ 1,582). Among other factors, the revaluation of the film assets to a value of K€ 926 (previous year K€ 0) is shown in the current year. This income results chiefly from the new estimate of income deriving from the business line "DVD/Home Entertainment", which was calculated by individual title.

Depreciation declined compared with the previous year by K€ 22,362, i.e. from K€ 23,315 to K€ 953. These figures contain non-scheduled write-offs of film rights for an amount of K€ 662 (previous year K€ 20,823). Our assumptions regarding the classification of programmes in the individual territories had to be reappraised as a result of changing market conditions. The significant write-off of film rights in the previous year resulted partly from the fact that due to the grant of additional distribution rights to EM.TV in the distribution territory of France, the estimates of income by individual title were reduced by the distribution commission payable to EM.TV. Equally, the estimates of income by individual title were reduced by the distribution commission payable to Planeta Junior S.L. as a result of the granting to Planeta of distribution rights in the important distribution territories of Italy, Spain and Portugal. Moreover, based on the relevant co-production contracts, since mid-2005 Videal has been entitled to approximately 50% of the relevant sales income from ten jointly-produced programmes, which was taken into account in valuing these programmes. The sales prices assumed in the last few years have had to be reduced due to changed market conditions and for the same reasons our assumptions regarding the classification of programmes in the individual territories had to be reappraised.

4. Asset and finance situation

The total balance sheet amount declined only slightly in comparison with the previous year to K€ 12,131 (previous year K€ 12,195). Intangible assets (primarily film assets and other rights) increased slightly to K€ 10,334 (previous year K€ 10,319).

Accounts receivable, trade were reduced from K€ 1,426 to K€ 985. This figure includes receivables due from customers of programmes at the TV stations and distribution cooperation partners as well as the claims due from D'Ocon.

Shareholders' equity increased in comparison with the previous year by K€ 1,011 to K€ 6,723 (previous year K€ 5,712). Accordingly, on 31st December 2006 YFE reported a subscribed capital of K€ 6,525, a capital surplus of K€ 1,200 and accumulated losses of K€ 1,002.

YFE has liabilities of K€ 2,680 arising from a shareholder loan granted by F&M Film und Medien Beteiligungs GmbH in Vienna in Austria ("F&M"). The loan expires on 31st December 2008. 1st January 2009 has been agreed as the date of repayment.

The item Other Provisions and Accrued Liabilities, which stood at K€ 460 at the end of the previous year, was reduced considerably to K€ 164.

Liquid funds, consisting of balances at banks, which stood at K€ 323 last year, had increased to K€ 729 on the balance sheet date. This increase is due above all to the positive cash flow of K€ 477 (previous year minus K€ 1,670) generated by normal business operations.

5. Investments

Investments of K€ 71 (previous year K€ 881) were made in intangible assets and property, plant and equipment.

6. Key financial data

Key financial data		
	2006 K€	**2005 K€**
Sales	3,663	7,403
EBITDA	2,180	2,266
EBIT	1,227	-21,049
Net profit	1,011	977
Cash flow from current business activity	477	-1,670
Total balance sheet amount	12,131	12,195
Value of film assets	10,323	10,319
Equity	6,723	5,712
Interest-bearing liabilities	2,500	2,500

7. Employees

Six employees with permanent contracts were on the company's payroll on the balance sheet cut-off date. Personnel expenses in the financial year 2006 were K€ 612 (previous year: K€ 1,114).

Number of employees by function (on the balance sheet cut-off date)		
	2006	**2005**
Board of management	1	1
Development/production	1	1
Sales	1	1
Commercial area	2	2
Administration	1	2
Total number of employees	6	7

C. Report on business risks

1. General business risk

Fluctuations of future business results

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

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 RTV operates is still characterised by a process of consolidation and concentration, among both producers and customers. These developments can have implications on the demand for productions. TV stations and groups of stations in particular are looking 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 development and production of formats and television broadcasts is generally highly cost-intensive and consequently entails a considerable financial risk. The availability of adequate resources for the development of programmes and their production is therefore a basic pre-condition for the company's business actions.

