



made for entertainment

HALF-YEAR REPORT 2 0 0 8



Highlights 1st half-year 2008

- Half-year sales totaled approximately EUR 6.2 million.
- EBIT totaled almost EUR 0.6 million.
- m4e and Winx Club enjoyed a successful cinema debut.
- m4e marketed a new, live-action children's TV series, "KAMEN RIDER" (Masked Rider).



Key Figures

m4e AG

	1st half-year 2008
	in EUR m
Group Sales	6.17
Group EBIT	0.60

Profile

m4e AG is a brand management and media company which lives up to the company slogan "made for entertainment" by engaging in the development and distribution of high-value brands and characters (IP-Rights). These rights are later assigned to manufacturers of diverse products. m4e benefits from the sales of the products through licensing fees (royalties). Under the licensing agreement from m4e, the manufacturers must agree in advance to a minimum sales figure before receiving the rights to use.

m4e business segments include: TV production, home entertainment, licensing and merchandising, publishing, interactive & new media in addition to the production of textile products and accessories through its subsidiary Tex-Ass Textiles. With all this expertise, m4e is in a strong position to offer single source services – from the development of an initial concept to the finished product. This is what differentiates m4e from the competition.

The license portfolio currently consists of marketable rights in the fields of sports, entertainment/characters and brands/personalities. The m4e subject catalog includes the following licensing and merchandising rights:

Sports: DFB – German Soccer Association/German national team, mascot "Paule", NHL.

Entertainment/Characters: Di-Gata Defenders, Dinosaur King, Dragon Booster, Hero: 108, Huntik, Kamen Rider, Monster Allergy, Raumfahrer Jim, Staraoke, Storm Hawks, Winx Club, Winx Club Movie – The Secret of the Lost Kingdom.

Brands/Personalities: Isi, The Dog, The Dome.

In addition, m4e AG is a partner in media cooperations with the TV broadcasters RTL II/Pokito, Premiere, and GIGA.

Dear Shareholders,

In the first six months of the financial year 2008, m4e AG achieved total sales of EUR 6.17 million. The m4e group earnings before interest and taxes (EBIT) was about EUR 0.60 million.

The strategic focus of the first half-year was the expansion of m4e AG as a major distributor of third party and own IP-Rights. In this way, the licensing & merchandising business segment was able to conclude a comprehensive marketing agreement with the NHL – National Hockey League. m4e also reached an agreement with the pay-TV channel "Premiere" that provides great future potential for media-assisted licensing and merchandising concepts.

Presently, m4e AG and Winx Club are celebrating the successful debut of the new animated movie, "Winx Club – The Secret of the Lost Kingdom". The first half-year was characterized by higher costs of materials and other operating expenses associated with the release of the new film, although the profit and performance side will not be booked until the second half-year.

This movie marks our successful entry into cinema distribution. In addition to the cinema rights, we were also able to secure the free-TV, pay-TV and home entertainment rights. For the first time, the subsequent DVD and television marketing for the films will be performed directly by m4e in 2009. On the basis of the film's success, we anticipate additional earnings potential.

In the future, all m4e licensed and owned productions will be distributed by m4e AG through its recently formed home entertainment label. In order to ensure the best possible returns, a sales partnership has been concluded with Euro-Video, one of the top independent companies in the home entertainment segment. The first such release comes out of the starting blocks in October with the marketing of the new TV series "Storm Hawks", which is currently enjoying great success on the German broadcasting channel RTL II. This important strategic step has allowed m4e to extend its value added chain and to secure a long term position in the market.

Furthermore, m4e expects additional growth in the sports segment with the sale of licensing agreements for the Soccer World Cup scheduled for 2010. Following up on the positive response to the European Championships in 2008, the marketing of the DFB for the World Cup in 2010 started as planned in the second half-year. The first contracts for the World Cup are to be signed at the end of 2008 and, as a result, will also be recognized in the net profit for the second half-year.

Although the weak economy spared no one, the retail segment was hit hardest of all as it reeled from declining consumer spending by private households. As a result of these circumstances, m4e's licensing revenues in the first half-year in the consumer goods segment did not match expectations. In consideration of these new conditions, the management board made some changes to earlier plans and revised its sales forecast to a figure between EUR 14 and 17 million. As a consequence, the group expects profitable earnings before interest and taxes (EBIT) of somewhere between EUR 2.6 and 3.1 million. All of this means that we are still continuing to grow.

