yourfamilyentertainment

Half-Yearly Financial Report 2012

January 1st to June 30th

Your Family Entertainment AG, Munich

(Security Code 540891, ISIN: DE 0005408918, Abbreviation: RTV)

Key data at a glance

Key financial data (HGB – *German Comm. Code*)	1st half-year 2012	1st half-year 2011
Sales (K€)	984	1,405
EBITDA* (K€)	-264	304
EBIT (K€)	-195	348
Half-year net income (K€)	-253	325

* Earnings before interest, taxes and depreciation / appreciations

	June 30th 2012	December 31st 2011
Film assets (K€)	15,907	15,762
Shareholder's equity (K€)	12,740	12,137
Balance Sheet Total (K€)	17,093	16,997

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
Number of shares as on June 30th	9,662,999

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1. Summarised profile of Your Family Entertainment AG

Your Family Entertainment AG (YFE), based in Munich, is a company listed at the stock exchange and is now for more than 30 years one of Germany's most tradition-rich companies in license sales and production of entertainment formats for children, teenagers and the whole family. With about 3,500 half-hour programmes, the company's inventory of programmes belongs to the largest of its kind in Europe in its segment. The children and family channel "yourfamily", which has been on the air since 2007 and received the Hot Bird™ TV Award in 2010, provides educational programmes for pre-school children, high-quality animated series for children and entertaining shows for the whole family.

2. Interim financial statements for the period ending June 30th 2012

2.1 Balance sheet

ASSETS

	June 30th 2012 €	Dec 31st 2011 €
A. Fixed Assets		
I. Intangible Assets		
1. Concessions and similar rights	1,167.65	1,167.65
2. IT Software	641.01	991.00
3. Film assets and other rights	15,907,477.93	15,762,465.22
	15,909,286.59	15,764,623.87
II. Property, plant and equipment		
Other equipment, operational and office equipment	44,547.81	48,608.00
B. Current Assets		
I. Inventories		
Finished goods	1,989.19	3,978.38
II. Accounts receivable and other assets		
1. Accounts receivables trade	933,187.45	1,015,702.31
2. Other assets	104,608.74	36,721.40
	1,037,796.19	1,052.423.71
III. Cash on hand and balances with banks	75,553.25	117,994.18
C. Deferred Charges and Prepaid Expenses	24,320.02	9,061.89
Total Assets	**17,093,493.05**	**16,996,690.03**

Liabilities and Shareholder's Equity

		June 30th 2012 €	Dec 31st 2011 €
A. Shareholder's Equity			
I. Capital subscribed	9,662,999.00		8.793.000,00
Nominal amount of own shares	-28,500.00		-16,000.00
Issued capital		9,634,499.00	8,777,000.00
II. Capital reserve		2,506,203.81	2.332,638.01
III. Profit brought forward from previous year		852,011.79	336,898.96
IV. Net income for the year		-252,926.76	690,482.83
		12,739,787.84	12.137,019.80
B. Provisions			
1. Pension reserves and reserves for similar obligations		285,744.62	295,442.00
2. Tax provisions		89,782.02	0.00
3. Other provisions		298,216.15	354,627.21
		673,742.79	650,069.21
C. Liabilities			
1. Liabilities due to banks		2,652,221.33	3,125,799.48
2. Advance payments received on account of orders		477,895.06	486,366.57
3. Trade accounts payable		500,166.95	555,404.37
4. Accounts payable due to affiliated companies		2,139.21	2,139.21
5. Other liabilities thereof for taxes: € 15,967.35 (previous year K€ 17) thereof for social security: € 0.00 (previous year K€ 4)		31,606.20	39,891.39
		3,664,028.75	4,209,601.02
D. Deferred Income		15,933.67	0,00
Total Liabilities		**17,093,493.05**	**16,996,690.03**