Co-production:

YFE hedges its risks in completing co-productions on the one hand by the careful selection of established and reliable co-production partners and service-providers as well as by hedging instruments such as insurance policies or completion bonds. YFE also carries out regular checks on both finances and content during the production. Nevertheless, completion time slippages can occur on individual projects, which can lead to the postponement of sales and profit from one accounting period to the next.

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 if he has wrongly estimated the costs of the production or if 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, the 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 purchase and marketing of programmes

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

4. Financial risks

a) Repayment of the shareholder loan

The shareholder loan of K€ 2,500 from F&M was granted as part of the restructuring measures to run until 31st December 2008 and is repayable to F&M, including interest, on 1st January 2009. Title to large parts of the film library was transferred to F&M as collateral for its loan.

b) Access to external means of financing

Liabilities to banks have been completely eliminated as a result of the restructuring project successfully carried out in 2005. No external financing in the form of bank loans is currently used. However, the company is considering using external financial sources again as part of the planned expansion of its business activity.

c) Exchange rate fluctuation, exchange rate hedging transactions

Since YFE's programmes are generally produced abroad, a large part of the costs are incurred in currencies other than the Euro, i.e. chiefly in US dollars. If required, YFE will conclude currency-forward contracts in order to hedge the risk of currency fluctuations and interest rate swaps against the risk of interest rate fluctuations.

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.

In particular, RTV's risk management is based on three basic considerations: liquidity and cash management, control of distribution and sales and balance sheet controlling. All major operating and structural risks of RTV's business activity 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 goal of liquidity and cash management is the continuous examination and assurance of the company's ability to meet its obligations. Liquidity and cash management is based on three reports – the cash flow plan, business planning and a report on the management of debtors – which are constantly updated. A daily liquidity report is also prepared.

The goal of controls in the areas of distribution and sales is to recognise, quantify and 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 goal 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 half-yearly financial statements 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.

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

YFE and NBC Universal International GmbH concluded a cooperation agreement to develop the market directed at the three to thirteen years-of-age target group. The free TV station "DAS VIERTE", operated by NBC Universal International GmbH, will broadcast children's programmes in a slot owned by YFE. Since 12th February 2007 high-quality serials and films suitable for children from YFE's extensive stock of programme rights are being broadcast every day from Monday to Friday from 6 to 9 a.m. by satellite and digital cable TV. High-quality children's programmes from YFE can now be seen for the first time on "DAS VIERTE" in a three-hour programme slot. The aim of the cooperation agreement is to acquire younger viewers for "DAS VIERTE".

E. Forecast

2007 will also be marked by low-risk growth based on YFE's completed restructuring programme. Increased efforts in existing core business lines will be guided chiefly by cash flow considerations.

YFE can fall back on its internationally marketable library of children's programmes, its potential in the home video/DVD field, which has so far only been partially exploited, and its experience in the production and programme business and the relationships that have grown up over this period. The aim is to extend on the basis of individual titles the traditional sales business to free and pay-TV stations through framework agreements dealing with items to be shown in programme slots. YFE has agreed long-term distribution contracts with EM.TV and Planeta Junior S.L. In the future these must be still further optimised in order to achieve even greater efficiency in the distribution areas that are important for sales.

A further goal is the expansion of the core business division production. It is intended that the development and production of externally-financed entertainment programmes initiated last year should be continued and expanded. The aim in this area is to increase the number of formats realised in the last reporting period.

Distribution partnerships have already been established for DVD sales and the marketing of audio rights. The strategic direction chosen is the continued expansion of additional distribution partnerships and the optimum use of the potential present in our stock of programme rights in the fields of video-on-demand, internet protocol television and DVD.

The strategic considerations underlying the company's new direction are based on the development of the market during the last few years and the changes observed in TV supply. The contents of programmes for children and for young people are considerably more similar than in the past. This extended segment of children's / young persons' target groups is again enjoying greater interest in sellers' station and programme strategies than was the case some years ago. New viewing areas have been created in both free-TV and pay-TV for which attractive programme contents are required.