We will continue to implement the growth strategy announced for the initial public offering. In the area of consumer goods we are cooperating with new clients in order to supply a broader range and to achieve more independence so that m4e can distance itself from the falling sales in the textile industry related to the general business conditions. In the past 6 months our successful cinema debut and the establishment of our own home entertainment label have proven that we are achieving a consistent and practical extension of our value chain. We have therefore created the conditions to establish m4e as a major long-term player in the market and ensure sustainable growth.



Hans Ulrich Stoef, CEO
Grünwald, September 30, 2008



Michael Büttner, CFO
Grünwald, September 30, 2008

Interim Management Report 2008

ECONOMIC CONDITIONS

The high price of oil and the record inflation have significantly dampened global economic growth in the first half of the financial year 2008. However, in comparison to the USA, the economic conditions in the Eurozone during the first six months of 2008 were more stabile. However, in the meantime, indications of a slight downturn are increasingly evident here as well. The inflation rate, at 3.3 per cent in June, climbed to the highest level in 15 years. The economic slow-down in Germany is lasting longer than expected. Following the shrinking gross domestic product (GDP) in the second quarter, the "best case" according to the Handelsblatt indicator is for the current third quarter to remain stable. In this respect, business experts have revised their forecasts slightly downwards for the months of July to September – the previous month's expectations had still reflected a growth of 0.1 per cent compared to the last quarter.

INDUSTRY TRENDS

In the first half-year 2008 there were heavy losses in the German retail industry, an important sector for m4e AG. The German Federal Office of Statistics reported the drop in consumer spending by private households had created a cyclical downturn in this country. According to preliminary figures published by Germany's Office of Statistics, although nominal retail sales from January

to the end of June increased by 1.8% over the same period last year, real retail sales actually dropped by 0.8%. In June alone nominal sales were 1.2% while real sales were 3.9% lower than the previous year's level. The nominal decline in sales of textiles, clothing and footwear was 1.8% and the real decrease was 1.7%.

BUSINESS DEVELOPMENT

Sales development and earnings situation

The m4e group achieved sales revenues of EUR 6.17 million in the first six months of 2008. In the first half-year of 2008 the EBIT was approximately EUR 0.60 million.

The group's growth in sales and performance first makes a significant difference in the second half-year of 2008. This is because the first half-year is generally weaker for m4e AG and secondly, because new projects tend to have a delayed impact on sales and performance. The first half-year was noted for the increased costs of materials as well as the high up-front marketing costs for the production of new movies. This is first recognized in the second half-year sales and performance figures. This is also true for the earnings from the TV series as the technical acceptance usually occurs in the second half-year.

As a result of the generally weak economic situation, the retail sector, and especially the licensing business of our subsidiary Tex-Ass Textilvertrieb in the textile trade, did not achieve the desired sales targets. In addition, there was a shift in the Tex-Ass sales, because as a rule commission business occurs in the second half-year. In this commission business Tex-Ass Textiles functions as a service provider to third parties for licensing and merchandising and receives, in exchange, a handling fee; in this way, inventory risk is eliminated.

After consideration of taxes and minority interests, the half-year surplus was EUR 0.41 million.

On the basis of 3.78 million shares (status as of: June 30, 2008) using the half-year surplus, the earnings per share was calculated at 0.11 cent.

A direct comparison of the figures with the reference period of the previous year is only possible to a limited extent because as a result of the reorganization m4e AG did not exist until May 1, 2007 and, also, Tex-Ass GmbH was not included in the consolidated financial statements until November 15, 2007.

Financial situation

The total assets as of June 30, 2008 totaled about EUR 20.7 million.

The total equity as of June 30, 2008 was approximately EUR 11.7 million. The equity ratio equaled 56.52 per cent.

The cash flow from ordinary operations during the reporting period is stated at approximately EUR 1.8 million, which is mainly contributed by the ongoing licensing business of m4e group.

The cash flow from investing activities was about EUR -1.2 million, which is mainly the result of investments in licensing rights or guaranteed minimums both by m4e AG as well as by Tex-Ass Textiles. The cash flow from financial

activities totaled approximately EUR -0.4 million and in particular, a result of the reduction/repayment of loans borrowed for the acquisition of Tex-Ass Textiles.

Asset situation

The amount of trade receivables in the first half-year 2008 totaled EUR 0.89 million. The share of non-current assets of approximately EUR 12.2 million was 59.1 per cent of total assets.

