



Half-Yearly Financial Report 2011

January 1st to June 30th

Your Family Entertainment AG, Munich

(WKN 540891, ISIN: DE 0005408918, Abbreviation: RTV)



Key data at a glance

Key financial data (HGB – German Commercial Code)	1st half-year 2011	1st half-year 2010
Sales (K€)	1,405	1,341
EBITDA* (K€)	304	377
EBIT (K€)	348	540
Half-year net income (K€)	325	531
* Earnings before interest, taxes and depreciation/write-ups		
	June 30th 2011	December 31st 2010
Film assets and other rights (K€)	15,310	15,023
Shareholder's equity (K€)	11,650	12,977
Balance Sheet Total (K€)	18,019	15,827

Your Family Entertainment AG's Share

Security Identification number ("WKN"):	540891
International Security Identification Number ("ISIN"):	DE 0005408918
Abbreviation:	RTV
Stock exchanges:	Regulated market in Frankfurt (General Standard); over the counter market in Berlin, Hanover, Hamburg, Düsseldorf, Stuttgart
Total number of shares on June 30 th , 2011:	8,700,000



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1. Summarised profile of Your Family Entertainment AG



For more than 30 years, the listed company **Your Family Entertainment AG (YFE)**, Munich, has counted among Germany's most tradition-rich companies in the business of license sales and the production of quality programming for children, teens and the whole family. Its portfolio of around 3,500 half-hour shows counts among Europe's largest aimed at the child, youth and family market. The company's children and family channel, yourfamily, on air since 2007 and a 2010 HOT BIRD™ TV Award winner, broadcasts shows with educational value for pre-schoolers, high-quality animation series for children and engaging programs for the whole family.



2. Interim financial statements for the period ending June 30th, 2011

2.1 Balance Sheet

ASSETS

	June 30 th 2011 €	December 31 st 2010 €
A. Fixed Assets		
I. Intangible Assets		
1. IT Software	1,341.01	1,691.00
2. Film assets and other rights	15,308,340.72	15,021,734.50
	15,309,681.73	15,023,425.50
II. Property, plant and equipment		
Other equipment, operational and office equipment	47,036.77	50,078.00
B. Current Assets		
I. Inventories		
Finished goods	17,269.55	30,269.55
II. Accounts receivable and other assets		
1. Accounts receivable trade	821,588.40	493,309.74
2. Other assets	50,700.18	42,232.83
	872,288.58	535,542.57
III. Cash on hand and balances with banks	1,752,142.63	180,511.89
C. Deferred Charges and Prepaid Expenses	20,825.10	6,954.36
Total Assets	18,019,244.36	15,826,781.87



Liabilities and Shareholder`s Equity

	June 30 th 2011 €	December 31 st 2010 €
A. Shareholder`s Equity		
I. Capital subscribed	8,700,000.00	8,700,000.00
Nominal amount of own shares	-53.00	
Issued capital	8,699,947.00	
II. Capital reserve	2,287,456.00	2,287,456.00
III. Profit brought forward from pervious year	336,888.89	1,324,371.55
IV. Net income	325,403.19	665,517.34
	11,649,695.08	12,977,344.89
B. Provisions		
1. Pension reserves and reserves for similar obligations	287,457.62	297,155.00
2. Other Provisions	248,157.35	213,358.14
	535,614.97	510,513.14
C. Liabilities		
1. Liabilities due to banks	3,124,922.35	1,350,395.51
2. Advance payments received on account of orders	474,886.60	502,892.94
3. Accounts payable trade	539,947.51	464,800.40
4. Amounts owed to affiliated companies	1,349,513.19	0.00
5. Other liabilities thereof for taxes: € 15,481.90 (previous year k€ 15) thereof for social security: € 0.00 (previous year k€ 0)	340,676.95	16,847.28
	5,829,946.60	2,334,936.13
D. Deferred Income	3,987.71	3,987.71
Total Liabilities and Shareholder`s Equity	18,019,244.36	15,826,781.87