YFE's long-term goal is to re-attain its position as a strong player 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 on 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 6,525,488 unit shares, each with a share in capital of € 1.00. The company's share capital was therefore unchanged on 31st December 2006 at € 6,525,488.00. The shares are bearer-shares. They are fully paid up.

2. Limitations concerning the voting rights and transfer of shares

A total of 250,000 non-negotiable shares (WKN 540893) are in the possession of management. Of this amount 45,000 are subject to limitations on their disposal requiring that they be kept until 30th June 2007 and a further 175,000 until 16th December 2010.

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

F&M Film und Medien Beteiligungs GmbH in Vienna in Austria owned 84.14% of the company's share capital on 31st December 2006.

4. Owners of shares with special rights

There were no shares with special rights on 31st December 2006.

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

There were no such controls on voting rights on 31st December 2006.

6. Rules laid down 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 to buy back shares

The annual general shareholders' meeting, which took place on 12th July 2006, established an authorised capital (authorised capital IV). The Board of Management was empowered, with the approval of the Supervisory Board, to increase the company's share capital by up to € 3,250,000.00 by 12th July 2011 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. However, the Board of Management, with the consent of the Supervisory Board, may exclude shareholders' rights to subscribe if the new shares are 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 2.4 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.

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

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

H. Dependent company report

The Board of Management has prepared and submitted to the year-end auditors a report on the relations of Your Family Entertainment AG with subsidiary companies (dependent company report) for the financial year 2006. The Board of Management declares that the company received an appropriate return for the legal transaction, given the circumstances which were known to it at the time the legal transaction was carried out.

Munich, 19th February 2007

The Board of Management

ASSETS

	31/12/06 €	31/12/05 €
FIXED ASSETS		
Intangible asstes		
IT-software	11,132.00	-
Film assets and other rights	10,322,521.09	10,319,372.10
	10,333,653.09	10,319,372.10
Property, plant & equipment		
Other equipment, operational and office equipment	54,172.00	25,307.00
	10,387,825.09	**10,344,679.10**
CURRENT ASSETS		
Accounts receivable and other assets		
Accounts receivable, trade	984,669.52	1,426,131.05
Accounts due from affiliated companies	-	27,023.00
Other assets	26,150.64	74,554.99
	1,010,820.16	1,527,709.04
Cash on hand and balances at banks	728,707.78	322,943.05
	1,739,527.94	**1,850,652.09**
PREPAID EXPENSES	4,123.78	-
Total assets	**12,131,476.81**	**12,195,331.19**

LIABILITIES & SHAREHOLDERS' EQUITY

	31/12/06 €	31/12/05 €
SHAREHOLDERS' EQUITY		
Capital subscribed	6,525,488.00	6,525,488.00
Capital reserve	1,200,000.00	1,200,000.00
Accumulated loss	-1,002,119.38	-2,012,821.97
	6,723,368.62	**5,712,666.03**
RESERVES AND ACCRUED LIABILITIES		
Pension reserves	355,386.00	364,856.00
Tax liabilities	4,900.00	-
Other reserves & accrued liabilities	163,900.00	459,906.57
	524,186.00	**824,762.57**
LIABILITIES		
Advance payments received on account of orders	1,235,071.99	1,168,317.78
Accounts payable, trade	745,273.81	1,759,427.93
Accounts due to affiliated companies	2,680,000.00	2,530,000.00
Other liabilities	223,576.39	200,156.88
Including tax liabilities € 15,804.34 (PFY. K€ 70)		
Including social security € 2,792.00 (PFY. T€ 9)		
	4,883,922.19	**5,657,902.59**
Total liabilities and shareholders' equity	**12,131,476.81**	**12,195,331.19**