The equity and liabilities side of the balance sheet for the first half year 2008 shows the amount of current liabilities at EUR 8.5 million. On June 30, of the current financial year this amount was 41.2 per cent of the total liabilities. The non-current liabilities totaled EUR 0.44 million.

The costs of materials and services in the first six months totaled EUR 3.59 million. The operating expense ratio for the reporting period calculated on the basis of sales revenue was 58.2 per cent. The cost of materials is the combined total cost of raw materials and services received. Included here are the production expenses for the new animated movie.

Personal expenses in the first half-year of 2008 totaled EUR 1.0 million.

Employees

The m4e Group employed 26 people as of June 30, 2008, the same number as in the previous year.

GENERAL MEETING OF SHAREHOLDERS 2008

The m4e AG Annual General Meeting took place in Munich on July 9, 2008, with approximately 81 per cent of the registered capital (3,043,987 shares) in attendance. The general meeting approved all management resolutions by a significant majority and gave a clear endorsement of the work of the management and the supervisory boards. Furthermore, at the general me-

eting of m4e AG shareholders, it was resolved to secure additional authorized capital and also approved a modification of the corporate by-laws.

Authorized capital:

The management board was authorized until July 8, 2013 to execute a capital increase of up to EUR 1,120,000.00 through one or more installments by issuing up to 1,120,000 new bearer non-par shares in exchange for cash and/ or contributions in kind ("authorized capital 2008") and, in the process, to determine the start of profit sharing in divergence from the rules. In such cases, the bearer shall be granted subscription rights. Subject to the approval of the supervisory board, the management board is authorized to exclude the shareholder subscription rights.

The management board is further authorized, subject to the approval of the supervisory board, to stipulate additional details regarding the implementation of the capital increase.

Contingent capital:

The company executed a contingent capital increase of up to EUR 1,512,000.00 through the issuance of up to 1,512,000 new, registered shares ("contingent capital 2008/I").

The contingent capital increase serves

- exclusively as a guarantee to the holders of option rights or convertible bonds, as may be guaranteed under the authorization granted by the General Meeting on July 9, 2008 by m4e AG or a Group company as defined by section 18, German Stock Corporation Act, in which m4e AG owns a direct or indirect interest of at least 90%.
- The contingent capital increase will only be implemented until July 8, 2013, and to the extent that the holders of options or conversion rights as may be guaranteed under the authorization granted by the General Meeting on July 9, 2008 by m4e AG or a Group company as defined by

section 18, German Stock Corporation Act, in which m4e AG owns a direct or indirect interest of at least 90%, choose to exercise their options or conversion rights or, to the extent that persons obligated to exercise such rights discharge that obligation, and to the extent that no cash compensation is granted or no treasury shares are used to service the options, conversion rights, or conversion obligations.

- The new shares participate in the profits from the beginning of the financial year in which they were created on the basis of the exercise of options or conversion rights or from the discharge of options or conversion obligations. The management board is authorized subject to the approval of the supervisory board to stipulate additional details regarding the implementation of the capital increase.
- The supervisory board is authorized to modify the Articles of Incorporation according to the respective utilization of the contingent capital.

Furthermore, at the general shareholders meeting on July 9, 2008 it was resolved to conditionally increase capital through the issuance of up to 378,000 additional new bearer non-par shares, for up to EUR 378,000 (contingent capital 2008/II). The contingent capital increase serves to guarantee subscription rights granted on the basis of the authorization granted by the General Meeting on July 9, 2008 under terms set forth under number 2, within the framework of the stock option plan for 2008 to members of the management board and employees of the company as well as to members of the boards and employees of affiliated companies. The issuance of shares is implemented in accordance with the exercise price as defined in subparagraph 2. The contingent capital increase shall be implemented only to the extent that subscription rights have been issued and the holder chooses to exercise the subscription rights and to the extent that no cash compensation is granted or no treasury shares are used to service the subscription rights. The new shares participate in the profits from the beginning of the financial year in which they were created through the exercise of the subscription rights. The management board is authorized, subject to the

approval of the supervisory board, to stipulate additional details regarding the implementation of the capital increase. The supervisory board is authorized to make decisions in the event that members of the management board are affected. The supervisory board is authorized to modify the Articles of Incorporation according to the respective utilization of the contingent capital.

Additionally, the management board is authorized until July 8, 2013 and subject to approval of the supervisory board 2013 to issue through one or more installments up to 378,000 subscription rights (call options) on company shares in accordance with the following regulations. The supervisory board is authorized to make decisions in the event that members of the management board are affected.