2.2 Income statement

	1st half-year 2012 €	€	1st half-year 2011 €	€
1. Sales		983,573.01		1,404,782.85
2. Other operating income		243,648.75		649,143.60
3. Cost of materials a) Cost of licenses, commissions and materials	-63,839.28		-62,278.08	
b) Costs of purchased services	-117,821.45	-181,660.73	-142,931.86	-250,209.94
4. Personnel expenses a) Wages and salaries	-450,511.76		-386,717.98	
b) Social security and pension expenses	-68,275.46	-518,787.22	-50,059.22	-436,777.20
5. Depreciations of intangible assets and property, plant and equipment		-150,644.99		-513,161.61
6. Other operating expenses		-571,355.07		-550,370.36
7. Other interest and similar income		214.67		63.73
8. Interest and similar expenses thereof affiliated companies: € 0.00 (previous year K€ 0)		-42,915.27		-15,827.46
9. Result from ordinary operations		**-237,926.85**		**332,643.61**
10. Taxes on income and earnings		-4,502.55		-7,240.42
11. Other taxes		-10,497.36		0.00
12. Half-Yearly net income as of June 30th		**-252,926.76**		**325,403.19**

3. Notes to the financial statements (abbreviated)

3.1 Information on accounting and valuation methods

These interim financial statements (Half-Yearly Financial Report) for the first half-year of 2012 were prepared based on the same accounting and valuation methods as the last financial statements (Annual Financial Report) as of December 31st 2011.

3.2 Subscribed capital

On March 20th 2012, the company successfully completed a capital increase for cash from authorised capital.

Any and all 869,999 shares offered were subscribed and taken over in a private placement.

As a result of the capital increase, the company's share capital increased by EUR 869,999.- from EUR 8,793,000.- to EUR 9,662,999.-, divided in 9,662,999 with a pro-rated share in the capital of EUR 1.00 per share.

The company received gross proceeds from the issue of almost EUR 1.04 million from the capital increase.

These proceeds from the issue will be used for the further expansion of the operating business.

3.3 Contingent liabilities

Your Family Entertainment AG has deposited statements of dedication and blank bills with UniCredit Bank Austria AG, Vienna, under credit agreements with that bank.

3.4 Derivative financial instruments

The company concluded interest hedge instruments to hedge risks arising from interest rates. These financial instruments are effective from June 1st 2012.

Type/category	Nominal amount (K€)	Fair value (K€)	Carrying amount (K€)
Interest rate swap	500	-79.7	n/a
Interest rate swap	300	-47.8	n/a
Cap	700	-55.5	-55.5
Cap	500	-39.7	-39.7
Total	**2,000**	**-222.7**	**-95.2**

Insofar as the underlying transactions were closed positions, there was no need to create a provision.

Other provisions in the amount of K€ 95 (31/12/2011: K€ 76) were created for the caps.

The following valuation methods were used:

The values specified are present values. Any cash flows in the past (e.g. payment of interests or premiums) are not taken into account. Future cash flows from variable payments as well as discount rates are determined based on generally recognised actuarial models. Interbank mid-rates are used for valuation.

3.5 Major transactions carried out with affiliated persons and companies

No material transactions have been concluded with related persons or companies in the period from January 1st to June 30th 2012.

3.6 Audit review

The present interim financial statements have neither been reviewed according to Art. 317 HGB (*German Commercial Code*) nor audited by an auditor.

4. Interim management report for the first half-year 2012

4.1 Report on the income, financial and asset situation

Course of business

The course of business in the field of "License Sales" is characterised by strong fluctuations during the year, as was the case in the previous years.

Transactions which had been envisaged for the 1st half year of 2012 were or are postponed to subsequent quarters, in part, as a result of unexpectedly delayed budget releases by customers.

The establishment of the Free-TV channel "RiC" caused project-/start-up-related burdens due to the size of the company.

Development of sales

Sales revenues generated in the 1st half year of 2012 in the amount of K€ 984 (1st half year 2011: K€ 1,405) were made completely in the field of "License Sales".
In principal, fluctuations in the sales development can occur because of project business and/or so-called "package deals".

