made for entertainment

Key Figures

m4e AG	2007	2006**	Change
	in EUR m	in EUR m	in %
Group Sales *	**13.66**	4.27	220
Group EBIT *	**2.56**	1.58	62

*) *Figures on a pro-forma basis, and before one-time costs related to the IPO, taking into account the full-year accounting of Tex-ass GmbH which was acquired in the financial year 2007.*

**) *Figures for the Financial Year 2006 refer to m4e merchandising GmbH & Co. KG*

Profile

m4e AG is a brand management and media company specialized in the development and distribution of high-value brands and intellectual property rights (IP-Rights). True to its motto, “Made for Entertainment“, the company is involved in brand development as well as in the setup and expansion of sports, entertainment, and personality rights.

m4e AG performs an intermediary function between the licensors and the licensees and, through its join venture with Hahn Film AG, “LUCKY PUNCH”, also develops its own entertainment and IP-Rights.

m4e's business areas are: TV production, licensing and merchandising, home entertainment, publishing, interactive & new media as well as the production of clothing and accessories through its subsidiary Tex-ass GmbH. The portfolio includes the following licensing and merchandising rights: DFB – German Soccer Association/German national team, Centennial IIHF – (International Ice Hockey Federation), NHL, 4Kids Entertainment (Dinosaur King, The Dog), Alliance Atlantis (Dragon Booster, Raumfahrer Jim), Batrax Entertainment / Nerd Corps (Storm Hawks), Big Bocca (Huntik), Rainbow S.p.A. (Monster Allergy, Winx Club, Winx Club Movie), Staraoke, and many others. In addition, m4e AG is a partner in media cooperations with the TV stations RTLII/Pokito, Premiere and GIGA.

Contents

Dear Shareholders,


Michael Büttner Hans Ulrich Stoef

The year 2007 was an important strategic milestone in the development of m4e AG. The change in business organization from a limited liability company to m4e AG, a publicly held company, and the successful Initial Public Offering on the Entry Standard Market of the Frankfurt Stock Exchange – all in 2007 – has established a strong foundation for the company to grow throughout Europe.

The funds provided from the proceeds of the IPO allow us to fully pursue the business strategy and accelerate growth.

We see ourselves as brand builders and we increasingly invest in the development and subsequent global marketing of individual IP-Rights (Intellectual Property Rights). In this way we are able to make a major value contribution and increase the corporate value of m4e AG.

The agency business is expanding through new licensing agreements and agent contracts, primarily in the sports and entertainment fields. We also anticipate growth from our European network, where our mid-term planning includes expansion into new locations and pan-European co-productions.

Our value-oriented growth strategy has already proven itself during financial year 2007 as m4e AG exceeded even our own expectations by a significant threefold increase in turnover. The group achieved sales totaling EUR 13.66 million on a proforma basis, i.e., taking into account the acquisition of Tex-ass GmbH in 2007. This reflects three times higher earnings over the prior year total of almost EUR 4.3 million. The earnings before interest and taxes (EBIT), also on a proforma basis and before the one-time costs associated with the IPO and the acquisition of Tex-ass, totaled EUR 2.56 million. This represents an increase of 60 per cent compared to the previous year (EUR 1.58 million). We have therefore clearly beaten our own ambitious targets.

Let us emphasize three strategic steps that are important to the future orientation of the corporation and for strengthening the business location.

Early in the second half of the financial year we concluded a mutual agreement in the area of computer and video game consoles with the full-service provider cdv Software Entertainment AG based on a strategic venture involving video game brand licensing. This places m4e in a position to participate in the growth market for interactive games with an experienced partner in the industry. An additional highlight followed in October 2007: m4e AG and Hahn Film AG concluded a joint-venture agreement that created the production company LUCKY PUNCH, which is active in the development and production of animated television shows and feature films. The third significant milestone in the implementation of our expansion strategy followed quickly with the acquisition of Tex-ass GmbH, one of the leading German manufacturers of licensed clothing and accessories.

As a result of the Joint Venture LUCKY PUNCH and the acquisition Tex-ass, we are now well positioned to offer one-source services, from initial concept, throughout the production, to the finished merchandising products. In this respect, we plan to develop a new business area in the B2B segment in the future. We will offer customized, media supported concepts and characters to industry and trade.

It is becoming apparent that the positive performance of m4e is continuing in the current financial year too. The Management Board anticipates a turnover of almost EUR 20 million. This represents growth of more than 46 % compared to the proforma 2007 group sales of EUR 13.66 million. m4e AG's estimated earnings before interest and taxes (EBIT) of more than EUR 4 million reflects an increase of approximately 56 % compared to the previous year's proforma results.

On the basis of our business success as well as the strength and capabilities of our Company, the financial year 2008 is destined to be one of continuing opportunity: Our goal is continued growth and the sensible development of the m4e AG value chain. The entire m4e team has achieved a great deal and we are all very proud of that. We appreciate the dedication and outstanding efforts on the part of our employees: after all, their performance ensures our long-term success.

Dear shareholders, you have in your hands the first annual report of m4e AG. It will inform you about our business success and our expectations for the near future. We would be pleased to have your continued trust and support and take this opportunity to express our appreciation for your participation.

Hans Ulrich Stoef, CEO
Grünwald, April 2008

Michael Büttner, CFO
Grünwald, April 2008

> **Letter to Shareholders**
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Q1

JANUARY 07 – STORM HAWKS & HUNTIK
m4e AG acquired comprehensive rights packages for the German speaking regions from Batrax Entertainment for STORM HAWKS and from the Irish producers, Big Bocca, for HUNTIK. Both products deal with animated TV series for boys in the 6-14 and 8- 12 demographic respectively. While with STORM HAWKS as well as action there is no shortage of comedy , with HUNTIK the main focus is on action and adventure . The TV rights for both programs have already been sold to RTL2 for its kids program, "Pokito", which is expected to air the series in the Fall of 2008 or perhaps, February 2009.

Q2

MAY 07 – Transition to a publicly-held company
m4e became a publicly-held company, therefore creating the conditions for a further stage in the company's development.

MAY 07 – LUNAR JIM
TV station KIKA (kids channel), introduced Jim, the little spaceman on a summer tour of 10 German cities with his own stage show.

JUNE 07 – THE DOME COLLECTION
Faces & Names, a division of m4e AG, gained C&A as a partner for THE DOME Collection of RTL II.

Q3

JULY 07 – Successful IPO
The shares of m4e AG started with a plus on the Entry Standard Market of the Frankfurt Stock Exchange m4e received a gross income of 5.2 million to be used to fund the planned growth strategy.

AUGUST 07 – Strategic cooperation
m4e AG and cdv Software Entertainment AG, a full-service provider for computer and video games, concluded a strategic cooperation in the area of brand licensing for games.

SEPTEMBER 07 – m4e AG closes media deal between RTL II and KiK
A concept for media cooperation and RTL II host Isabella Soric as spokesperson was developed by the marketing agency "Faces & Names", a division of m4e AG.

OCTOBER 07 – m4e AG and Hahn Film AG conclude the joint venture "LUCKY PUNCH"
With the joint venture "LUCKY PUNCH" m4e AG entered the field of development and production of animated television shows, feature films and series and will develop its own IP-Rights in the future.

NOVEMBER 07 –- m4e AG realized a capital increase totaling almost 2.2 million
m4e AG implemented the capital increase resolution of November 13, 2007 by successfully placing a volume of 320,000 new shares with domestic and international institutional investors.

NOVEMBER 07 – m4e AG purchases Tex-ass GmbH, Essen, Germany
m4e AG expanded its value chain with the acquisition of Tex-ass Textilvertriebs GmbH, a leading manufacturer of licensed clothing and accessories.

Q4

Letter to Shareholders
> **Highlights 2007**
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Successful start on the capital market

On July 19, 2007, m4e became the 100th company to be listed on the Open Market (Entry Standard) of the Frankfurt Stock Exchange. The initial price was set at EUR 6.94, which was approximately 6.8 per cent higher than the offer price of 6.50. The issue was oversubscribed several times.

The Company successfully placed all of the 800,000 shares offered for a capital increase as well as an additional 80,000 shares in a green shoe option. By going public the Company obtained gross proceeds from the issue totaling EUR 5.2 million. m4e AG will invest the proceeds to implement its development aims and expand its own IP-Rights and brands. The Company plans to expand its business model in Europe through possible acquisitions and to strengthen its position as an international brand manager and media specialist.

Worldwide market turmoil

The US mortgage crisis triggered significant losses in stock prices and a noticeable correction on the international equities markets in the second half of 2007. Even the Entry Standard was affected by the negative development and fell to its lowest price of the year in the fourth quarter. It was quoted at 843.44 points at year end, which reflected, in comparison to the start of the year, a drop of almost 24 percent. The annual index high of 1,169.66 points was reached on February 14, 2007.

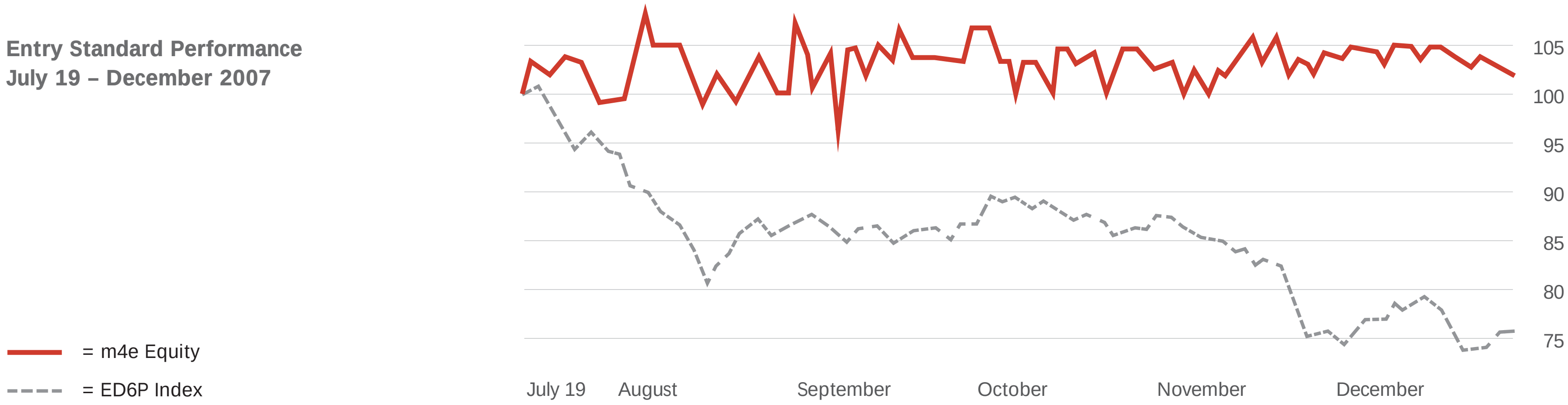
As a consequence of this negative development, m4e stock was also subjected to several price setbacks. The stock attained its highest price on the day of the initial listing at EUR 6.94. By year end the share certificates had gradually lost value and, on December 28, 2007, closed with a price of EUR 6.37. During the reporting period, shares of m4e AG posted a minus of approximately 8 per cent.