2.2 Income Statement

	1 st half-year 2011		1 st half-year 2010	
	€	€	€	€
1. Sales		1,404,782.85		1,340,604.61
2. Other operating income		649,143.60		726,890.04
3. Cost of materials				
a) Cost of licences, commissions and materials		-62,278.08		-35,175.50
b) Costs of purchased services		<u>-142,931.86</u>	<u>-205,209.94</u>	<u>-159,955.32</u>
4. Personnel expenses				
a) Wages and salaries		-386,717.98		-333,434.41
b) Social security and pension expenses thereof pension benefit € 0.00 (previous year K€ 2)		<u>-50,059.22</u>	<u>-436,777.20</u>	<u>-42,916.97</u>
5. Depreciations of intangible assets and property, plant and equipment		-513,161.61		-523,466.49
6. Other operating expenses		-550,370.36		-432,586.11
7. Other interests and similar income		63.73		8,997.94
8. Interests and similar expenses thereof affiliated companies: € 0.00 (previous year k€ 0)			<u>-15,827.46</u>	<u>-18,317.12</u>
9. Result from ordinary operations		332,643.61		530,640.67
10. Taxes on income and earnings		-7,240.42		0.00
11. Other taxes		<u>0.00</u>		<u>-67.00</u>
12. Half-yearly net income as of June 30th		<u>325,403.19</u>		<u>530,573.67</u>



3. Notes to the financial statements (abbreviated)

3.1 Information on accounting and valuation methods

The same accounting and valuation methods were applied in preparing the present interim financial statements (half-yearly financial report) covering the first half-year of 2011 as in the last annual financial statements (annual financial report) covering the period up to December 31st, 2010.

3.2 Derivative financial instruments

Your Family Entertainment AG uses derivative financial instruments to hedge interest rate risks.

On March 28th, 2011, a basic agreement was entered into with UniCredit Bank Austria AG, Vienna.

Also on March 28th, 2011, based on the aforementioned basic agreement, two separate financial statements were put into effect:

Firstly, a cap of K€ 700 with a term from June 1st, 2012 to June 3rd, 2019

Secondly, an interest rate swap of K€ 500 with a term from June 1st, 2012 to June 3rd, 2019

These financial instruments serve to hedge the interest rate of the loan agreement with UniCredit Bank Austria AG, of Vienna, from March 10th, 2011, and, in association with the balance sheet item titled "Amounts owed to credit institutions", they form an evaluation unit.

An accounting as of June 30th, 2011 is not done, because the effects balance each other out.

3.3 Contingent liabilities

As part of the loan agreements with the UniCredit Bank Austria AG, Vienna, Your Family Entertainment AG deposited bill designations and blank bills there.

3.4 Major transactions carried out with affiliated persons and companies

As part of a loan agreement with the UniCredit Bank Austria AG, Vienna, F&M Film und Medien Beteiligungs GmbH, Vienna, issued a letter of comfort in the amount of € 1.3 Million plus interest and additional expenses for Your Family Entertainment AG.

3.5. Audit review

The interim financial statement presented here has neither been audited in accordance with § 317 HGB (German Commercial Code), nor has it been subjected to an auditor's review.

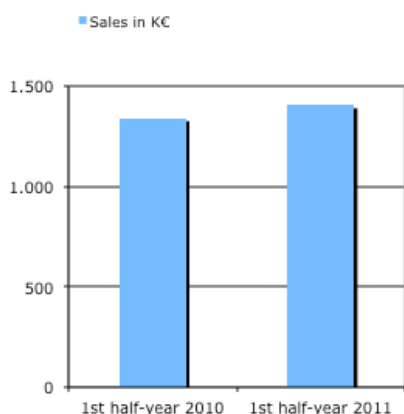


4. Interim management report for the first half-year 2011

4.1 Report on the income, financial and asset situation

Development of sales

Sales amounted to K€ 1,405 in the first half of the year 2011 (1st half year of 2010: K€ 1,341).



All sales in the reporting period were generated from licence sales.

In principle, fluctuations in sales development can occur because of project business and/or so-called "package deals".

Development of the Results

The surplus as of June 30th, 2011 amounts to K€ 325 (1st half year of 2010: K€ 531).

Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounts to K€ 304 (1st half year of 2010: K€ 377).

In the first half year, total other operating income amounts to K€ 649 (1st half year of 2010: K€ 727) and includes primarily the appreciation of value of film assets in the amount of K€ 557 (1st half year of 2010: K€ 686).