Income Statement

	FY 2006 €	FY 2005 €
1. Sales	3,663,502.14	7,403,148.76
2. Other operating income	2,022,258.31	1,581,786.53
	5,685,760.45	8,984,935.29
3. Cost of materials		
a) Costs of royalties, provisions and materials	1,705,098.77	3,506,217.85
b) Cost of purchased services	434,277.73	1,131,898.89
	2,139,376.50	4,638,116.74
	3,546,383.95	**4,346,818.55**
4. Personnel expenses		
a) Salaries	526,180.71	1,010,092.53
b) Social security contributions	62,834.33	77,600.82
c) Pension expenses	22,901.53	26,304.79
	611,916.57	1,113,998.14
5. Depreciation, amortisation and write-offss of intangible assets and property, plant & equipment	953,287.20	23,315,011.42
6. Other operating expenses	752,021.24	966,373.30
	2,317,225.01	25,395,382.86
	1,229,158.94	**-21,048,564.31**
7. Other interest and similar income	6,451.51	5,499.61
8. Interest and similar expenses	154,715.21	956,971.82
	-148,263.70	-951,472.21
9. Result from ordinary operations	**1,080,895.24**	**-22,000,036.52**
10. Income from the re-structuring programme	-	22,995,342.59
11. Taxes on income	67,712.33	17,861.36
12. Other taxes	2,480.32	766.00
	70,192.65	18,627.36
13. Net income	**1,010,702.59**	**976,678.71**
14. Loss brought forward	**-2,012,821.97**	**-2,989,500.68**
15. Accumulated loss	**-1,002,119.38**	**-2,012,821.97**
Result per share	0.15	0.15
Weighted number of shares	6,525,488	6,525,488

Notes to the financial statements for 2006

I. General information

The annual financial statements of Your Family Entertainment AG in Munich for the financial year 2006 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. The company, which previously traded under the name of RTV Family Entertainment AG, Ravensburg and has its origins in Ravensburger AG, can look back on more than 26 years of experience in producing and marketing programmes for children and young people. The change in the company's name acquired legal validity with its registration in the Commercial Register of the District Court of Munich on 29th November 2006 (under HRB 164992). The company's activities include the production of television films, trade in films and rights as well as the marketing of its own and third parties' subsidiary rights. The company's business activities are split into the production and license sales of the business divisions.

Re-classifications and adjustments to the previous year's figures in accordance with § 265 sections 1 and 2 of the German Companies Law were made for presentation purposes in the statement of income. These consisted principally in the reclassification of distribution costs from other operating income to cost of materials. This item is now shown under "expenses for licences, commissions and materials".

II. Accounting and valuation methods

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

Balance sheet

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

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

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

A revaluation takes place when indications are present indicating that the reduction in value no longer applies or may have been reduced. The revaluation is shown as income in the statement of income. However, the increase in value or the reduction of the value impairment of an asset is 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, if no impairment of value had 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 in 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, three to four years in the case of motor vehicles and two to ten years in the case of fixtures, fittings and equipment.

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

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

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

Other reserves and accrued liabilities are established to take account of all uncertain liabilities and threatened losses from pending transactions. They are shown with the amounts that 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.

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

III. 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 2006".

Receivables and other assets

Trade accounts receivable include items with a term of more than one year for an amount of K€ 9 (previous year K€ 23) and other assets for an amount of K€ 12 (previous year K€ 39).

Non-interest-bearing trade accounts receivable with a term of more than one year are discounted at a rate of 5.5% p.a..

Shareholders' equity

The company's share capital on the balance sheet cut-off date was still composed of 6,525,488 unit shares, each with a share in capital of € 1.00. The company's share capital was therefore unchanged on 31st December 2006 at € 6,525,488.00. The shares are bearer-shares. They are fully paid up.

On 20th January 2006 the Board of Management published an announcement in the German Stock Exchange Gazette ("Börsenzeitung") in accordance with § 25 section 1 of the German Securities Transfer Law. The text was as follows :

"Mr. Markus Rudolf Reischl of Munich in Germany informed us in accordance with § 21 section 1 of the Securities Transfer Law that on 16th January 2006, his share of voting rights in RTV Family Entertainment AG (WKN 540891, WKN 540893) had exceeded the threshold of 5% of the voting rights and now stood at 7.66%."