OPPORTUNITY AND RISK ASSESSMENT

A major duty of the m4e management is the selective exploitation of opportunities and, in parallel, control any and all related risk. There have been no changes to the system practiced by m4e AG to identify and manage risk from the one presented in the Annual Report 2007.

SUPPLEMENTARY DISCLOSURES

In the time between the half-year close and the publication of this report, m4e AG negotiated a comprehensive marketing agreement with Adneth Entertainment to obtain the TV, home entertainment, merchandising, and licensing rights for the German language market for the eagerly awaited, new, live-action, kids series "Kamen Rider Dragon Knight". In the third quarter, Gruenwalder Brand Management und Medienunternehmen m4e AG also announced an excellent start for its animated series, "Storm Hawks", which is broadcast on RTL II. After the third day of broadcasting of this animated series, m4e had gained a 26.1 per cent share of the viewing audience of 3 to 13 year olds – one of the best debuts of a new series in the last 2

years for the Munich-based TV broadcaster. The company executed a major strategic step towards an integrated marketing concept with the establishment of its own Home Entertainment Label. In the future m4e AG will market all m4e licensed and owned productions under this label.

FORECAST REPORT

General economic environment

The latest news from the banking sector signals a broadening of the crisis in the financial markets. Economic growth is weak, above all in the USA, but in Europe as well. This trend is intensified by the price increases for oil and raw materials. The most recent IMF forecast for the Eurozone states a growth rate of 1.75 per cent for 2008 and a plus of 1.25 per cent for 2009. The German economy is also heading towards stagnation. The DIW economic barometer calculates, following a 0.2 per cent increase in the second quarter, a 0.3 per cent rise in economic output for the current third quarter and 1.5 per cent in the first three months of 2009. The official government business forecast calls for an increase in the gross domestic product of 1.7 per cent in the current year and 1.2 per cent in 2009.

Future industry trends

The market for development, management, and distribution of media content and brands is growing. In particular, the market for interactive and new media reflects a trend of uninterrupted growth for over 5 years. A study by Price Waterhouse Coopers, "Global Entertainment and Media Outlook 2006 – 2010", predicts an annual increase of about 11 per cent in the volume of the international market for computer and video games.. According to a LIMA study of the licensing markets, the growth potential is especially strong in Germany for the areas of Sports and "New Business". Therefore, the revenue situation for m4e group should in future remain stable. m4e is though experiencing a slowdown in the consumer goods segment. The depressed buying mood in the first two quarters among consumers leads to fears of further falls in retail sales during the course of the year.

Future business outlook

In view of the weakening economic conditions, the management board has revised its sales and performance forecast. The management board anticipates sales between EUR 14 and 17 million. The m4e group earnings before interest and taxes (EBIT) are expected to be between 2.6 and 3.1 million.

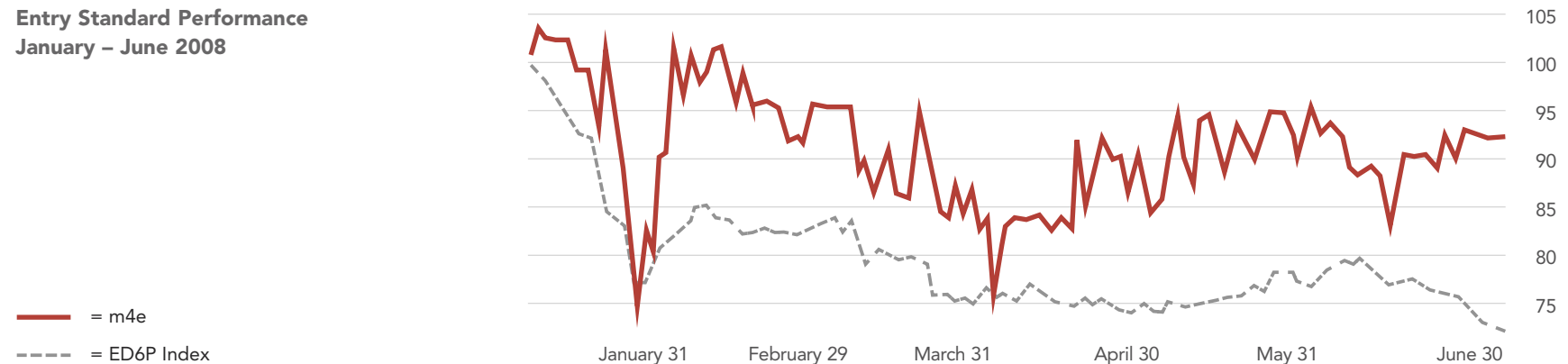
Beyond this, the m4e management is confident in its assessment of future growth. For example, in the Licensing & Merchandising business segment, sales produced by the licensing agreements for the European Championships in 2008 as well as the new contracts for the World Cup in 2010 will contribute to a sustained recovery in the second half-year. Furthermore, this is the period when sales and performance will be affected by the success of the movie WINX CLUB – THE SECRET OF THE LOST KINGDOM. Further, the commission and fee operations of the subsidiary, Tex-Ass Textiles as well as the new client agreements in the area of consumer goods will have a positive effect on the sales and performance situation of m4e group in the second half-year 2008.