These appreciations to the film assets face unscheduled depreciations in the amount of K€ 286 (1st half year in 2010: K€ 243). These have been made based on the impairment test at the reporting date.

Financial and asset situation

Compared to the previous year's reporting date, the balance sheet total increased to K€ 18,019 (December 31st, 2010: K€ 15,827).

Intangible assets (mainly film assets and other rights) increased to K€ 15,310 (December 31st, 2010: K€ 15,023).

With the loan agreement from June 14th, 2011, concluded with UniCredit Bank Austria, AG, of Vienna, Your Family Entertainment AG added to its existing credit line of € 2.5 million, an additional loan in the amount of € 1.3 million.

Investments

In the 1st half of the year 2011, the company invested a total of K€ 239 (1st half year of 2010: K€ 263).

4.2 Risk and opportunities report

4.2.1 General business risk

Fluctuations in future business results

As is the general rule in the film and TV production business, YFE's sales and operating profit can fluctuate during one business year, or even from year to year. 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 film and television rights as well as market and competitive influences on the demand for products and, consequently, on sales prices.

4.2.2 External risks/market risk

Competition-related risks

Even though the first signs of an increase in demand are discernable, the film and television market in which YFE operates is still characterised by a process of consolidation and concentration among both producers and customers. These developments might have implications on the demand for productions. TV stations and groups of stations in particular look far more thoroughly at the profit contributions for the programs they broadcast than they did in the past. This, combined with the increasing number of repeats of individual productions



in the industry, leads to a more efficient use of the company's own program resources and, accordingly, to reduced investment in new projects. This process is particularly marked in the field of children's programs. In addition, external factors such as the current consumer and spare-time behaviour and fundamental shifts in the advertising market have an effect on the program design and the station's purchasing policy.

4.2.3 Business performance risk/ litigation risk

a) Risks in the production of programs

The production of programmes – produced both by the company itself and coproductions – brings about a series of operational risks. The production of programmes and television broadcasts is generally highly cost-intensive and entails a correspondingly high financial risk. For example, should delays in completion occur in spite of a careful selection of co-production partners or service providers, this may give rise to postponements of sales and profit planned by the company to a later accounting period. The risk that YFE will not have sufficient financial resources available to develop and produce the programmes – financing being a basic condition for the company's ability to act commercially – can also not be excluded.

Co-production

YFE ensures the completion of its coproductions by the careful selection of established and reliable co-production

partners and service providers as well as by means of insurance policies or completion bonds. In addition, YFE carries out regular checks on both finances and contents during the production. There might still be delays in 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 in made-to-order production, the company is responsible for carrying out the production in compliance with the contract and generally receives a fixed price, from the client in return. The producer will thus bear the risk of possible budget overruns should they have incorrectly estimated the costs of the production or should unplanned costs arise. In case of a licence production, the producer will bear the full financial risk through to the delivery of the completed product. The costs of production and, where applicable, profit are covered by the license fee, if the production is delivered according to contract. Should, however, the budget not be covered or not be fully covered by license sales, the producer will carry the risk of the resulting loss.



b) Risks in the purchasing and marketing of programs

YFE tries to recognise trends in the programme area and in the TV station's requirements as early as possible and to design its own product range accordingly. In doing this, the company must take into consideration the TV stations' currently restrictive purchasing policy and its own limitations regarding 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 risks, such as e.g. the risk of (non-)fulfilment. Furthermore, a variety of copyrights and ancillary copyrights have to be transferred to the relevant customers as part of the contract. Therefore, the company must ensure that, in its contracts with those involved in the production of the particular programme, in order to avoid infringements of industrial property rights (e.g. rights of copyright, license and personality), the necessary copyrights and ancillary copyrights are transferred to them. 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 earnings situation.