Development of the results

The company discloses a deficit of K€ 253 (1st half year 2011: surplus of K€ 325) as of June 30th 2012.
Earnings before depreciations, appreciations, interest and taxes (EBITDA) is K€ -264 (1st half year 2011: K€ 304).

This result includes expenses relating to the capital increase for cash successfully completed in March 2012 of almost K€ 70. In addition, the binding of personnel resources prior to the start of the Free-TV channel "RiC" in the 2nd half year of 2012 had a negative effect on the sales/earnings development.

Other operating income totalled K€ 244 in the 1st half year of 2012 (1st half year 2011: K€ 649) and include mainly appreciations to film assets in the amount of K€ 219 (1st half year 2011: K€ 557). The appreciations to film assets are faced by unscheduled depreciations in the amount of K€ 104 (1st half year 2011: K€ 286) which were made based on the impairment test performed as of the balance-sheet date.

Financial and asset situation

Compared to previous year's reporting date, the balance sheet total increased to K€ 17,093 (31/12/2011: K€ 16,997).

Intangible assets (mainly film assets and other rights) increased to K€ 15,909 (31/12/2011: K€ 15,765).

The company received gross proceeds of the issue of about EUR 1.04 million after the cash capital increase registered on March 20. The proceeds of the issue should be used for the further expansion of the operating business.

Investments

The company invested a total of K€ 73 in the 1st half year of 2012 (1st half year 2011: K€ 239).

4.2 Risks and opportunities report

4.2.1 General business risk

Fluctuations in future business results

Fluctuations in YFE's sales and operating profit during the year and also from year to year are certainly possible – as they generally are with film and television production companies. These fluctuations have a variety of causes, such as, for example, the degree and timing of the completion of new productions, the degree and timing of the sales of 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 programmes 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 programme resources and accordingly to reduced investment in new projects. This process is particularly marked in the field of children's programmes. 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 programme design and the station's purchasing policy.

4.2.3 Business performance risk / litigation risk

a) Risks in the production of programmes

The production of programmes – produced both by the company itself and co-productions – 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, then this may give rise to postponements of sales and profit planned by the company to a later accounting period. The risk can also not be excluded that YFE will not have sufficient financial recourses available to develop and produce the programmes, something which is a basic condition for the company's ability to act commercially.

Co-production

YFE ensures the completion of its co-productions by the careful selection of established and reliable co-production partners and service providers as well as by means of insurance policies or completion bonds. 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 license 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 programmes

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.

The company is fundamentally subject to the risk that receivables from the use of programmes cannot be collected. The Board assumes that the loss risks are covered to a sufficient extent.

c) Risks arising from pending litigations

"Robinson Sucroe"

Your Family Entertainment AG was sentenced by the Canadian courts of 1st and 2nd instance to a pay, jointly and severally, damages in the amount of Can$ 3.4 million and to make another payment of Can$ 68,000. There is still an option for an appeal before the Supreme Court. The sentence is provisionally enforceable with regard to any assets of the company existing in Canada. Any enforcement in Germany would only be possible when the sentence is finally legally effective.

Irrespective of the sentence of the court of appeal, it is currently improbable that a claim will be made against the company by the Plaintiff, as other joint and several debtors have their registered office in Canada and the Plaintiff would have more simple access to them. It is currently not foreseeable whether the other defendants are going to attempt to make a claim for joint and several compensation against the company after a payment has been made. Based on the existing contractual agreements, the company would, insofar, have a right of recourse to France Animation/Moonscoop, Paris, France. For that reason, YFE is currently not expecting any essential financial burdens.

"Mysterious Cities of Gold"

In the course of a dispute on the utilisation of the series "Mysterious Cities of Gold", the company CLT-UFA S.A. filed a proceeding for negative finding against Your Family Entertainment AG at the beginning of the year 2012 with a value in dispute of K€ 50.

The Plaintiff, CLT-UFA S.A., claims the court to determine that Your Family Entertainment AG is no longer entitled to utilise the series "Mysterious Cities of Gold" from December 29th 2011.