In just six months from the initial listing, m4e shares reached an average trading volume of 6,744 units. The greatest turnover was reported on the day of the initial listing, July 19, 2007 with 152,886 units. On December 28, 2007 the market capitalization amounted to approximately EUR 23 million.

Capital increase

On November 13, 2007, the Management Board of m4e AG, with the approval of the Supervisory Board, voted for a capital increase from existing authorized capital to strengthen equity and raise the amount of available cash for potential acquisitions. With the exclusion of subscription rights, the full volume of 320,000 new shares could be successfully placed with institutional investors in Germany and overseas. The 320,000 new shares were offered at a price of EUR 6.80. As a result, the Company gained an additional gross value of approximately ca. EUR 2.2 million. The transaction was supported by VEM Aktienbank AG and Blue Corporate Finance AG.

Entry Standard Performance
July 19 – December 2007

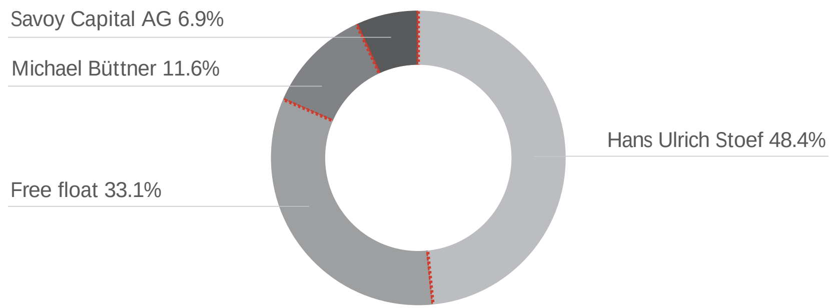


Investor Relations

Good financial ratios are not the only basis for a convincing entry onto the capital market. Investor relations play a key role at m4e AG. Our goal is a reasonable valuation of the share by the capital market. To this purpose we are in continuous and open dialog with all market participants. In the reporting period m4e AG made numerous introductory presentations to analysts and investors at two capital market conferences as well as at selected road shows. The Management Board actively sought dialogue with editors in the financial and business media. Several one-on-one discussions and interviews took place with news agencies and nationwide publications as well as various online media. m4e AG will continue to intensify its investor relations activities during the current business year.

Two research studies have been published since the listing last July. Corporate announcements and financial reports are continuously posted in German and English on the Company website: www.m4e.de. The m4e AG share is managed by the designated sponsor VEM Aktienbank AG and analyzed by GBC AG. The GBC research from November 2007 suggested a price target of 10.93 and gave the share a buy recommendation.

Shareholder structure (in pct.)



Share information

ISIN / WKN / Code	DE000A0MSEQ3 / A0MSEQ / MU4
Stock type / Denomination	No par bearer ordinary shares
Number of shares	3.62 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

Report of the Supervisory Board

The legal business form of m4e Verwaltungs GmbH with offices in Grünwald has formally changed. At the general shareholders meeting of m4e Verwaltungs GmbH on April 4, 2007 a resolution was passed to change the form of m4e Verwaltungs GmbH to a publicly-traded company under the business name m4e AG and to establish the articles of incorporation for m4e AG. The Supervisory Board was established with the change in form; the constitutive meeting occurred on April 27, 2007.

The Supervisory Board reports here on its activities in the financial year 2007. Special emphasis is placed on the ongoing exchange of views with the Management Board, the main topics of discussion and the accompaniment of the IPO.

The Supervisory Board performed the tasks for which it is responsible in the reporting year as set by law, the articles of association, and internal regulations. In the barely 9 months that the Supervisory Board has existed, there have been 5 board meetings. Every member of the Supervisory Board participated in more than half of these meetings. Outside of these meetings there was close contact between the chairperson of the Supervisory Board and the chairperson of the Management Board to discuss strategic options and current topics in business policy.

The Supervisory Board regularly advised the Management Board in its preparation and execution of the initial public offering and monitored its management of the Company. The Supervisory Board was directly involved in all decisions of fundamental importance to the company. The Management Board regularly informed the Supervisory Board in a timely manner about all important issues regarding strategy, business planning, and business development as well as information about the course of the risk situation and risk management. There are no known departures from the agreed plans and objectives over the course of the business year. The Management Board obtains the consent of the Supervisory Board regarding the strategic focus of the Company.

All major business transactions of the Company are discussed at length by the Supervisory Board based on the information provided by the Management Board. The cooperation between the Management Board and the Supervisory Board is characterized by mutual trust.

Focus of the discussions

After detailed examination and discussions, the Supervisory Board, to the extent required by law and the provisions of the articles of incorporation has cast its vote regarding the reports and proposed resolutions of the Executive Board. In the reporting period, the Management Board conducted 3 ordinary meetings and 2 meetings by telephone. No committees were appointed for the financial year 2007 because of the manageable size of the Supervisory Board with three members.

The Supervisory Board was elected at the constitutive meeting on April 27, 2007. At the same time, the first Management Board was appointed and the internal regulations for the Supervisory Board and Management Board were adopted.

In the teleconferenced session of May 22, 2007, employment contracts were concluded with the newly appointed members of the Management Board.

At the meeting of the Supervisory Board on August 25, 2007 approval was granted to conclude a LOI to perform a legal and financial due diligence, and to continue the negotiations regarding the acquisition of all shares of *Tex-ass Textilvertriebs GmbH*.

The approval for further corporate negotiations concerning the purchase and acquisition of Tex-ass Textilvertriebs GmbH was granted at the meeting on October 1, 2007. The decision regarding the acquisition of the aforementioned company was examined by the Supervisory Board in great detail. The Board developed a complete assessment of Tex-ass Textilvertriebs GmbH. The scope of this assessment included the sales structures, potential synergistic effects as well as the key personnel. Furthermore, the Supervisory Board thoroughly examined the valuation issues. This resulted in approval being granted to the management to proceed with the negotiations within a set framework. Subsequently, the Supervisory Board gave its approval at a session on October 1, 2007 for the establishment of a joint venture together with Hahn Film AG.

On November 7, 2007, the final session of the financial year 2007, consent was given to purchase all shares of Tex-ass Textilvertriebs GmbH. The Supervisory Board was also engaged in the planning for the financial year 2008.

Company and consolidated financial statements

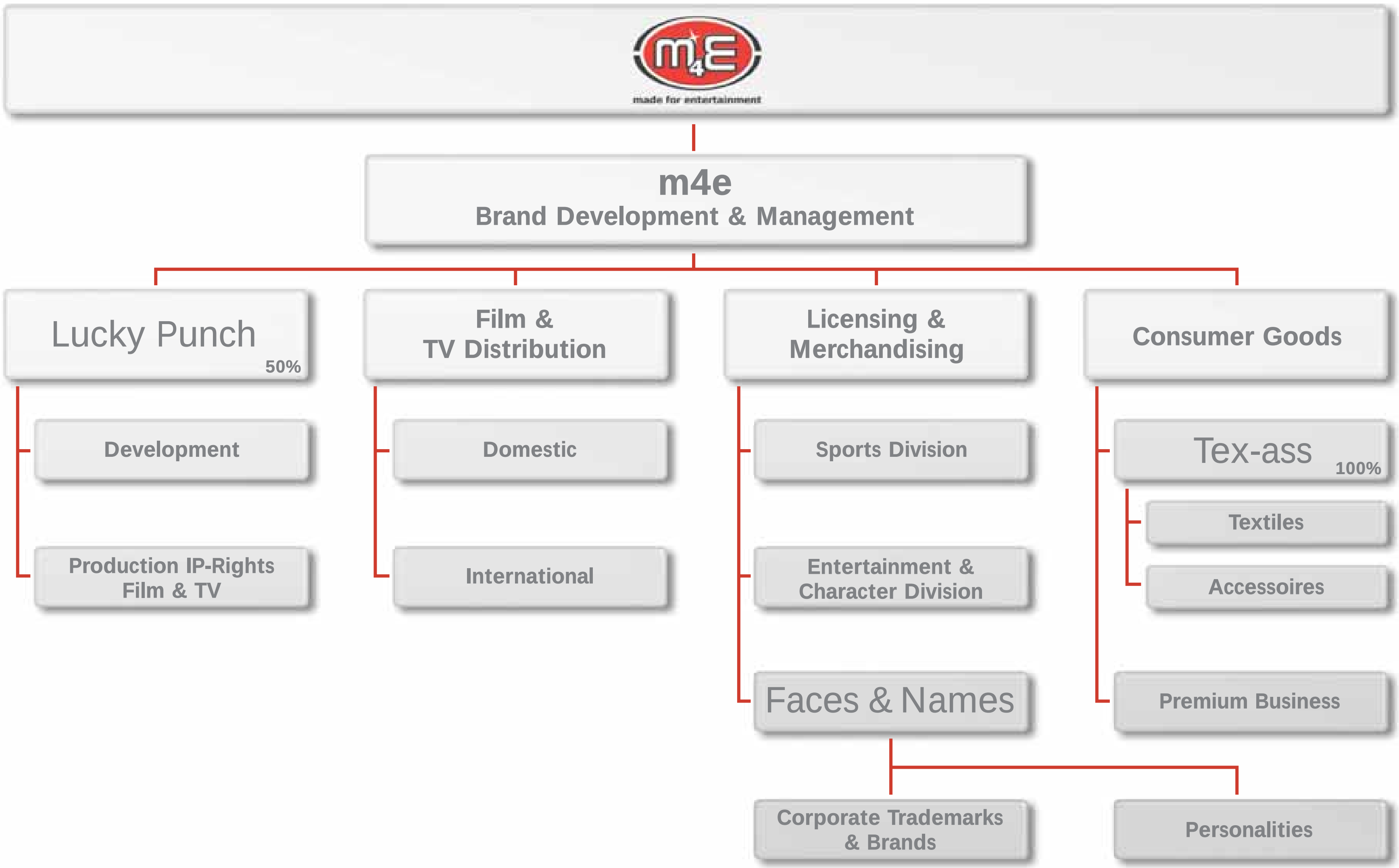
The auditor RP Richter GmbH, Munich, has audited the annual financial statements, the management report of m4e AG, and the consolidated financial statements and management report of the m4e Group that were presented by the management of m4e AG for the financial year 2007 and taken the bookkeeping as well as the early risk detection system into consideration. The auditor awarded an unqualified auditor's certificate

The documents related to the annual financial statements, the auditor's reports as well as the Management Board's proposal for the distribution of profit were presented to the members in a timely manner. They were examined and discussed in detail at the session on April 1, 2008 in the presence of the auditor, who reported the key findings and was available to the Supervisory Board to provide additional information at this plenary session. The Supervisory Board concurred with the results of the audit as carried out by the auditor on the basis of its own audit of the annual financial statements, the management reports, the consolidated financial statements and the Group management reports. We found no cause for objection. The Board has approved the annual financial statements and consolidated financial statements. The financial statements are thus confirmed. The Supervisory Board agrees with the Management Board's proposal for the appropriation of profits and the waiver of a dividend payment to the shareholders.

