



# **Half-Yearly Financial Report 2010**

January 1<sup>st</sup> to June 30<sup>th</sup>

**Your Family Entertainment AG, Munich**  
(WKN 540891, ISIN: DE0005408918, Abbreviation: RTV)



**Key data at a glance**

<b>Key financial data (HGB – German Commercial Code)</b>	<b>1<sup>st</sup> half-year 2010</b>	<b>1<sup>st</sup> half-year 2009</b>
Sales (K€)	1,341	1,287
EBITDA* (K€)	377	399
EBIT (K€)	540	496
Half-year net income (K€)	531	468
* Earnings before interest, taxes and depreciation/write ups		
	<b>June 30<sup>th</sup> 2010</b>	<b>December 31<sup>st</sup> 2009</b>
Film assets and other rights (K€)	14,665	14,156
Shareholder's equity (K€)	13,016	12,486
Balance Sheet Total (K€)	16,183	15,981

**Your Family Entertainment AG's Share**

Security Identification number ("WKN"):	540891
ISIN (International Security Identification Number):	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 <sup>th</sup> , 2010	8,700,000



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### 1. Summarised profile of Your Family Entertainment AG

Your Family Entertainment AG (YFE) is one of Germany's longest-established companies for the production and license trading of entertainment formats for children, teenagers and the whole family.

Your Family Entertainment AG, formerly known under the name of RTV Family Entertainment AG, started as part of the Ravensburger AG and focuses mainly on educational and non-violent programmes for the whole family. Its high-value programme library currently comprises of more than 3,500 half-hour programs and is thus one of the largest of its kind in Europe. YFE utilises and markets this library on Free-TV, Pay-TV, by DVD, Video on Demand (VoD) and in merchandising.

Moreover, the company has been on the air with its own Pay TV channel "yourfamily" since November 2007.

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## 2. Interim financial statements for the period ending June 30<sup>th</sup>, 2010

### 2.1 Balance Sheet

#### ASSETS

	June 30 <sup>th</sup> 2010	December 31 <sup>st</sup> 2009
	€	€
<b>A. Fixed Assets</b>		
I. Intangible Assets		
1. IT Software	2,399.79	5,135.00
2. Film assets and other rights	14,665,463.05	14,155,747.81
3. Prepayments made on film assets	62,500.00	134,353.36
	14,730,362.84	14,295,236.17
II. Property, plant and equipment		
Other equipment, operational and office equipment	52,513.06	62,195.00
	52,513.06	62,195.00
<b>B. Current Assets</b>		
I. Inventories		
Finished Goods	72,151.31	65,995.59
	72,151.31	65,995.59
II. Accounts receivable and other assets		
1. Accounts receivables trade	767,260.29	420,821.80
2. Other assets	26,717.95	21,780.76
	793,978.24	442,602.56
III. Cash in hand and balances with banks	514,638.86	1,076,204.24
	514,638.86	1,076,204.24
<b>C. Deferred Charges and Prepaid Expenses</b>	18,877.72	38,368.33
	18,877.72	38,368.33
<b>Total Assets</b>	<b>16,182,522.03</b>	<b>15,980,601.89</b>



**Liabilities**

	June 30 <sup>th</sup> 2010	December 31 <sup>st</sup> 2009
	€	€
<b>A. Shareholder's Equity</b>		
I. Capital subscribed	8,700,000.00	8,700,000.00
II. Capital surplus	2,287,456.00	2,287,456.00
III. Profit brought forward from previous year	1,498,371.55	724,305.35
IV. Net income	530,573.67	774,066.20
	<u>13,016,401.22</u>	<u>12,485,827.55</u>
<b>B. Provisions</b>		
1. Pension reserves and reserves for similar obligations	279,141.62	288,839.00
2. Other provisions	191,295.40	225,942.87
	<u>470,437.02</u>	<u>514,781.87</u>
<b>C. Liabilities</b>		
1. Liabilities due to banks	1,260,572.99	1,130,000.00
2. Advance payments received on account of orders	478,264.45	547,934.36
3. Accounts payable, trade	918,430.65	1,237,745.43
4. Other liabilities		
- thereof for taxes: € 14,304.36 (previous year k€ 62)	18,094.74	64,312.68
- thereof for social security: € 0.00 (previous year k€ 0)		
	<u>2,675,362.83</u>	<u>2,979,992.47</u>
	<u>20,320.96</u>	<u>0.00</u>
<b>D. Deferred Income</b>		
<b>Total Liabilities and Shareholders' Equity</b>	<b><u>16,182,522.03</u></b>	<b><u>15,980,601.89</u></b>