The depreciation of film assets (i.e. the above mentioned rights of use and exploitation) and the other rights are governed by the use made of the film rights. Depreciation is

calculated in accordance with the sales released in the financial year in proportion to total planned future sales from the use of the film rights, including the sales in the current financial year. In addition, a test of the lowest cost or market value (impairment test) is performed on every balance sheet date. It is impossible to completely exclude the risk that impairment tests carried out in the future will considerably reduce the value of the film library. Two-thirds of the company's catalogue of film rights consisting of about 170 titles, derives from licenses from third parties, while only one third of the titles were produced by the company itself or co-produced. YFE's licenses from third parties have not been granted indefinitely, but generally for a limited period of time. YFE may no longer use these licenses should it not be possible to renew a large part of them on expiry. Accordingly, an essential part of the library and thereby the basis of the company would then cease to exist. This might have a negative effect on the company's asset, financial and earnings situation.



c) Risks arising from pending litigations

On August 26th, 2009 the Cours Supérieur, Quebec, was found to be largely in favour of Mr. Claude Robinson and Les Productions Nilem Inc. in the first instance in an action brought by the plaintiffs which had been pending since 1996 with the aim of securing a judgment and compensation against Ravensburger Film + TV GmbH/ RTV Family Entertainment AG and various other defendants. The plaintiffs had successfully asserted claims for damages on account of an infringement of copyright and copyrighted personality rights in the series "Robinson Sucroe".

The series "Robinson Sucroe" was made by Cinar Inc/Corporation Cinar und France Animation S.A.

The defendants, Les Films Cinar Inc., Corporation Cinar, Ronald Weinberg, France Animation S.A., Christian Davin, Christophe Izard, Ravensburger Film + TV GmbH/RTV Family Entertainment AG and Micheline Charest were ordered to pay CAD 3,234,283.00 plus interest to the plaintiffs as co-debtors and to terminate the distribution of the series "Robinson Sucroe".

YFE has, as the legal successor of Ravensburger Film + TV GmbH/RTV Family Entertainment AG, filed an appeal against the judgement in the first instance within the required deadline.

According to the counsel of external lawyers, who have reviewed the non-legal judgment in the appeal proceedings of July 20th, 2011 in

Canada, no substantial liabilities for the company are to be expected.

The co-production contract between France Animation S.A. and Ravensburger Film and TV GmbH, as well as a succeeding declaration in which France Animation has assumed liability, provide for extensive liability exemption by France Animation in favour of Ravensburger Film & TV GmbH and assurances on the part of France Animation S.A.

4.2.4 Financial Risks

a) Access to external financing

In compliance with the loan contract with Commerzbank AG, YFE transferred title rights and claims under film license agreements to this bank as collateral. As part of refinancing of the loan through UniCredit Bank Austria AG, Vienna, this collateral was transferred. YFE's chances of acquiring additional loans might be significantly more difficult if valuable securities are not released. If, when they are required, the company is unable to raise further loans, this might have a significant negative effect on the company's asset, financial and earnings situation.

b) Exchange rate fluctuations, exchange rate transactions

The company's current and future activities outside of the area of the European Monetary Union are, in part, transacted in currencies other than the Euro, either by YFE itself or by



its sales partners. The exchange rates in this area are subject to fluctuations which are not predictable and which may possibly prevent the company from generating a stable income. The basic risk of losses caused by such exchange rate fluctuations does exist. Unfavourable exchange rate fluctuations or costs incurred in the future for exchange rate transactions could therefore have a negative effect on the sales development and thus on the company's asset, financial and earnings situation.

4.2.5 Risk management

In accordance with the requirements of the German Law on Control and Transparency within Companies (KonTraG), all general and business risks are recorded, evaluated and measures determined to mitigate the risk on a regular basis.

We understand risk management as a core responsibility of the Board of Management, the management team and all employees.

Your Family Entertainment AG's Risk Management is divided into the following four steps:

1. Risk identification
2. Risk assessment
3. Risk management
4. Risk monitoring

We have developed suitable strategies, adapted to the size of the company, for each of these steps.

A principal strategy of Your Family Entertainment AG's Risk Management are regular discussions between the Board of Management and the management team. These discussions serve to recognise, assess and counteract, if required, risks in time and to monitor all measures taken. Furthermore, the management team informs the Board of Management of unexpected risks outside these regular discussions.

We use the following three strategies for the purposes of a permanent risk monitoring: liquidity management, sales controlling and balance sheet controlling. By ensuring a regular and systematic control of these areas, we monitor all major operational and structural risks affecting YFE's business activity. The overall responsibility for monitoring these risks lies, however, with the company's Board of Management.