The Supervisory Board thanks the Management Board and the employees of m4e AG for their commitment and successful performance in the financial year 2007. The Supervisory Board thanks the shareholders for their continued trust in the financial year 2007.

Oliver Jansen
Chairman of the Supervisory Board
Grünwald, im April 2008

The m4e-Group



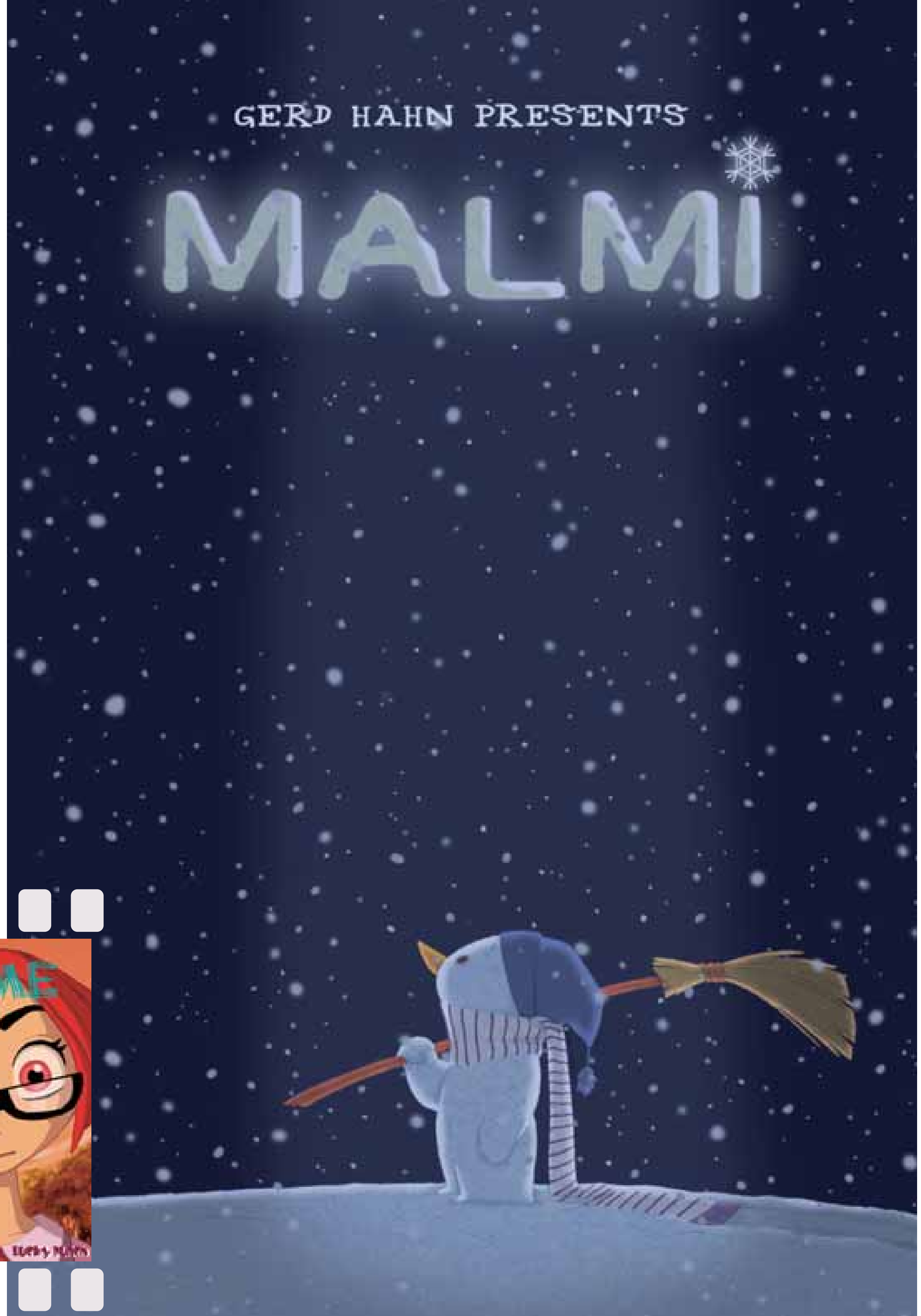
The m4e licensed brands

In spite of its young business history m4e AG has a considerable number of international partnerships with licensors and licensees. These are based on numerous, concluded licensing agreements. The portfolio includes the three segments: entertainment, sports, and personalities & brands. There are currently about 130 active license arrangements plus approximately 2000 client contacts and top partners that include well-known names, for example, Rainbow and Hasbro in the entertainment and toys segment.

Lucky Punch

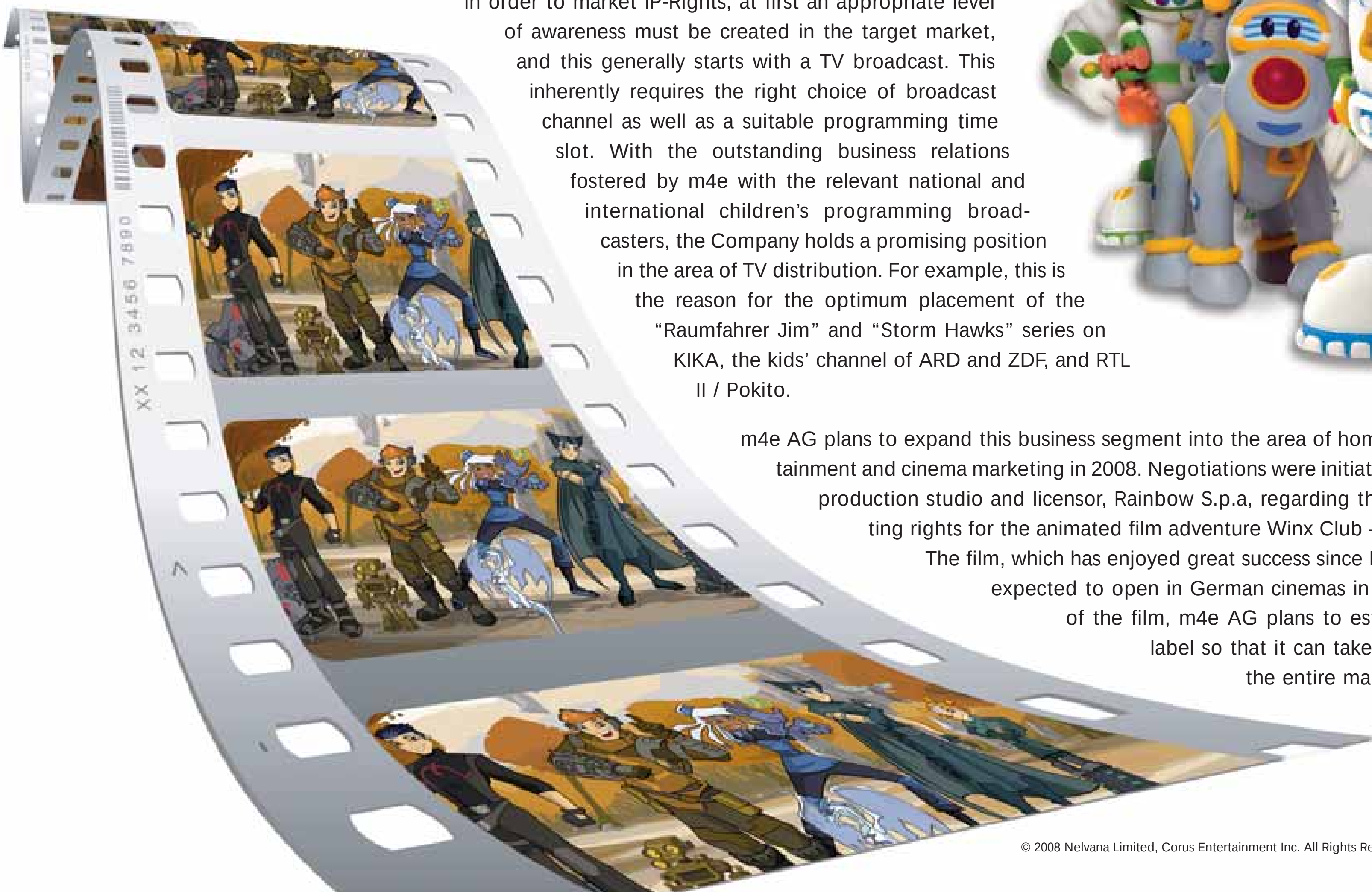
The joint venture with Hahn Film AG allows m4e AG to develop its own IP-Rights and to participate in international productions with its own production unit. In this respect, m4e AG has positioned itself upstream in the value chain, with the aim of obtaining comprehensive rights to copyright protected subjects and controlling them beyond the German speaking regions.

LUCKY PUNCH develops and produces feature films and TV series (animation and live action) for cinemas, television, and DVD, in addition to special characters, for example, a mascot. Hahn Film AG is one of the most recognized and successful studios in Europe for cartoon production and the perfect joint venture partner for m4e AG. Past movie success for Hahn Film AG includes: “Werner – Beinhart”, “Werner – Volles Rooäää!!!” and “Asterix in America”, not to mention the TV series “Benjamin Blümchen” and “Die Schule der kleinen Vampire”. At year end 2007, the cartoon series “Malmi” entered the development phase while, in parallel, the next concept material was already being developed: The story of a little unicorn will be produced as an animated series.



Film & TV Distribution

The business areas of m4e AG also include the distribution of TV series and feature films. According to the Company's integrated marketing approach, the more control one has over each separate step in the exploitation of a copyright protected subject, the greater the ability to implement an optimal marketing plan for each segment and control the synergies among them.