On February 16th 2012, Your Family Entertainment AG filed a Statement of Defence, including a claim to dismiss the claim as CLT-UFA S.A. has, inter alia, sold and licensed any and all rights from the co-production contract "Mysterious Cities of Gold" to Your Family Entertainment AG. The initial oral proceedings of May 9th 2012 remained without result in the matter and resulted subsequently in a renewed taking of evidence. The oral proceedings will be continued on October 17th 2012.

The currently pending litigation will, from today's point of view not hinder Your Family Entertainment AG to further utilise the series "Mysterious Cities of Gold".

4.2.4 Financial Risks

a) Access to external financial resources, interest risks, interest hedging transactions

Under the agreement on a credit line with Bank Austria AG, Vienna, Austria, YFE has assigned securities in the form of rights and claims from film licensing agreements to such bank. YFE's possibility to raise further loans might significantly be impaired if valuable securities are not released. If the company is unable to raise further loans, in case of need, this might have a significant negative effect on the company's asset, financial and earnings situation.

The company is subject to risks arising from the agreement with variable interest rates. These risks were counteracted by the conclusion of derivative financial instruments.

b) Exchange rate fluctuations, hedging 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.

The company has not concluded any exchange rate hedging transactions.

4.2.5 Risk management

The company records and assesses its general and operating risks on a regular basis and determines measures to minimise the risk.

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 is having regular discussions between the Board of Management and the 2nd management level. These discussions serve to recognise, assess and counteract, if required, risks in time and to monitor all measures taken. Furthermore, the 2nd management level informs the Board of Management of unexpected risks outside these regular discussions.

Special matters are promptly discussed between the Board and the Supervisory Board.

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 realisable 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 half-yearly financial report and the continuous checks on the balance sheet.

In addition, a monthly report will be prepared showing a calculation of profit contributions. As a supplement, the relating market and company development will be 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 programmes, 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. The approach pursued by the company based on value distinguishes it markedly from the competition.

The progressing digitalisation and the changing opportunities and/or customs of media consumption associated therewith develop into positive conditions for the company.

4.3 Forecast report

For the next two years, the Board continues to expect a successive recovery of the markets relevant for YFE in the domestic country and abroad.

The sales and earnings development will still be subject to natural fluctuations in the future, due to the company's dependency on projects and the package-deals.

The company plans for the years 2012 and 2013 to intensify worldwide distribution in the field of "License Sales" as well as to win new partners for its own Pay-TV channel "yourfamily". The entrance in the Free TV business through the "RiC" channel should constitute another pillar of the company in the future.

In the remaining financial year 2012, the company expects to achieve rising sales compared to the 1st half year of 2012 with sufficient liquidity. YFE's long-term objective is to play a leading role in German-speaking Europe in the field of programme broadcaster for the Free and Pay TV and to win more market share in the trading of rights.

4.4 Events after the balance sheet date

The Board's profit appropriation proposal has been approved by the ordinary General Meeting of June 27th 2012. The dividend in the amount of € 0.02 per 8,793,000 no-par 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 *Körperschaftssteuergesetz* (KStG – Corporation Tax Law).

In an agreement of July 11th 2012, the company was granted a separate credit line for sureties/guarantees in the amount of K€ 140 from UniCredit Bank Austria AG, Vienna. That line is available for an indefinite period of time. Two blank bills, including declarations of dedication of the bills, were provided as security.

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 28th 2012

Your Family Entertainment AG

Dr. Stefan Piëch

Board

6. Financial calendar 2012

- Annual Financial Report of 2011 published on April 26th 2012;
- Intermediate Report in the 1st Half Year of 2012 published on May 16th 2012;
- Annual General Meeting held on June 27th 2012;
- Half-Yearly Financial Report published on August 28th 2012;
- Intermediate Report in the 2nd Half Year of 2011 on November 15th 2012.

7. Imprint/ How to contact us

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