The company announced on 25th January 2006 in the electronic Federal Gazette ("Bundesanzeiger") that Mr. Raimund Köhler had informed the company on 16th January 2006 that he had acquired shares in RTV Family Entertainment AG and that his share of the voting rights in the company was now 3.83%. Mr. Köhler is a senior employee vested with power of attorney ("Prokurist") and the head of its legal department.

Due to a change in its composition on 18th October 2006, the Board of Management published an announcement in the German Stock Exchange Gazette ("Börsenzeitung") on 30th December 2006 in accordance with § 25 section 1 of the German Securities Transfer Law. The text was as follows:

"Mr. Markus Rudolf Reischl of Munich in Germany informed us in accordance with § 21 section 1 of the Securities Transfer Law that on 28th December 2006 his share of voting rights in RTV Family Entertainment AG (WKN 540891, WKN 540893) had fallen below the threshold of von 5% of the voting rights and now stood at 1.303%."

On 31st December 2006 F&M Film und Medien Beteiligungs GmbH held 84.14% of the company's share capital.

Approved capital III

The shareholders' meeting of 23rd May 2001 authorised additional approved share capital (approved capital III). The Board of Management was empowered, with the Supervisory Board's approval, to increase the company's share capital by 22nd May 2006 through the issue of new shares against cash or contributions-in-kind up to € 7,005,885.50. The Board of Management may, with the consent of the Supervisory Board, exclude shareholders' rights to subscribe should the new shares be issued in return for contributions-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 has not used this authority so that the approved capital III expired on 22nd May 2006.

Approved capital IV

The shareholders' meeting of 12th July 2006 authorised additional 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 12th July 2011 through the issue of new shares against cash or contributions-in-kind by up to € 3,250,000.00. The Board of Management may, with the Supervisory Board's approval, exclude the shareholders' legal subscription right if and to the extent that the new shares have been issued in return for contributions-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.

Conditional capital I

On 6th May 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 (at the most 45% of the option rights) and the company's employees (at the most 55%).

The issue of option rights shall take place in annual tranches over a period of three years:

first tranche:	200,000 option rights	up to 30th June 1999
second tranche:	100,000 option rights	up to 30th June 2000
third tranche:	100,000 option rights	up to 30th June 2001

199,500 option rights were issued on 30th June 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 4th May 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 199,5000 new shares. The date by which the option rights must be exercised was extended to 30th June 2004.

Following the capital increase from the company's own resources (officially registered on 23rd May 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. Accordingly, the issue price was € 25.56.

The shareholders' meeting that took place on 23rd May 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 12th August 2002 resolved that 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 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 on 6th May 1999 amended and extended by resolutions passed by the regular shareholders' meetings held on 4th May 2000 and 23rd May 2001 and the extraordinary shareholders' meeting of 12th August 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 9th October 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 4th May 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 (at the most 25% of the option rights) and employees of the company, members of the company's management bodies and employees of subordinated affiliated companies (75% of the option rights at the most).

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 1st July up to 15th November 2000

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

third tranche: 200,000 option rights in the period from 1st July up to 15th November 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 15th November 2002, those under the second tranche not before 15th November 2003 and those under the third tranche not before 15th November 2004. The dates 15th November 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 23rd May 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 4th August and 15th November 2000. The average price for the exercise of the option was fixed at € 22.56.