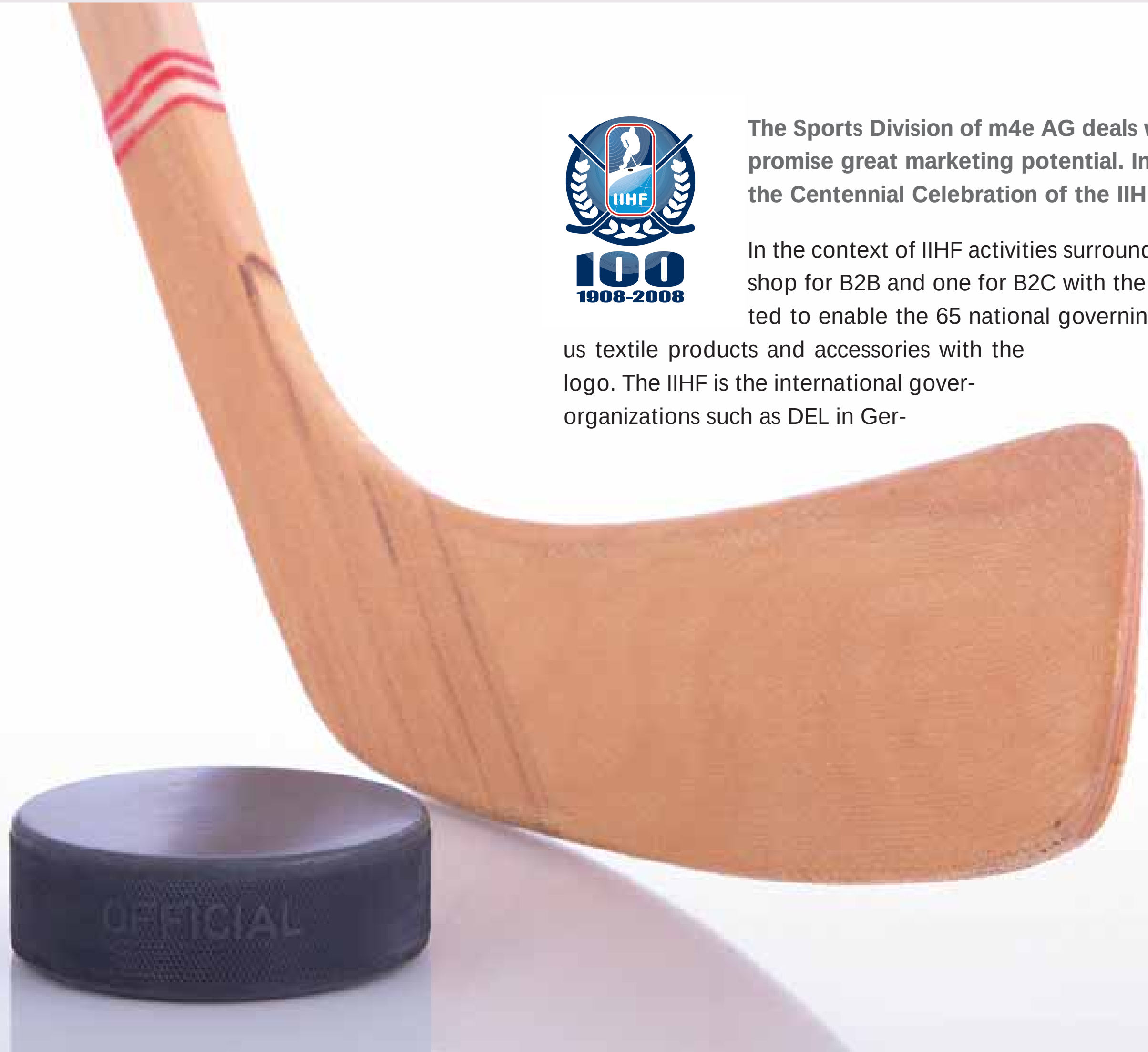
In order to market IP-Rights, at first an appropriate level of awareness must be created in the target market, and this generally starts with a TV broadcast. This inherently requires the right choice of broadcast channel as well as a suitable programming time slot. With the outstanding business relations fostered by m4e with the relevant national and international children's programming broadcasters, the Company holds a promising position in the area of TV distribution. For example, this is the reason for the optimum placement of the "Raumfahrer Jim" and "Storm Hawks" series on KIKA, the kids' channel of ARD and ZDF, and RTL II / Pokito.

m4e AG plans to expand this business segment into the area of home entertainment and cinema marketing in 2008. Negotiations were initiated at the end of 2007 with the Italian production studio and licensor, Rainbow S.p.a, regarding the purchase of the complete marketing rights for the animated film adventure Winx Club – "The Secret of the Lost Kingdom". The film, which has enjoyed great success since December 2007 in Italian cinemas, is expected to open in German cinemas in Fall 2008. After commercial release of the film, m4e AG plans to establish its own home entertainment label so that it can take over DVD distribution and manage the entire marketing of Winx Club merchandising rights.

The Sports Division of m4e AG deals with brands from the most popular types of sports, those which promise great marketing potential. In 2007 the Company concluded a merchandising agreement for the Centennial Celebration of the IIHF (International Ice Hockey Federation).

In the context of IIHF activities surrounding the centennial anniversary, m4e AG developed both an online shop for B2B and one for B2C with the corresponding merchandising products. The IIHF in this way wanted to enable the 65 national governing organizations to conveniently order, from a central point, various textile products and accessories with the respective national team logos in addition to the 100-year IIHF logo. The IIHF is the international governing body for ice and inline hockey and includes 65 national organizations such as DEL in Germany or NHL in North America (National Hockey League). The IIHF is responsible for the organization of the hockey competitions for the Olympic Games and World Championships. The organization works with local organizing committees each year to present up to 25 different world championships and even the Continental Cup or the European Champions Cup.

This year is the premiere of the Victoria Cup, a new competitive event to be staged annually. In the context of the continuous expansion of the Sports Division, m4e AG began negotiations around mid-2007 with the NHL that are expected to be concluded in 2008.



The DFB has over 6.2 million members and is one of the largest sports associations in the world. For that reason alone, it offers a huge marketing potential for consumer products of all types.

According to Superbrands Germany, the brand DFB is one of the top 100 brands in Germany and the scheduled final round of the European championships in the neighboring countries of Austria and Switzerland in the summer of 2008, is expected to further boost the licensing revenues of the brand.

Besides the DFB brand, that is marketed in four main product lines, m4e AG controls all of the national teams of the DFB. At the top of the list are the women's and men's national teams. The women were, as is widely known, World Champions in 2007 and will compete for gold at the Olympic Summer Games 2008 in Peking.

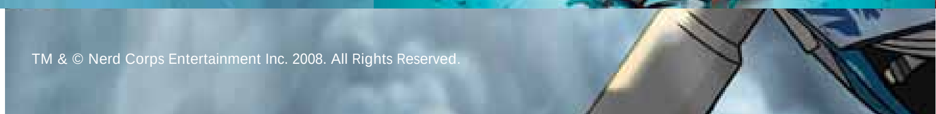
“Paule”, the DFB mascot made his debut in 2006. Paule was created by m4e AG on behalf of the DFB together with Studio 88 in an effort to broaden the DFB marketing portfolio. Paule appears in cross-media forms throughout the entire scope of DFB communication and is used in numerous social projects for children and young people.

STORM HAWKS

In early 2007, m4e AG purchased the licensing and merchandising rights to the animated action and comedy series STORM HAWKS.

The STORM HAWKS series is produced by the Canadian studio “Nerd Corps Entertainment” and is perfect for the target audience (boys in the 6-14 age group) as well as for its broad merchandising potential, which includes products ranging from action figures and toy vehicles to clothing, stickers and even a magazine. The TV rights were sold to RTL II with plans to broadcast the first 26 of a total of 52 episodes as part of its kids' program, Pokito TV, starting in the prime time slot in September 2008. Starting in spring of 2008, the series will be broadcast worldwide to more than 50 markets.

The start of the series in Germany will be preceded by a broad-based marketing and promotion campaign, conducted by m4e AG in cooperation with RTL II and certain licensees. The outstanding US website, www.stormhawks.com, will be adapted for the German market and should provide additional support for the series. The well-known toy and trading card company Upper Deck will be responsible for toy sales and distribution. Clothing and accessories are being marketed by m4e subsidiary Tex-ass GmbH and Panini has signed on as the licensee for stickers and sticker albums.



HUNTIK Secrets & Seekers

The animated series HUNTIK offers lots of adventure and gives viewers a touch of Indiana Jones. The producer, screen-writer, and director of the series is Iginio Straffi, head of the Italian media corporation, Rainbow S.p.a.

The exciting search for ancient artifacts and the missing father of the main character, Lok Lambert, is a production of the Irish studio Big Bocca. The first 26 episodes are anticipated to be ready by Spring 2008 and then aired by RTL II on Pokito TV starting in Spring 2009. At the start of the series, m4e AG is planning a comprehensive marketing and promotion program in the areas of B2B as well as B2C. Many figures make an appearance over the course of the series and m4e AG expects the corresponding licensing deals especially in the area of collectors' items to be concluded in 2008.


Winx
CLUB

Presently enjoying the most success in the m4e AG Entertainment Division are the little fairies of the WINX CLUB. Originally from Italy, where they were created by the production studio Rainbow S.p.a. and produced as a TV series, they have developed into one of the top licensing brands in all of Europe. The Chairman of the Management Board, Hans Ulrich Stoef, formerly worked as an associate producer for this series.

The series has been aired on Nickelodeon with steadily increasing ratings since its debut in 2006. Overall, the 615 broadcasts in 2007 reached a total of 65 million viewers. The success carries over to many other licensing areas. m4e AG currently has signed arrangements with 15 licensees in various categories. One of the highlights is Mattel, which reported a significant increase in 2007 of sales of the Winx dolls compared to previous years. Blue Ocean AG very successfully placed a monthly Winx Club Magazine in August into the highly contested kids' magazine market (over 76,000 issues sold in December 2007). The new m4e subsidiary, Tex-ass GmbH, also participates in the success by selling Winx Club licensed clothing.

m4e AG expects the positive trends to continue through 2008 in all categories. A corresponding boost will come with the opening in German cinemas of the Winx Club animated adventure film – "The Secret of the Lost Kingdom". The film opened to large audiences in Italy last December, performing even better than blockbusters such as Shrek or Ice Age.

texass®

In November 2007 m4e AG acquired Tex-ass Textilvertriebs GmbH, one of Germany's leading textile manufacturers, in a move that radically extended the value chain.