## 2.2 Income Statement

	1 <sup>st</sup> half-year 2010		1 <sup>st</sup> half-year 2009	
	€	€	€	€
1. Sales		1,340,604.61		1,287,396.87
2. Other operating income		726,890.04		937,115.70
3. Cost of materials				
a) Cost of licences, commissions and materials		-35,175.50		-209,742.37
b) Costs of purchased services		<u>-159,955.32</u>	<u>-195,130.82</u>	<u>-141,245.86</u>
4. Personnel expenses		-333,434.41		-405,789.72
a) Wages and salaries				
b) Social security and pension expenses				
- thereof pension benefit: € 1,500.00 (previous year: k€ 0)		<u>-42,916.97</u>	<u>-376,351.38</u>	<u>-49,522.21</u>
5. Depreciations of intangible assets and property, plant and equipment		-523,466.49		-554,609.36
6. Other operating expenses		-432,586.11		-367,560.18
7. Other interests and similar income		8,997.94		12,080.70
8. Interests and similar expenses				
- thereof of affiliated companies: € 0.00 (previous year € 0k)		<u>-18,317.12</u>	<u>-38,189.16</u>	<u>-38,189.16</u>
<b>9. Result from ordinary operations</b>		<b>530,640.67</b>		<b>469,934.41</b>
10. Other taxes		<u>-67.00</u>		<u>-1,478.00</u>
<b>11. Half-yearly net income</b>		<b><u>530,573.67</u></b>		<b><u>468,456.41</u></b>



### **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 2010 as in the last annual financial statements (annual financial report) covering the period up to December 31<sup>st</sup>, 2009.

#### **3.2 Major transactions carried out with affiliated persons and companies**

No material transactions have been concluded with related persons or companies in the period from 1 January to 30 June 2010.

#### **3.3 Audit review**

The present interim financial statements were neither audited in accordance with § 317 of the German Commercial Code (HGB), nor subjected to an audit review by the company's auditors.

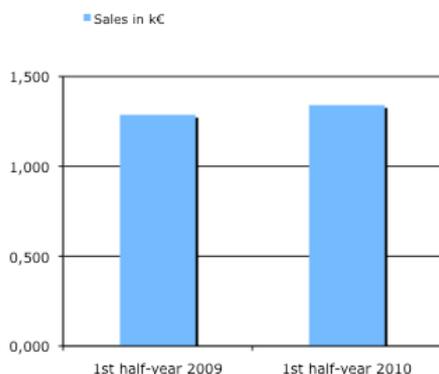


**4. Interim management report for the first half-year 2010**

**4.1 Report on the income, financial and asset situation**

**Development of sales**

Sales amounted to k€ 1,341 in the first half year of 2010 (1<sup>st</sup> half year of 2009: k€ 1,287).

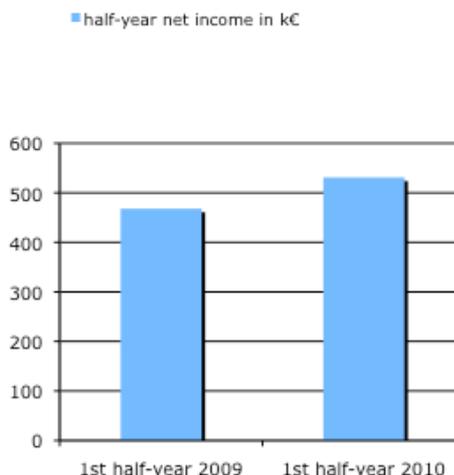


All sales in the reporting period were generated through License.