The shareholders' meeting which took place on 23rd May 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 15th November 2011, for the option rights under the second tranche to 15th November 2012 and for the option rights under the third tranche to 15th November 2010. 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 30th July 2001 at an issue price of € 1.27

The extraordinary meeting of the shareholders held on 12th August 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 4th May 2000 amended and extended by resolutions passed by the regular shareholders' meeting held on 23rd May 2001 and the extraordinary shareholders' meeting of 12th August 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 9th October 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 contains 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 2006	Average subscription price per unit in Euro 2006	Number of option rights granted 2005	Average subscription price per unit in Euro 2005
Number at the beginning of the financial year	24,467	286.16	32,600	299.61
Expired	13,267	272.79	8,133	340.07
Number at the end of the financial year	11,200	302.00	24,467	286.16
Thereof exercisable	11,200		24,467	

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

	Remaining term less than 1 year K€	Remaining term 1 to 5 years K€	Remaining term more than 5 years K€	Total K€
1. Advance payments received on account of orders	1,235	0	0	1,235
2. Accounts payable, trade	745	0	0	745
3. Accounts due to affiliated companies	0	2,680	0	2,680
4. Other liabilities	224	0	0	224
thereof for taxes	16			
(previous year)	(70)			
Thereof for social security	3			
(previous year)	(10)			
	2,204	2,680	0	4,884
(31.12.2005	3,128	2,530	0	5,658)

The liabilities with a remaining term of 1 to 5 years relate solely to liabilities due to affiliated companies.

Accounts due to affiliated companies

The accounts due to affiliated companies on 31st December 2006 relate solely to F&M Film und Medien Beteiligungs GmbH (K€ 2,680, previous year K€ 2,530). This position concerns a loan of € 2,500,000.00 granted as part of the restructuring programme in a contract concluded on 17th October 2005. The loan attracts interest at the rate of 6% p.a. and expires on 31st December 2008. The loan and the interest thereon (2006: K€ 150, previous year K€ 30) must be repaid by 1st January 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).

Contingent liabilities

There were no contingent liabilities at the balance sheet cut-off date.

Other financial commitments

In a contract concluded on 15th March 2006, the company agreed the tenancy of new commercial premises in Munich with effect from 15th June 2006. This rental contract gives rise to annual rental commitments of K€ 48. The contract is concluded for a fixed term ending on 31st May 2011.

Leasing contracts (for cars, telephone equipment, copiers) give rise to commitments of K€ 55 over the period from 2007 to 2010, of which K€ 23 relates to 2007.

IV. Explanations of the statement of income

Sales

Sales of K€ 3,395 (previous year K€ 7,108) were achieved in the domestic market and K€ 268 (previous year K€ 295) abroad. The sales of K€ 922 (previous year K€ 2,291) achieved as a result of the distribution cooperation agreement with EM.TV are shown as domestic sales, even though these sales relate almost entirely to licence sales made in foreign licence territories.

K€ 3,106 (previous year K€ 5,501) of these sales were achieved by the business line license sales und and K€ 557 (previous year K€ 1,902) by the business line production.

Other operating income

This item includes primarily income of K€ 852 (previous year K€ 601) from the write-off of liabilities and from revaluations of intangible assets for an amount of K€ 926 (previous year K€ 0). The revaluations resulted chiefly from the development of the home entertainment division (DVD's and audio-books). As already announced at the last shareholders' meeting and published in the various ad hoc announcements and press releases, the company anticipates that it will achieve its first sales in this business line as a result of a considerably more intensive exploitation of programme rights and has indeed already done so in the year just ended.

Cost of materials

Reflecting the origin of these costs, the costs of distribution previously shown under other operating expenses were reclassified to material costs and are now shown as expenses for licences, commissions and materials. These sales-related costs are directly proportional to the sales realised. This form of presentation concerns primarily the cost of the Super-RTL slot (K€ 875, previous year K€ 1,900), licences (authors' shares) with K€ 399 (previous year K€ 543) and commissions (K€ 287, previous year K€ 776).

The cost of purchased services mainly includes licences, the costs of shooting films and other film production costs.

Personnel expenses

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

Depreciation

Unplanned write-offs of film assets totalling K€ 662 (previous year K€ 20.823) had to be made as a result of so-called impairment tests. In addition, exploitation write-offs of K€ 260 (previous year K€ 2,480) were made on film assets.