m4e SHARE

Stock market downward trend

The stock markets in the first half-year 2008 were characterized by a major downswing. Concerns about a further global business slowdown, the rising price of oil and strong fears about further losses from the subprime crisis depressed the markets. Growing worldwide inflation and climbing interest rates in the USA and Europe had caused, by June 30, 2008, renewed selling on the international stock markets. The DAX lost about 20 per cent of its value in the first six months. The Entry All Share Index at the start of the financial year stood at 1,069 points and closed the half-year at 859 points, a loss of 19.6 per cent. The Entry Standard Index dropped by 27.2 per cent. The technology index, TecDAX, followed the negative trend. In the first half-year 2008, it recorded a fall of approximately 20 per cent. The SDAX lost 18.7 per cent. The outlook for declining economic growth and higher interest rates continues to have an adverse affect on the stock market.

Entry Standard Performance January – June 2008



The m4e shares also experienced a slight devaluation in the first six months of the current financial year, which nevertheless still fared better than the share price losses on the indices. After an opening price of EUR 6.08 on the first trading day of 2008, the share dropped by roughly 4.6 per cent to EUR 5.80 on June 30. On that date, the market capitalization totaled about 22 million euro.

On May 14, as a price-supporting measure, m4e started a stock buyback program to purchase up to 75,000 shares of the company. At the time the half-year review was being prepared in September 2008, the current status of the buyback was a total of 12,956 shares at an average price of EUR 5.47.

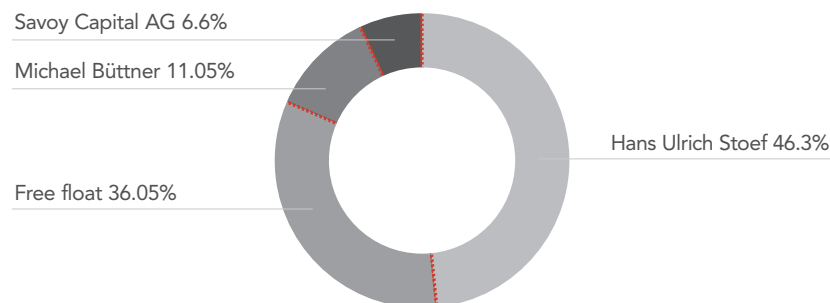
Capital increase through non-cash contributions

On May 20, 2008, the Management Board of m4e AG, with the approval of the Supervisory Board, voted for a capital increase from existing authorized capital in the amount of 160,000 new shares. This effectively increased the subscribed capital of m4e AG by about 4.4 per cent to a total of 3,780,000 shares.

Investor Relations

m4e has presented itself in numerous discussions with analysts and investors at three capital market conferences and selected road shows already this year. Further road show activities are planned for the second half-year. In May, investment research firm GBC released a third research study, which included a buy recommendation for m4e shares and stated a target price of EUR 10.93 for the m4e share.

Shareholder structure (in per cent)



Share information

ISIN / WKN / Code	DE000A0MSEQ3 / A0MSEQ / MU4
Stock type/denomination	No par bearer ordinary shares
Number of shares	3.78 million
Listing segment	Entry Standard
Stock market	Frankfurt am Main
Industry	Media, Licensing, Intellectual Property
Issuing price	EUR 6.50
Initial quote/initial price	July 19, 2007 / EUR 6.94
Designated sponsor	VEM Aktienbank AG



This half-year financial report has been prepared in accordance with IFRS. The financial information shown in this report has not been audited and was not subject to a limited scope review by auditors.