Fluctuations of the sales development might be caused, in principle, by project business and/or so-called "package deals".

**Development of the results**

The surplus as of June 30<sup>th</sup>, 2010 amounts to k€ 531 (1<sup>st</sup> half year of 2009: k€ 468).



Earnings before interest, taxes, depreciation and amortisation (EBITDA) amounts to k€ 377 (1<sup>st</sup> half year of 2009: k€ 399).

In the 1<sup>st</sup> half year, total other operating was k€ 727 (1<sup>st</sup> half year of 2009: k€ 937) and includes primarily the appreciation of value of film assets in the amount of k€ 686 (1<sup>st</sup> half year of 2009: k€ 620).

These appreciations to the film assets face unscheduled depreciation in the amount of k€ 243 (1<sup>st</sup> half year of 2009: k€ 282) which have been made based on the impairment test performed at the reporting date.



## **Financial and asset situation**

Compared to previous year's reporting date, the balance sheet total increased to k€ 16,183 (Dec. 31<sup>st</sup>, 2009: k€ 15,981).

Intangible assets (mainly film assets and other rights) increased to k€ 14,665 (Dec. 31<sup>st</sup>, 2009: k€ 14,156).

The company currently takes out money market loans for a short term to optimise the expenses for borrowing costs.

## **Investments**

The company invested a total of k€ 263 in the 1<sup>st</sup> half year of 2010 (1<sup>st</sup> half year of 2009: k€ 256).

## **4.2 Risk 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 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 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 resources 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 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 26<sup>th</sup>, 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 judgement 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 current state of knowledge, a judgement in the appeal proceedings is not

anticipated before autumn 2011.

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. For this reason, YFE does, currently, not anticipate any major financial liabilities.

**4.2.4 Financial risks**

a) Access to external financing

In compliance with the loan contract with Commerzbank AG, YFE has transferred title rights and claims under film license agreements to this bank as collateral.

YFE's chances of acquiring additional loans might be significantly more difficult if valuable securities are not released. If the company is unable to raise further loans, when they are required, 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 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 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.

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



#### 4.3 Forecast report

Building on the positive results of the previous years, the year 2010 will once again be characterised by an intensification of the existing business fields.

The focus will be on the further expansion of the worldwide sale in the "License Sales" division, and the finding of new partners for the company's own Pay-TV station "yourfamily".

#### 4.4 Subsequent events report

The Board's profit appropriation proposal has been approved by the General Meeting of July 13<sup>th</sup>, 2010.

The dividend in the amount of € 0.02 per each of the 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*).

#### 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 26<sup>th</sup>, 2010

Your Family Entertainment AG



Dr. Stefan Plöch

CEO



## 6. Financial Calendar 2010

- Annual Financial Report of 2009 published on April 29<sup>th</sup>, 2010
- Interim announcement for the first half-year of 2010 published on May 18<sup>th</sup>, 2010
- Annual general shareholders' meeting held on July 13<sup>th</sup>, 2010
- Half-yearly financial report 2010 published on August 26<sup>th</sup>, 2010
- Interim announcement for the second half-year 2010 on November 18<sup>th</sup>, 2010

## 7. Impressum/ How to contact us

Your Family Entertainment AG  
Nordendstraße 64  
80801 Munich  
Germany

Telephone: +49(0) 89 997271-0  
Telefax: +49(0) 89 997271-91  
Email: [info@yfe-ag.com](mailto:info@yfe-ag.com)

Internet: [www.yf-e.com](http://www.yf-e.com)  
[www.tv.com](http://www.tv.com)

### Contact:

Investor Relations  
Michael Huber  
Email: [ir@yfe-ag.com](mailto:ir@yfe-ag.com)