



## **Overall Economic Situation** **(External Factors)**

International economic development has lost its momentum. The increase in manufacturing output throughout the world will be 2.9% in the current year, declining to 2.7% in 2008. The German economy is however still in a state of powerful recovery, which will nevertheless be dampened in the current year, amongst other things by factors such as a restrictive financial policy, the increase in the price of oil and the revaluation of the Euro. The underlying conditions have however improved noticeably. The forecast for Germany in 2007 assumes an increase in the gross domestic product in real terms of 2.6% (2006: 2.9%).

(Source: ifo-Institut, Munich).

The entertainment and media industry normally reacts more sharply than the overall economy to economic fluctuations. The entertainment and media industry therefore grows faster than the overall economy in phases of economic recovery. The evaluation of the current upturn in the economy which remains positive and the ifo Institut in Munich's growth forecast therefore give cause to expect that the entertainment and media industry will also develop positively.

## **Development of the business**

The company's sales in the period from January 1<sup>st</sup> to October 31<sup>st</sup> 2007 were K€ 1,227 (2006: K€ 2,652). The decline in sales of approximately 54% in comparison with the same period in 2006 is chiefly due to the ending of cooperation contracts, the negative development experienced by distribution partners and co-productions which had not been completed by the end of September.

As already reported on July 11<sup>th</sup> 2007, a First Look Agreement has been concluded with The Walt Disney Company (Germany) GmbH which resulted in the posting of other operating income of K€ 1,000. The payment has already been made and consequently led to an increase in liquid funds.

In consideration of this income the result is higher than the result in the comparable period of the last year.

As of today's date and including the board of management, Your Family Entertainment AG employs nine (9) employees.

## **Outlook for the financial year** **2007**

The planned completion of the second series of the programme "Dragon Hunters – Die Drachenjäger" will lead to a significant increase in sales.



The board assumes that the upcoming Christmas season will also generate additional sales in the business line Home Entertainment.

On November 5<sup>th</sup> 2007 the company started its own pay-TV station "yourfamily". The establishment of this additional sales channel together with the DVD home entertainment business constitutes an additional important step for Your Family Entertainment AG in order to successfully market the existing product range and establish the brand name Your Family Entertainment in the minds of the final customers.

Sales on 31.12.2007 will be below the prior year's level. Seen from today's perspective, however, the board is counting on a development of the company's asset, financial and income situation in the current financial year in line with the budget.

**DPR random inspection in accordance with § 342b section 2.3.3 of the German Commercial Code (HGB)**

The German Accounting Inspection Authority in Berlin (abbreviated to "DPR" in German) is currently carrying out the random inspection (inspection not occasioned by any special cause) referred to above of the annual financial statements as at 31.12.2006. The company does not yet have the results of this audit.

**Statements concerning the future**

This interim report contains statements relative to the future which are based on the management's current assessment of future developments.

Such statements are subject to uncertainties and risks which cannot be influenced by Your Family Entertainment AG.

Should such uncertainties or risks occur, or should assumptions on which these future-oriented statements rest prove to be incorrect, the actual results could differ from results expressly stated or implicitly contained in these statements. Your Family Entertainment AG does not intend nor does it assume a particular obligation to update statements relating to the future in order to adjust them in line with results or developments occurring after the date of this interim report.

Munich, November 16<sup>th</sup> 2007

Your Family Entertainment AG

The Board of Management

Dr. Stefan Piëch



How to contact us:

Your Family Entertainment AG  
Michael Huber  
Nordendstraße 64  
D - 80801 Munich  
Telephone: +49 (0)89 99 72 71 – 11  
Telefax: +49 (0)89 99 72 71 – 91  
Email: [ir@yfe-ag.de](mailto:ir@yfe-ag.de)

Board of management:

Dr. Stefan Piëch

Supervisory board:

Dr. Hans-Sebastian Graf von Wallwitz  
(Chairman)  
Johannes Thun-Hohenstein  
Dr. Hans Michel Piëch

Registered office: Munich;  
Registry Court:  
Munich HRB 164992  
VAT Identity Number.: DE 199 201 937  
Internet: [www.yfe-ag.de](http://www.yfe-ag.de)  
ISIN: DE0005408918  
WKN: 540891