RESPONSIBILITY STATEMENT

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, and financial position and profit or loss of the group and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Grünwald, September 03, 2008

Hans Ulrich Stoef
(CEO)

Michael Büttner
(CFO)



Consolidated balance sheet as of June 30, 2008

ASSETS

	June 30, 2008
	EUR
I. NON-CURRENT ASSETS	
1. Intangible assets	
a) Goodwill	8,819,374
b) Other intangible assets	2,846,537
	11,665,911
2. Property, plant, and equipment	
3. Other equipment, factory and office equipment	339,640
4. Deferred tax assets	216,564
TOTAL NON-CURRENT ASSETS	12,222,114
II. CURRENT ASSETS	
1. Inventories	494,279
2. Trade receivables	884,663
3. Other assets	2,972,066
4. Cash and cash equivalents	4,123,694
TOTAL CURRENT ASSETS	8,474,703
TOTAL ASSETS	20,696,817



EQUITIES AND LIABILITIES

June 30, 2008

	EUR
I. SHAREHOLDERS' EQUITY	
1. Subscribed capital	3,759,897
2. Capital reserves	6,658,104
3. Loss carry forward	900,059
4. Earnings after taxes	415,385
TOTAL EQUITY	11,733,445
II. NON-CURRENT LIABILITIES	
1. Deferred tax liabilities	439,816
2. Liabilities due to banks	3,420,000
	3,859,816
III. CURRENT LIABILITIES	
1. Short term accruals	
a) Tax accruals	1,013,325
b) Other accruals	302,959
	1,316,284
2. Short term liabilities	
a) Trade payables	3,440,027
b) Other liabilities	347,245
	3,787,272
TOTAL SHORT TERM LIABILITIES	5,103,556
TOTAL LIABILITIES	8,963,372
TOTAL EQUITY AND LIABILITIES	20,696,817



Consolidated Income Statement for the first half-year 2008

		01-01-2008 – 06-30-2008
	EUR	EUR
I. Sales		6,179,938
II. Cost of sales		-4,876,954
1. Cost of materials	-3,595,836	
2. Personnel expenses	-1,006,024	
3. Amortization and depreciation	-275,094	
III. Other operating income and expenses		-699,286
1. Other operating income	246,976	
2. Other operating expenses	-946,264	
EBIT		603,695
IV. Financial results		-48,986
1. Interest and similar income	71,794	
2. Interest and similar expenses	-120,780	
EBT		554,710
V. Taxes on income		-139,324
VI. Net profit after taxes		415,385
Earnings per share		
Earnings per share (undiluted)	0.11	
Earnings per share (diluted)	0.11	



Consolidated Cash Flow Statement for the first half-year 2008

	01-01-2008 – 06-30-2008
	TEUR
Net income	415
+ Amortization and depreciation of fixed assets	275
- Increase in provisions, incl. deferred taxes	-229
+ Increase in inventory, trade receivables and other assets not assigned to investing or financing activities, incl. deferred taxes	392
+ Increase in trade payables and other liabilities, not assigned to investing or financing activities	951
= Cash flow from operating activities	1,804
- Outflow for investments in property, plant and equipment and intangible assets	-2,186
+ Other non-cash investments	1,000
= Cash flow from investing activities	-1,186
- Repayments of bank loans	-380
= Cash flow from financing activities	-380
Effective change in liquid funds	238
Liquid funds at the beginning of the period	6,387
= Liquid funds at the end of the period	6,625

IMPRESSUM

PUBLISHER

m4e AG
Alpenveilchenstraße 4
82031 Grünwald
Tel.: +49-(0)89-21 01 95 - 0
Fax: +49-(0)89-21 01 95 - 99
eMail: info@m4e.de

Contact:

INVESTOR RELATIONS

Susan Hoffmeister
m4e AG
Alpenveilchenstraße 4
82031 Grünwald
Tel.: +49-(0)89-21 01 95 - 0
Fax: +49-(0)89-21 01 95 - 99
eMail: ir@m4e.de

PUBLIC RELATIONS

Josef Hofer
m4e AG
Alpenveilchenstraße 4
82031 Grünwald
Tel.: +49-(0)89-21 01 95 - 55
Fax: +49-(0)89-21 01 95 - 99
eMail: hofer@m4e.de

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made for entertainment

m4e AG

Alpenveilchenstraße 4
D-82031 Grünwald
Tel.: +49 - (0)89-21 01 95 - 0
Fax: +49 - (0)89-21 01 95 - 99
eMail: info@m4e.de
Web: www.m4e.de