In the twenty years since being founded, Tex-ass developed into a competent service provider and full-service partner with a customer base that includes C&A, Karstadt, Metro, Neckermann, Otto and Quelle. At present Tex-ass produces a variety of products for 40 licensed objects in the entertainment segment. Innovative product designs, an in-house graphics and design department along with the highest production quality standards guarantee customers high-quality, flexible and, above all else, individual collections.

The acquisition provided m4e AG with direct access to and thus control over the production of textiles and accessories. In this way the Company enters into direct communication with the retail markets. Custom-tailored designs and characters can now be offered to both retail and manufacturing partners in the Business-to-Business segment.

In the premium business segment, m4e AG is in a position to develop and offer its customers individually coordinated product designs (customer premium).

Group management report for the Financial Year 2007

ECONOMIC CONDITIONS

Global economic development

According to the International Monetary Fund, the global economy reflected robust growth in 2007 in spite of a weaker US economy and persistent financial turmoil. The increase in global economic growth was 4.9 per cent (previous year: 5.0 per cent).

Investment in the housing market and private consumption slipped over the course of the year 2007 in the USA. Growth rates weakened slightly at year end in the Eurozone due to the slowdown in the US economy. In the fourth quarter of 2007 the US Federal Reserve lowered its prime interest rate by 75 basis points against the background of turbulent financial markets and weaker business indicators. Economic development within the European Union remained relatively stable in 2007. At the beginning of the second half of 2007 the levels of investment and exports were steady. This economic dynamic was driven in the first half of the year by foreign trade and gross capital investment. In the second half of the year in particular private consumption contributed to this trend with an increase of 1.5 per cent. The rising employment figures which began in the previous year also continued achieving an unemployment rate of 7.3 per cent, the lowest point since the introduction of the euro.

Sustained upswing in Germany

The German economy proved to be in fairly good shape in 2007 despite the effects of the pressure caused by the US mortgage crisis on the financial markets.

The increase in value added tax was balanced in large measure by a dynamic level of business activity. The gross domestic product (GDP) was 2.5 per cent (previous year: 2.9 per cent) higher than in 2006. This positive development was sustained by a high level of demand from overseas. In contrast, the economy was burdened by the sharp rise in oil prices and the appreciation of the euro. In September the number of employed persons in Germany rose above 40 million for the first time in history. The unemployment rate at year end was 8.1 per cent (previous year: 9.6 per cent). Even with the strong euro during the reporting period, German firms exported 8.5 per cent (previous year: 12.5 per cent) more goods and services than in 2006. Imports increased by only 5.0 per cent (previous year: 11.2 per cent). The foreign trade balance closed 2007 with a surplus of EUR 198.8 billion (previous year: EUR 159.0 billion).

INDUSTRY TRENDS

The growth trend in the sale of licensed products is continuing worldwide. According to the LIMA study published in November 2007, revenues in 2006 increased by 3.6% compared to the previous year. This growth is fed by the constant high sales figures in the category “Characters”. However, the largest increase was seen in the “Entertainment” category which jumped 6.1% to a total of US$ 23 billion. Supported by more “blockbuster” releases than in 2007, current forecasts call for sustained growth in the licensing segment for 2008 and 2009.

Global marketing deals continue to be one of the key topics in the industry, supported by so-called “day-and-date” openings, i.e., simultaneous worldwide opening dates for blockbuster films like “Spider Man 3” in May 2007.

According to License! Global magazine's “Industry Annual Report 2007” published in October 2007, the USA will continue to be the largest market for licensed products. With overall sales of approximately US$ 108 billion in 2006, it represents a market share of almost 65%, followed by Great Britain, Germany, and Japan.

Germany, which has 8% of worldwide sales, is still considered the country with the greatest growth potential. The LIMA study pointed out that all license categories are under represented here. Total revenue is estimated at approximately US$ 12.7 billion.

The most important marketing channels in Germany will continue to be the specialty retailers, followed by department stores and chains. The focus of retailers in general is increasingly on licensed products, with sports and new business licenses as well as corporate trademarks and brands gaining in importance. The major share of revenue is generated by character and entertainment licenses – in 2006, approximately US$ 2.5 billion.

A breakdown by category reveals: 30% for Apparel (clothing), almost 14% for Toys & Games, 12% for Video/DVD, and approximately 10% for the category, Interactive.

m4e Group also profited in the financial year just ended, from the growing demand for licensed, branded products. This can be attributed to the growing brand awareness on the part of consumers.

The specialty shops followed this trend and increasingly began to add value through the use of well-known brands. m4e gained direct access to this market with the acquisition of Tex-ass Textilvertriebs GmbH, which produces clothing and accessories for the retail trade and positively affected revenue development.

BUSINESS STRATEGY

A key component of the business strategy is the expansion of our own license rights portfolio to broaden the value chain. Specifically, our focus is on the development of own IP-Rights for specific regions and sales categories. The Company will invest more and more in the development of content and take on the partial funding of the production budgets. One promising area here is the family entertainment segment and productions such as animated series and cartoon series. m4e AG already has a broad expert network and know-how. There is a significant advantage trading with own IP-Rights in comparison to pure agency transactions in that less or no licensing revenue has to be paid to the licensor. In this way the Company secures the opportunity for higher licensing income and margins from the worldwide marketing of own IP-Rights. The strategic interest of m4e AG lies in expanding its own portfolio of IP-Rights while reducing its agency business. The Group expects the greatest growth potential for marketing third party licenses in the areas of sports and entertainment.

The Group also plans to gradually expand on an international basis starting with marketing and sales in Europe. The business strategy then calls for continued expansion through international co-productions in other European countries.

BUSINESS DEVELOPMENT

The business model of m4e AG is divided into two business segments: licensing agency and own IP-Rights (Intellectual Property).

The licensing agency is the Company's service provider for national and international IP owners. Since 2004 m4e AG has been the exclusive and worldwide agent for the DFB.

The following licensing contracts were concluded in the Financial Year 2007: In the first quarter, m4e AG purchased the rights to the 3D-animated series “Storm Hawks” from Batrax Entertainment as well as the rights to another 3D-animated series, “Huntik” from Irish the producer BIG BOCCA. The rights to both series were resold, in parallel with their purchase, by m4e AG to the broadcasting company RTL2.

In the second quarter Faces & Names, the New Business Division of m4e AG, concluded a cooperation agreement with textile company C&A. Under the terms of this contract the Company developed and distributed the RTL2 THE DOME COLLECTION. Based on the success of this project the cooperation was prematurely extended in the fall of 2007 for one more year. In the third quarter a similar cooperation agreement was signed with textile company Kik concerning the distribution of our own collections.

In July 2007 the successful placement of 800,000 m4e shares, which was part of the initial public offering on the Entry Standard of the Frankfurter Stock Exchange, resulted in total proceeds of EUR 5.2 million.

In August 2007 the Company successfully concluded negotiations with cdv Software Entertainment AG, a full-service supplier for computer and game consoles for a strategic cooperation agreement.

In the fourth quarter, m4e AG established the joint venture LUCKY PUNCH with Hahn Film AG. The joint production studios in Berlin put m4e AG in A position to develop and produce its own IP-Rights, which equates to the complete control over all rights to use for the licensed object. Shortly thereafter the deal was concluded to acquire Tex-ass Textilvertriebs GmbH, one of Germany's leading manufacturers of clothing and accessories. The order book situation in the textile branch in Germany has been in decline since 2002. However, Tex-ass Textilvertriebs GmbH has managed to buck this general trend and maintained its planned revenue and EBIT results and even improve on them. This was possible above all due to a long-term focus on customer requirements, combined with reliable and fair cooperation with existing clients as well as the addition of new clients.

EARNINGS, FINANCIAL AND ASSET SITUATION

Earnings situation

The financial year ending on December 31, 2007 was a satisfying one for m4e AG. The sales/proceeds targets set for the Initial Public Offering were exceeded. A major contributor to this positive outcome was the successful takeover of Tex-ass GmbH effective on November 15, 2007.

The financial figures for m4e AG cannot be compared with the previous year's (2006) figures reported by the business predecessor m4e Verwaltungs GmbH & Co. KG, because, as a result of the legal change to a publicly-traded company m4e AG (as the business successor to m4e Verwaltungs GmbH & Co. KG) has only been operating since May 1, 2007 and the subsidiary Tex-ass GmbH was only consolidated after the acquisition on November 15, 2007.

As reported in the IAS consolidated financial statements for the financial year 2007, m4e AG achieved consolidated sales of EUR 3.64 million and an operating income (EBIT) totaling EUR 1.3 million. The Group's growth in sales and profits in the past financial year was above the expectations of the Management Board. The Group achieved an EBIT margin of approximately 36 per cent. The operating expenses are characterized by personnel expenses (EUR 0.75 million) and other operating expenses (EUR 0.49 million). The Group's other operating expenses have been reduced by EUR 0.73 million (before taxes) in direct assignable costs related to the IPO in July 2007 as well as by a capital increase in November 2007 that was offset against share equity. Total net income for the financial year 2007 amounted to EUR 901 thousand. The earnings per share amounted to EUR 0.53.

Asset situation

In 2007 the balance sheet total was EUR 18.96 million; this, as reflected on the assets side, is from the rollup of m4e merchandising GmbH & Co. KG and the goodwill (EUR 7.82 million) resulting from the acquisition of Tex-ass GmbH, in addition to cash on hand (EUR 6.39 million). The share of non-current assets amounts to approximately EUR 10.09 million or almost 53% of the balance sheet total. The amount of trade receivables on the balance date was EUR 1.17 million, EUR 0.91 million of which is related to Tex-ass GmbH.

The equity and liabilities side of the balance sheet is characterized by equity (EUR 10.34 million) and the bank loans (EUR 3.80 million) used to partially fund the purchase of Tex-ass GmbH. On December 31, 2007, the capital ratio after the capital increase through contributions in kind within the context of the rollup of m4e merchandising GmbH & Co. KG (EUR 2.45 million), the IPO in July 2007 (EUR 5.20 million) and the additional capital increase executed in November 2007 (EUR 2.18 million) was about 55%. The non-current assets are covered completely by share capital and reserves. In addition to the non-current assets, the equity capital and non-current debt cover approximately 50 % of the current assets. The net current assets (current assets less current liabilities) are positive with EUR 4.4 million; the working capital ratio (current assets over current liabilities) was 2.0 on the balance date.