Other operating expenses

This catch-all item includes mainly repair costs, administration costs (in particular legal, court, auditing and consultancy costs), rental and leasing costs and the expenses of press work and trade fairs.

Interest and similar expenses

Interest payable to affiliated companies was K€ 150 (previous year K€ 212).

Extraordinary income

K€ 22,995 of the extraordinary income in the previous year related to waivers of claims by various creditors as part of a comprehensive restructuring plan.

V. Information on the company's official bodies

The members of the Supervisory Board during the financial year 2006 were:

Dr. Hans-Sebastian Graf von Wallwitz, Munich
Lawyer
Chairman (from 18th October 2006)
Deputy chairman (from 12th July to 18th October 2006)

Johannes Thun-Hohenstein, Vienna in Austria
Media consultant
Deputy chairman (from 18th October 2006)
Member of the Supervisory Board (from 12th July to 18th October 2006)

Dr. Hans-Michel Piëch of Vienna in Austria
Lawyer
Member of the Supervisory Board (from 18th October 2006)
Substitute member of the Supervisory Board (from 12th July to 18th October 2006)

Prof. Dr. Johannes Kreile, Munich
Lawyer
Chairman (until 12th July 2006)

Jochen Kröhne, Munich
CEO of Get-On-Air GmbH in Munich
Member of the Supervisory Board (until 12th July 2006)

Dr. Stefan Piëch of Vienna in Austria
Commercial film specialist
CEO of F&M Film und Medien Beteiligungs GmbH of Vienna in Austria
Chairman (from 12th July to 18th October 2006)
Deputy chairman (from 16th March to 12th July 2006)
Member of the Supervisory Board (from 9th February to 16th March 2006)

Frank Mallet, Ravensburg
Member of the Board of Management of Ravensburger AG in Ravensburg
Deputy chairman (until 31st January 2006)

Dr. Wolfram Freudenberg, Stuttgart
Former member of the Boards of Management of the Württembergische Insurance Group in Stuttgart
Substitute member of the Supervisory Board (until 31st January 2006)

The total remuneration of the Supervisory Board in the financial year was K€ 32. In accordance with § 16 of the articles of association, K€ 12 was paid to the chairman, K€ 9 to his deputy and K€ 6 to the remaining members. Due to changes in the Supervisory Board, the fee was paid pro rata temporis.

The members of the Supervisory Board hold the following offices in other Supervisory Board and controlling bodies defined in § 125 section 1.3 of the German Companies Law:

Dr. Hans-Michel Piëch:

- full member of the boards of:
  - Dr. Ing.h.c.F. Porsche AG
  - Porsche Bank AG
  - Porsche Holding GmbH
  - Porsche Cars North America, Inc.
  - Porsche Cars Great Britain, Ltd.
  - Porsche Italia S.p.A.
  - Porsche Ibérica S.A.
  - Porsche Ges.m.b.H
  - Eurotax Glass's Acquisition S.A.
  - Volksoper Wien GmbH

Jochen Kröhne:

- Member of the Supervisory Board of SENATOR Entertainment AG, Berlin (from 7th July 2006)

Prof. Dr. Johannes Kreile:

- member of the Executive Council of the Bayerischen Landeszentrale für neue Medien in Munich

Frank Mallet:

- Member of the Supervisory Board of Ravensburger Spieleland AG in Ravensburg

Dr. Wolfram Freudenberg:

- full member of the boards of:
  - IBB Internationales Bankhaus Bodensee AG in Friedrichshafen
  - Ravensburger AG in Ravensburg
  - Pensions-Sicherungs-Verein VvaG in Cologne
  - Freudenberg & Co., Weinheim, member of the shareholders' committee

Board of Management:

Markus Rudolf Reischl of Munich	(until 18th October 2006)
Dr. Stefan Piëch of Vienna in Austria	(until 18th October 2006)

The total remuneration of the Board of Management in the financial year was K€ 179. It is composed of fixed remuneration of K€ 229 and a partial reversal of a reserve for management bonuses for 2005 created in the previous year (./. K€ 50).