The objective of the liquidity management is the continuous examination and assurance of the company's ability to meet its obligations. The liquidity management is based on three reports, the annual liquidity plan as part of the preparation of the budget, the rolling liquidity forecast and the daily liquidity status.



The aim of controls in the area of distribution is to identify, quantify and open up the company's sales potential through the planning and coordination of sales activities. This ensures that the realisable medium-term sales potentials are known, that expenses and investments are covered by realizable income in the medium term and that a realistic cash flow plan can be prepared. Furthermore, the company's sales activities are planned based on the sales budget. In addition, these figures are checked for plausibility against the company's rights.

The aim of balance sheet controlling is to monitor balance sheet items to be able to recognise necessary corrective measures in time, in particular a deficit of the equity. The balance sheet controlling consists of three pillars, the audited Financial Statements, the semi-annual financial report and the continuous checks on the balance sheet.

In addition, internal monthly reports are prepared showing a calculation of profit contributions. As a supplement, the relating market and company development is constantly updated as part of an internal rolling forecast. Therefore, the short-term budgeting serves both as an important early warning system and as the basis for variance analyses and budget control.

Since part of the risks lies outside the sphere of influence of the Board of Management, even a functioning risk management is unable to guarantee that all risks are eliminated. Insofar, there might be

developments which deviate from the Board's planning.

4.2.6 Opportunities

In addition to the high-quality and extensive programme library of approx. 3,500 half-hour programs, Your Family Entertainment AG's advantages must be considered as it not only has many years of experience in the production of television programmes but also an extensive network of cooperation broadcasters who are prepared to buy.

The company's opportunities lie in an even better exploitation of its stock of rights through new distribution channels, supported by the development of exploitation and production concepts.

Technological advancements and the changing possibilities and habits in media consumption they bring about can only be seen as positive developments.

The approach pursued by the company based on value distinguishes it markedly from the competition.

4.3 Forecast report

The Board of Management expects 2011 and 2012 to bring a gradual upturn in all the YFE-relevant markets both domestic and foreign.

Because of the company's dependence on projects and "package deals", future revenue and profit development will experience



fluctuations, of course.

For 2011 and 2012, we plan the intensification of existing business sectors. The focus will largely be on our Licence Sales division's worldwide sales development and bringing on board new partners for our own pay-TV channel yourfamily.

Continued expansion of the library by adding new productions – like, for instance, Oscar the Balloonist – will further build upon the solid foundation that is Your Family Entertainment AG.

4.4 Subsequent events report

The Board's profit appropriation proposal has been approved by the General Meeting of June 30th, 2011. The dividend in the amount of € 0.19 per each of 8,700,000 shares entitled to dividends was distributed after the General Meeting as a tax-free dividend as defined in Art. 20 I no. 1 p.3 Körperschaftssteuer-gesetz (KStG – *Corporation Tax Law*).

Accordingly, on June 30th, 2011, the amount scheduled to be distributed was recorded under liabilities.

In addition, further derivative financial instruments (interest rate swap and cap) in the amount of € 0.8 million were finalised, effective July 7th, 2011, for the purpose of hedging interest rate risks.

5. Assurance Given by the Company's Legal Representative

"I certify that, to the best of my knowledge and in accordance with the applicable accounting principles for intermediate financial reports, the semi-annual financial statements convey a true and fair picture of the company's asset, financial and earnings situation and that the intermediate management report presents the development of the business and its results and the company's current situation in such a way that a true and fair picture is conveyed and that major risks and opportunities of the company's probable development in the remaining financial year are described."

Munich, August 25th, 2011

Your Family Entertainment AG

A handwritten signature in black ink, appearing to be "Stefan Piëch", written in a cursive style.

Dr. Stefan Piëch

CEO

6. Financial Calendar 2011

- Annual Financial Report 2010 published on April 28th, 2011
- Interim announcement for the first half-year of 2011 published on May 17th, 2011
- Annual general shareholders' meeting held on Juni 30th, 2011
- Half-yearly financial report 2011 published on August 25th, 2011
- Interim announcement for the second half-year of 2011 on November 15th, 2011

7. Impressum/ How to contact us

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