Financial situation

A notable positive cash flow from ordinary operating activities of EUR 3.80 million was reported for the financial year 2007 – in light of the group net income total of EUR 0.9 million – and was formed mainly from non-cash expenses totaling EUR 2.13 million (write-offs and the additions to provisions). Investing activities in the reporting year included additions of fixed assets and intangible assets totaling EUR 0.53 million and, more significantly, the purchase of Tex-ass GmbH (EUR 7.24 million), which contributed to an overall cash outflow from investing activities totaling EUR 8.61 million. The cash flow from financial activities was reported at EUR 11.2 million, with EUR 7.4 million flowing in from the capital increases and EUR 3.8 million from the long-term bank loans related to the acquisition of Tex-ass GmbH.

Proforma presentation

In the financial year 2007, m4e-Group tripled its sales in comparison to the financial statements of its business predecessor m4e GmbH & Co. KG. Group proforma sales (i.e., full-year treatment of Tex-ass GmbH acquired in November 2007 as well as full-year treatment of the business rollup of m4e merchandising GmbH & Co. KG effective on May 1, 2007) attained a total of 13.66 million euros (prior year: 4.3 million euros). Earnings before interest and taxes (EBIT), likewise on a proforma basis and before the one-time costs of the IPO and the takeover of Tex-ass GmbH, were EUR 2.56 million. This is an increase of 60 per cent compared to the previous year's figure (approximately EUR 1.6 million, net income of the business predecessor m4e GmbH & Co. KG). The EBIT margin (ratio of EBIT over total sales) dropped slightly from approximately 37% in the previous year to approximately 19% in the proforma financial statements for 2007. This decline resulted from the fact that the main revenues in the reporting period were earned from the sale of licensed items from the takeover of Tex-ass GmbH. In this business model margins are lower than with licensing revenues for own IP-Rights. Against the declared goal of expanding worldwide distribution of own IP-Rights and the partial transition of the business model from an agency model to a marketer of own IP-Rights discussed earlier, m4e AG is aiming for significantly higher margins in the future. In summary, it may be said that the operating results, net assets, and financial situation reflect the positive development of m4e Group and that the shareholders can also reasonably expect an appreciation in the corporate value of the Company in the future.

In summary, it may be said that the operating results, net assets, and financial situation reflect the positive performance of the m4e Group and that the shareholders can also reasonably expect an appreciation in the value of the Company in the future.

Personnel development

The Management Board of m4e AG during the reporting year comprised of Hans Ulrich Stoef and Michael Büttner.

In questions of human resources, the Management Board was guided by the principal: “Outstanding employees are the most valuable assets of a company” and essential to a long term corporate existence. The job of building an outstanding team is given the Management Board's full attention. m4e AG is well staffed with subject matter experts, to meet the growing requirements of the market.

On December 31, 2007, there were 26 employees at m4e Group mainly working in the areas of Sales, Marketing and Administration. Personnel expenses amounted to EUR 745 thousand in the financial year 2007, or about 20 per cent of sales.

Investments

The total amount of EUR 8.61 million was invested in tangible and intangible assets during the reporting period. The majority of this amount was for the purchase of 100% ownership of Tex-ass GmbH, Essen, in November 2007.

Tex-ass Textilvertriebs GmbH is one of the leading manufacturers of licensed clothing and accessories and has over twenty years of experience in the business of manufacture and distribution of licensed items.

In addition, in the interest of safeguarding the current and future development of the Company, investments have been made to upgrade and expand the computer system in the context of risk management. In the financial year 2007 m4e also made investments in licensed programming for TV and merchandising.

RISK AND OPPORTUNITIES REPORT

The m4e Group employs an advanced risk and opportunity management system. Capitalizing on opportunities while controlling risks is a management responsibility. The Group has established a risk management system for early identification, management, and control of opportunities and relevant risks.

Business strategy and staff

The expansion strategy pursued by the Company is an essential element in safeguarding earnings and growing profit. A key success factor in the implementation of the expansion strategy is that the Company continues to attract highly qualified employees in the future, especially to keep those currently working on the sales team and also to acquire suitable new employees with the required know-how and the necessary networks in the media and merchandising industry to achieve the strategy it is pursuing. To this purpose, the Company will continue to position itself as an attractive employer.

Business partner network

The Group maintains business relationships with licensors, licensees, producers, media companies, TV broadcasting companies, and numerous other business partners. The successful future development of the Company depends on the continuation of these positive relationships and the addition of new business contacts. The Management Board has access to a broad network based on years of experience in the media and merchandising branch. Furthermore, risk is further minimized with the expansion of the Company sales force to strengthen existing business relationships and build new ones.

Competition

The market for the acquisition and sale of licenses is very competitive. m4e AG competes with all other licensing agencies that operate in this market. Companies that develop and distribute their own content and brands are also counted among m4e AG's competitors. The Company is one of only a few operating in all areas of the licensing market, a fact that inherently reduces risk. Despite a young history, the Company holds a very broad-based license portfolio and more investment in own rights (co-productions) will further reduce the competitive risks in the future.

Financial risk

The Group does not consider itself exposed to significant financial risk in the financial year 2008. Liquidity is guaranteed along the entire budget. The Group created an internal management system with specially developed database software that stores all contractual licensing data concerning the merchandising rights. This system allows the Company to monitor accounts payable and report all payments received from licensees.

As a safeguard for liquidity, m4e also practices risk management in the area of co-production of TV series. Here m4e AG generally divides risk among two or three partners. For example, a topic is developed into a concept design before it goes into production. The concept is then presented at this stage of development to various TV channels as well as the production industry. In the event the expected positive feedback is not received, which effectively eliminates any possibility of partial financing, the concept will not be sent to production. This ensures that the need for a write-off remains minimal – only the development costs – which is then allocated among the partners.

On the basis of its operating activities, the Group has no significant concentrations of currency, interest rate, and credit risk that could affect the net assets, financial position and results of operations. To the extent required the Group employs derivative financial instruments to manage this risk. There were no derivative financial instruments used in the reporting year.

The Group performs its business activities from within Germany and invoices in Euros. Sometimes purchases are made in a foreign currency, although the resulting exchange rate risk is not significant.

The risk of default on accounts receivable is viewed as low by the Company. No allowance for doubtful accounts is considered because most the important contracts require a respective bank guarantee or involve relations with a long-term customer where no significant credit losses were ever experienced in the past. Theoretically, there is always a risk that a borrower will be unable to meet his obligations.

Group-wide financial planning tools are used to monitor and manage liquidity risk. The planning horizon extends one year in advance.

Competitive strengths and opportunities

The business strategy of m4e is based on a series of competitive strengths to promote the successful development of the Company:

- Solid international partnerships with licensors and licensees
- Broadly diversified license portfolio in the areas of sports, entertainment, publicity, and brands
- Experienced management with broad-based industry contacts
- Expanding license portfolio with related global distribution of own IP-Rights
- With successful co-productions with high recognition value merchandising offers significant sales and profit potential.

Assessment of overall risk situation

On the basis of current information and knowledge, there is no indication that the potential risks identified above, either individually or in combination, could endanger the continued existence of m4e AG as a going concern. The risks outlined in this report are limited and manageable. The necessary protective measures against these risks have been implemented

SUPPLEMENTARY DISCLOSURES

Subsequent to the balance sheet date, m4e AG concluded a comprehensive licensing and distribution agreement with the NHL – National Hockey

League, one of the four leading sports associations in North America. The agreement laid out a long-term cooperation with the NHL. This is a major step by m4e AG to expand its business in the marketing of sport rights.

In February 2008 m4e licensed the free-TV rights for “Die Schule der kleinen Vampire” (School of Little Vampires) to ORF, the Austrian broadcasting corporation. The children's series can be seen in Austria starting at the end of February 2008. The contract concluded by m4e AG and ORF covers the first two packages of in total of 52 x 11 minutes, of the series produced by Hahn Film AG, Berlin. In Germany the series is aired on KIKA. The series is an international co-production managed by Hahn Film GmbH and is based on the successful book series by the children's book author Jack Niebisch. A feature film is currently in planning and is expected to be released in 2009.

In March 2008 m4e AG and the pay-TV channel, “Premiere”, concluded a joint venture involving brand licensing and merchandising. In the future m4e as an expert in the area of cross-media license marketing will support the Premiere brand and the Premiere broadcasting channel. As the leading pay-TV broadcaster in Germany and Austria, this media partner provides an enormous potential for media-aided licensing and merchandising concepts. The Company has been able to expand its media ventures segment and expects revenues, as a result of this partnership agreement, to be in the upper six-figure range in 2008/2009.

FORECAST REPORT

General economic environment

According to the forecasts of the top 6 German economic research institutes, the global business situation will experience a slowdown in 2008. The correction in the real estate market in the USA will continue while growth in private consumption and the momentum in the global production growth rate will slow in 2008. The strong euro will dampen the economic growth in the Eurozone.

In contrast to the worldwide economic downturn, the Institute for the World Economy in Kiel expects real gross domestic product in Germany to increase by 1.9 per cent in 2007 compared to 2.6 per cent in 2007. The Ifo-business climate index climbed to 104.1 points from 103.4 in January 2008. The positive indicators for the increase in economic performance in Germany are: further declines in unemployment, higher exports, and stabilization in consumption to the previous year's level.

Future industry trends

The worldwide revenue from licensed products continues to grow in 2008 and 2009. The recall of toys with high levels of lead at the end of 2007, which badly affected the toy industry's Christmas season, will barely have an impact on the overall positive trends in the industry.

The market for the development, management, and distribution of media content and brands is experiencing growth. In particular the market environment for interactive and new media has charted a trend of uninterrupted growth for the past five years. In its study: Global Entertainment and Media Outlook 2006 - 2010, Price Waterhouse Coopers forecasts an increase in the international market volume for computer and video games of approximately 11 per cent per year. Even the licensing segment expects further growth in the coming year. Germany, according to the LIMA study, shows one of the highest growth potentials and offers tremendous opportunity, especially, in the areas of sport and new business. The future sales market for m4e Group will presumably remain in a phase of growth and is expected to be exceedingly robust.

Future products and services

The joint venture with Hahn Film AG permits m4e AG to market more of its own licenses and, in the future, this will lead to an optimization of the net value added in all business segments. The first project from LUCKY PUNCH is currently in the development phase: Malmi is an animated production series about the adventures of a little snowman, planned for release in 2008. In addition, the next animation project is already in the planning stage.

The combination of m4e-owned Tex-ass Textilvertriebs GmbH and the partnership with cdv Software Entertainment AG allows the Company to offer one-stop shopping: starting with the development of characters and intermedia production, through the setup of interactive communications activities, to the finished products and licensed distribution: m4e delivers custom designed solutions to industry and trade.

In Licensing & Merchandising, the European Championships are expected to have a positive impact on the licensing revenues in the second half of 2008.