In accordance with § 285 no. 9a of the German Commercial Code, the Board of Management's total remuneration is made up as follows:

In 2006 Markus Rudolf Reischl received total fixed remuneration of K€ 189, made up of his salary and benefits-in-kind that relate in particular to the use of a company car. K€ 25 of the fixed remuneration relates to outstanding (unpaid) salary and holiday entitlements not taken which will be paid in five equal monthly instalments of K€ 5 starting on 1st January 2007. No management bonus was awarded for the financial year 2006. The management bonus of K€ 100 deferred last year was reduced by agreement in the current year to K€ 50. In order to protect the company's liquidity, payment of the remaining bonus for 2005 will be made in ten instalments of K€ 5 starting in August 2007. The reversal of the accrual of K€ 50 formed in 2005 is shown under other operating income.

According to his service contract of 13th/22nd December 2006, Dr. Stefan Piëch is entitled to a partial salary of K€ 40 for the financial year 2006. In a declaration made on 29th December 2006, Dr. Stefan Piëch waived part of his salary entitlement for the period from 18th October 2006 to 31st December 2007. This is subject to the suspensive condition that Your Family Entertainment AG generates sales of € 6 million in the financial year 2007. The value of this salary waiver in the year under review is K€ 15, which, since it is anticipated that the sales goal will be achieved, has been fully deferred. A possible subsequent payment of the salary withheld under the waiver declaration with the company will be made after the 2007 annual financial statements have been adopted. Dr. Stefan Piëch is not entitled to any variable remuneration in the financial year 2006. The variable element in his remuneration, which is governed by the results achieved and the company's financial state, ensures a balance of interests between the Board of Management and the other stakeholders.

The total remuneration of former members of the Board of Management was K€ 120.

The pension reserves for former members of the Board of Management and their dependents are fully accrued for and amounted to K€ 313 on 31st December 2006.

VI. Auditing and consultancy fees

The total year-end auditors' fee for the audit of annual financial statements for the financial year ending on 31st December 2006 in accordance with the German Commercial Code and for the audit of the dependent companies' report was K€ 40, the fee for other services K€ 6 and for tax advisory services K€ 21.

K€ 43 was paid to the legal practice of Nörr & Stiefenhöfer & Lutz (Prof. Johannes Kreile) for advisory services provided in 2006. These services were approved by the Supervisory Board.

XII. 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.

Munich, 19th February 2007

The Board of Management

Development of fixed assets

Your Family Entertainment AG, Munich

Development of fixed assers 2006 (HGB)

	Cost of acquisition 1/1/2006 €	Additions €	Disposals €	31/12/06 €	Write-ups 2006 €	Accumulated depreciation €	Balance sheet 31/12/06 €	Jahres-abschreibungen €
Intangible assets								
IT-software	123,965.05	11,450.00	-	135,415.05	-	124,283.05	11,132.00	318.00
Film assets and other rights	132,803,255.43	-	-	132,803,255.43	925,545.13	123,406,279.47	10,322,521.09	922,396.14 [1)]
	132,927,220.48	11,450.00	0.00	132,938,670.48	925,545.13	123,530,562.52	10,333,653.09	922,714.14
Property, plant and equipment								
Other equipment, operational and office equipment	835,254.82	59,438.06	8,790.22	885,902.66	-	831,730.66	54,172.00	30,573.06
	133,762,475.30	**70,888.06**	**8,790.22**	**133,824,573.14**	**925,545.13**	**124,362,293.18**	**10,387,825.09**	**953,287.20**

1) Including unscheduled depreciation of € 662,558.80

Auditors' certificate

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 1st January to 31st December 2006. 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 is planned and carried out in such a way so as to identify with reasonable certainty inaccuracies and infringements that significantly impact 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, 19th February 2007

Ernst & Young AG

Auditors and tax advisers

Nover	Liebe
Certified auditor	Certified auditor