For the current financial year m4e AG is concentrating on investment in own IP-Rights as well as expanding the value chain. This includes the projects at LUCKY PUNCH as well as the entry into the home entertainment branch. The mid-term goal is the establishment of our own home entertainment label to obtain more control over the marketing of DVDs and audio books.

Furthermore, 2008 will be the first year that m4e AG enters the film distribution business and markets its own feature film "WINX CLUB – DAS GEHEIMNIS DES VERLORENEN KÖNIGREICHS."

Economic outlook

It is becoming apparent that the positive performance of m4e is continuing in the current financial year 2008 too. The Management Board is expecting sales of around EUR 20 million. This corresponds to a 46 per cent increase compared to the proforma Group sales of EUR 13.66 million in 2007. The expected earnings before interest and taxes (EBIT) for the Group are over EUR 4 million, an increase of approximately 56 per cent compared to the proforma results of the previous year. The Company has every reason to expect the financial year 2009 will be one of appreciable growth in sales and profit.

Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group and the Group management report includes a fair review of the development and performance of the businesses and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Grünwald, March 30, 2008

m4e AG
The Management Board

Hans Ulrich Stoef	Michael Büttner
CEO	CFO

Notes per IFRS to the Consolidated Financial Statements for 2007

Notes to the consolidated financial statements

A. ACCOUNTING PRINCIPLES

1. General information

The Group parent company, m4e AG, based in Grünwald and entered in the Commercial Register of the Munich District Court (Amtsgericht – HRB 167927) on May 16, 2007, has prepared these first-time consolidated financial statements. The main business activity of the Company is the administration and sale of licenses and use of personality rights, copyrights and other commercially protected rights, especially rights from the fields of sport, film, video, and photo production.

m4e AG was established on October 29, 2003, as m4e Verwaltungs GmbH. The legal form of the Company changed on May 16, 2007, in the Commercial Register from m4e Verwaltungs GmbH to m4e AG. m4e Verwaltungs GmbH was the general partner of the former operating business, m4e merchandising GmbH & Co. KG.

With effect of May 1, 2007, m4e merchandising GmbH & Co. KG, Grünwald, was incorporated by means of a rollup into m4e AG, thus, the operating activities of m4e AG began on May 1, 2007.

m4e AG has been listed on the Entry Standard Market of the Frankfurt Stock Exchange since July 19, 2007.

m4e AG Group was created with the purchase of Tex-ass Textilvertriebs GmbH, Essen, on November 15, 2007.

2. Financial accounting in accordance with International Financial Reporting Standards (IFRS)

m4e AG, Grünwald, has prepared the consolidated financial statements of the Group for the financial year of January 1, 2007 to December 31, 2007, in accordance with the International Financial Reporting Standards (IFRS) or the International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB), London/England as well as all interpretations of the International Financial Reporting Interpretations Committee (IFRIC) in force for the financial year 2007 and earlier interpretations of the Standing Interpretations Committee (SIC) and in accordance with the additional requirements of Section 315a para. 1, of the German Commercial Code (HGB).

The balance sheet differentiates between current and non-current assets and liabilities. Current assets and liabilities are those that mature or are to be disposed of within one year. Correspondingly, assets and liabilities are classified as non-current when they remain in the Company for longer than one year. The consolidated income statement has been prepared using the total cost method.

The annual financial statements of companies included in the consolidation are compiled using consistent accounting policies. The individual accounts of the consolidated companies are prepared to the same balance sheet date as the consolidated financial statements.

3. New accounting rules

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) have issued the following standards, interpretations, and amendments. These are not yet obligatory for the financial year 2007 and some have not yet been endorsed by the EU. An early application of these new accounting standards is not contemplated.

In November 2006 IFRIC issued IFRIC 11, "IFRS 2 – Group and Treasury Share Transactions." The interpretation addresses how to apply IFRS 2 to share-based payment arrangements involving an entity's own equity instruments or the equity instruments of another company in the same Group. The standard is effective for financial years beginning on or after March 1, 2007, with earlier adoption allowed. At present the Group does not expect the adoption of the interpretation to have a material impact on the presentation of the consolidated financial statements. In the financial year 2007 no share options were issued.

In November 2006, IFRIC issued IFRIC 12, – "Service Concession Arrangements". Service concessions are arrangements whereby a government or another public-sector institution concludes contracts with private-sector companies to provide public services, such as roads, energy supplies and distribution facilities. The interpretation is intended to provide guidelines that enable a private-sector company to apply certain approaches and valuation methods for issues that may result in connection with service concession arrangements with a public entity.

The standard is effective for financial years beginning on or after January 1, 2008, with earlier adoption allowed. At present the Group does not expect the adoption of the interpretation to have a material impact on the presentation of the consolidated financial statements.

In September 2006 IFRIC issued IFRIC 13, "Customer Loyalty Programs." Customer loyalty programs are programs that grant customers premium credits (loyalty points, frequent flyer miles), that allow them to acquire goods or services. The interpretation especially clarified how these companies are to account for the free or discounted goods or services (premiums) provided to customers when they redeem credits. The standard is effective for financial years beginning on or after July 1, 2008, with earlier adoption allowed. At present the Group does not expect the adoption of the interpretation to have a material impact on the presentation of the consolidated financial statements.

In July 2007 IFRIC issued IFRIC 14, "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction". The interpretation addresses how to set a limit in accordance with IAS 19 Employee Benefits, on the amount of surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected when there is a legal or contractual minimum funding requirement. This interpretation standardizes how entities recognize an asset in relation to a surplus on a consistent basis. IFRIC 14 is effective for financial years beginning on or after July 1, 2008, with earlier adoption authorized. At present the Group does not expect the adoption of the interpretation to have a material impact on the presentation of the consolidated financial statements.

In November 2008 the European Parliament accepted IFRS 8 Operating Segments, which replaces IAS 14, Segment Reporting. This standard requires the reporting entity to disclose financial and descriptive information concerning reportable segments. Reportable segments are defined as operative segments, or combinations of operating segments, which meet specific criteria. Operative segments are identified as the components of a business for which discrete financial information is available and whose operating results are regularly reviewed by the chief operating decision maker, in order to assess business performance and to allocate resources. In general, financial information must be reported on the basis of internal reporting, which allows the chief operating decision maker to assess the business performance of the operating segments and to decide the allocation of resources among the segments. IFRS 8 is mandatory for annual financial statements for periods beginning on or after January 1, 2009. The Group currently does not anticipate any significant impact on the presentation of the consolidated financial statements from the application of IFRS 8.

4. Scope of consolidation

The consolidated financial statements of m4e AG include the annual financial statements of subsidiaries effective on the date of their legal and actual control by m4e AG.

All shares of Tex-ass Textilvertriebs GmbH, Essen (hereinafter referred to as Tex-ass GmbH), were acquired effective on the date of purchase under the terms of the contract dated November 15, 2007.

Including the parent company, the scope of consolidation includes two domestic companies, which are listed individually in the share ownership chart below.

Company	Ownership
m4e AG, Grünwald	parent company
Tex-ass GmbH, Essen	100.00%

All of the shares in Tex-ass GmbH were purchased for a price of EUR 6,057,000. There is also a variable portion of the purchase price totaling EUR 1,000,000 in shares of m4e AG in the form of a capital increase through contributions in kind and based on the EBIT and net income of Tex-ass GmbH for 2007. This is to be implemented from authorized capital on the basis of achieving results above a predetermined level so that the full acquisition cost is EUR 7,057,000. Beyond this, the purchase agreement provides for another variable purchase price component in totaling

EUR 1,000,000 in shares of m4e AG based on the acquired company's EBIT and net income for 2008, which due to the uncertainty of achieving future targets was not considered as part of the purchase price on December 31, 2007.

The goodwill value of Tex-ass GmbH totaling EUR 5,958,000 resulted from the acquisition and the first consolidation of the subsidiary as of November 15, 2007.

This resulted in the following assets and liabilities at the time of purchase (including purchase price allocation):

Purchase of Tex-ass-GmbH **in TEURO**	**Book**	**Adjustmen for acquired value**	**Market value**
Customer base	0	612	612
Property, plant and equip.	270	0	270
Current assets	2,111	0	2,111
Provisions	-756	0	-756
Current liabilities	-954	0	-954
Acquired net assets	**671**	**612**	**1,283**

Refer to item B.1 in these notes regarding the Tex-ass GmbH customer base identified in the context of the purchase price allocation.

At a book value of EUR 7,057,000 for Tex-ass GmbH there was a difference of EUR 5,774,000, which increased by a further EUR 184,000 as a result of deferred tax liabilities related to the customer base revealed in the purchase price allocation of Tex-ass GmbH. This resulted in a total goodwill amount of EUR 5,958,000.

The annual net income includes EUR 425,000 generated from the operations of Tex-ass GmbH. If the acquisition had taken place on January 1, 2007, Group sales of the continuing business segment would be EUR 13,662,000 and the net income for continuing operations would be EUR 1,695,000.

5. Principles of consolidation

The subsidiaries have been fully consolidated as per IAS 27 as of the date of purchase, November 15, 2007.

IFRS 3 (Business Combinations) is applied here for the new business combination of Tex-ass GmbH on November 15, 2007.

In accordance with IFRS 3.3(b), IFRS 3 was not initially used for the new business combination effective on May 1, 2007, (rollup of m4e GmbH & Co. KG into m4e AG) because the relevant business combination involved transactions under common control. A regulatory gap exists in IFRS 3 concerning businesses under joint control. Also, there are no provisions for such cases in other IFRS standards. The regulatory gap was closed in the current consolidated financial statements through the use of IAS 8.10 and IAS 8.11 with the analogous application of IFRS 3.

In a full consolidation the assets and liabilities as well as the income and expenses of the consolidated company are fully applied.

Sales, income and expenses, receivable, provisions, and liabilities between the consolidated companies have been eliminated. Any immaterial interim results have not been eliminated.

Tax deferrals have been undertaken for temporary differences in the consolidation as required by IAS 12.

6. Accounting and valuation policies

General

In accordance with IAS 27 the annual financial statements of the Group's domestic companies included in the consolidated financial statements have been prepared pursuant to the accounting methods of the parent company presented below.

Intangible assets

Intangible assets have been acquired in return for payment and have been recognized at cost. They are subject to straight-line amortization on the basis of their useful economic life (3 to 7 years).

The customer bases of m4e AG and Tex-ass GmbH as determined in the framework of a so-called Purchase Price Allocations (PPA) will be amortized over a useful life of seven years.

Goodwill is not subject to scheduled amortization, but rather undergoes an impairment test once a year.

In summary, intangible assets are amortized by applying the straight-line method in accordance with the following periods:

	Years
Goodwill	Unscheduled
Customer base	7
Licensing rights, software	3-7

The useful life and amortization methods are reviewed annually. In the event of a change in the anticipated useful life or the planned amortization schedule of the intangible asset, another amortization period or method will be selected. Any such changes are treated as changes in estimated value.

Property, plant and equipment

According to IAS 16, property, plant and equipment are recorded at cost. Scheduled depreciation is calculated using the straight-line method based on their expected useful economic lives.

Maintenance and repair costs are expensed as incurred. Capitalization takes place if the measure leads to a future economic benefit as subsequent acquisition or manufacturing costs.

Property, plant and equipment have been subject to scheduled depreciation using the straight-line method on the basis of their expected useful economic lives. Specifically, the economic useful life for factory and office equipment is depreciated over a period between 3 and 13 years.

Impairment of intangible assets and items of property, plant and equipment
Special write-downs are recorded in the event of impairment that results from a change in the situation which can reasonably be expected to lead to a permanent loss in value. At each reporting date an assessment is made to determine if there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the respective asset. The recoverable amount is the higher of the asset's value in use and the recorded fair /market value less disposal costs. The value in use is generally determined using future cash flows based on a discounting rate before taxes, which reflects current market expectations regarding the effective interest rate and specific risks to the asset against the market value.

In the event the recorded fair/market value cannot be reliably determined, the recoverable amount is the asset's value in use. When the book value of the asset exceeds the recoverable value, the asset is considered impaired and written down to its recoverable value. The amount of impairment losses may be expensed in a separate item.

The necessity for a whole or partial reversal of impairment loss is examined when there is an indication that the basis for the write-down recognized in prior financial years may no longer exist. A previously recorded impairment loss is reversed when there has been a change in the estimate used to determine the recoverable amount since the recording of the previous impairment loss. In such a case the book value of the asset is increased to the recoverable amount. The increased book value may not exceed the original book value after taking into account the depreciation that would have accumulated had there been no impairment recognized in the earlier years. Such a reversal of loss must be recorded at once in the profit/loss account for the year. Subsequent to the recognition of an impairment reversal, there is an adjustment to the depreciation expense in future reporting periods, in order to systematically allocate the adjusted book value of the asset, less any remaining book value, to the remaining useful life. No impairment losses are recorded for the reporting period.

Finished goods and merchandise
Inventories in this item are valued at cost according to the lower of cost or market principle and including incidental acquisition costs. A surcharge of 22% is applied for incidental acquisition costs (i.e., freight and transportation costs) as well as for labeling, relabeling, and transfer costs. The 22% surcharge rate is an average cost rate, based on past experience. Valuation simplification procedures have not been applied.

Trade receivables and prepayments
Trade receivables and prepayments are recorded at their nominal values and, if identified as high risk, adjusted individually.

Other assets, prepaid expenses
Other assets and prepaid expenses are recorded in the balance sheet at their nominal value and, if identified as high risk, adjusted individually.

Cash and cash equivalents
Liquid funds include all cash and cash equivalents that have a maturity of three months or less from the time of purchase or investment. Cash and cash equivalents are recognized at amortized cost.

Provisions
According to IAS 37, provisions are formed when legal or constructive obligations to third parties exist that have their basis in the past and will probably lead to an outflow of economically useful resources in the future of an amount that can be reliably estimated in the present. Discounting is recognized when the interest rate effect is material. Other provisions include all recognized obligations. Provisions are reviewed on the balance date and adjusted to the best estimate. The value estimates are based on probable amounts.

Provisions are shown as an expense in the annual income statement after deducting expected refunds. In the event the interest rate is material and to the extent a cash outflow for the obligation is only expected after one year, provisions are discounted with an interest rate before tax which may reflect the specific risk for the liability. In case of discounting, the increase of the provision, conditional on timing, is recorded as an interest expense.

Liabilities

Liabilities and mid-term financial debt are recorded unchanged at their nominal or at the repayment amounts. The fair value of long term liabilities is used as the book value as these are subject to market interest rates. Financial liabilities are written off when the contractual obligations have expired or have been rescinded.

Deferred taxes

According to IAS 12, deferred taxes are recognized for temporary differences in the accounting and valuation methods for the taxation of the individual companies and the stated values for financial reporting in the IFRS consolidated balance sheet (i.e., "temporary concept"), for adjustments to standardized Group accounting policies as well as for consolidation adjustments to the extent the underlying valuation differences will be realized in future periods. Deferred tax advantages from unused tax losses and unused tax credits are recognized to the extent it is highly probable that the respective company will be subject to a tax in the future, to which the unused tax losses and unused tax credits can be applied. Deferred tax liabilities are determined on the basis of the tax rates in effect at the time netted or that will apply in the future. The overall tax rate applied on December 31, 2007, for the determination of deferred taxes was 30%.

Deferred taxes are recorded in the consolidated income statement as tax revenue or expense, unless they are recorded directly to equity positions that are neutral in their effect on profit; in such cases, the deferred tax liabilities are also recorded under equity as neutral in their effect on profit. Deferred tax assets and liabilities are balanced by company, to the extent they concern income taxes levied by the same tax authority and the Group intends to balance current tax claims and liabilities on the basis of net values.

Contingent liabilities and assets

Contingent liabilities and assets are not recognized in the balance sheet. They are disclosed in the notes to the consolidated financial statements unless the chance of economic benefit from the expenditure or acquisition of resources is highly unlikely.

Leasing

Leasing relationships, whereby a major share of the benefit and risk originating from ownership of the leased object remains with the lessor, are classified as operating leases. The payments made or received over the term of the operating lease are recorded in the income statement.

Subsequent events

Events that have occurred after the date of the balance sheet which provide additional information about the financial situation of the Company would be considered in the consolidated financial statements. Material events that have occurred subsequent to the balance date are disclosed in the notes. There were no material subsequent events in 2007.

Revenue and expense recognition

Sales revenue is recorded during the period in which the respective economic benefit associated with the business transaction transfers to the Company and the amount of revenue can be reliably stated. Possible price rebates and discounts are considered when recording revenue. The earnings from services provided are recognized in the period in which the respective service was delivered.

Interest is recorded proportionally over time using the accrual basis of accounting.

The interest on borrowed investment capital during the manufacturing phase of the asset is capitalized until the asset is finished and not recorded as an expense. After manufacture is complete, interest on borrowed capital is always recorded as expense. No interest on borrowed capital has been capitalized in the year under review.

Operating expenses are recognized at the time incurred, or with performance of the service.

Measurement uncertainty

Measurement uncertainty exists when discretionary decisions are made in the application of the accounting principles. The most important assumptions about the future and the other major sources of uncertainty that existed on the balance date and, because of inherent risk, lead to the possibility that adjustments may be necessary to the estimated book values of assets and liabilities in the coming financial year, are discussed below:

- The estimates of current market value for assets and liabilities as well as the useful lives of the assets are based on the assessment of the management. This also applies to the estimation of impairment loss for tangible assets and intangible assets as well as financial assets.

- Assumptions have to be made when calculating current and deferred taxes. The probability of attaining the respective taxable income plays a major role, especially for the discretionary decisions about whether the deferred tax assets can be used.

Generally, the best possible insights regarding these measurement uncertainties are derived from the situation on the balance date. The actual amounts may still vary from the estimates. The amounts that are recognized in the financial statements and which incorporate these uncertainties are reported in the balance sheet or in the applicable disclosures.

No major changes in the assumptions underlying the accounting and valuation policies were to be expected upon compilation of the consolidated financial statements. In this respect, no noteworthy adjustments are currently to be expected in the assumptions and estimates or to the book values of the relevant assets and liabilities in the financial year 2007.

B. NOTES TO THE IFRS CONSOLIDATED BALANCE SHEET 2007

Non-current assets

The statement of changes to Group assets (see page 55) presents the changes in the Group's assets in the financial year 2007.

(1) Intangible assets

This item consists of the following:

	in EUR m
Goodwill	7,819
Customer base	1,368
Other intangible assets	550
	9,737

The item for goodwill comprises the goodwill from the rollup of the former operating activities of m4e merchandising GmbH & Co. KG into m4e AG with effect of May 1, 2007, (EUR 1,861,000) and the goodwill of Tex-ass GmbH as a Group company with effect of November 15, 2007, (EUR 5,958,000).

The customer base is apportionable – after scheduled depreciation totaling EUR 85,000 – to m4e AG with EUR 771,000 and Tex-ass GmbH with EUR 597,000.

The goodwill of EUR 1,861,000 for m4e AG resulted from the business combination of the business predecessor m4e merchandising GmbH & Co. KG with m4e AG. In the process, with effect of June 18, 2007, a corporate value (market value) of EUR 2,450,000 was determined for m4e merchandising GmbH & Co. KG which is greater than the acquired book value. This figure resulted especially from the identification and valuation of a combination of intangible assets: regular employees, the customer base, and off-balance sheet agreements. The value for the rollup or the contributions in kind discovered in the context of the due diligence of m4e merchandising GmbH & Co. KG exceeded the planning figures. .

The purchase price allocation for m4e merchandising GmbH & Co. KG identified and combined the customer base and off-balance sheet agreements (as these cannot be recognized and measured separately, but rather only in combination) and calculated a present value using the planning figure for the combined customer base by means of the Discounted Cash flow Method. The discount factor used was determined by the Weighted Average Cost of Capital (WACC) method, an interest rate of 4.70 %, a market risk premium of 5.50 % and a 3-month Beta-Factor of 0.43 for m4e AG. Taking a company-specific adjustment factor into account, this resulted in an overall discount factor of 13.25%. A calculation using the planning figure for the combined customer base and the discount factor resulted in a value of EUR 841,000 for the m4e customer base, which will be amortized over a useful life of 7 years (this is the period established for the budgeting periods). The reported amortization of the customer base for 2007 is EUR 70,000.

The corporate value of EUR 2,450,000, less the identified customer base amount of EUR 841,000, plus EUR 252,000 based on the deferred tax liability arising from the purchase price allocation, results in the goodwill amount EUR 1,861,000 reported in the balance sheet for m4e AG.

Refer to item A.4 for more information about the goodwill amount of EUR 5,958,000 arising from the acquisition of Tex-ass GmbH.

The customer base was also identified as an assessable asset as part of the purchase price allocation for Tex-ass GmbH. The evaluation of the customer base followed the discounted cash flow method. The discount factor used was determined by the weighted average cost of capital (WACC) method, an interest rate of 4.70 %, a market risk premium of 5.50 % and a 3-month Beta factor of 0.43 for m4e AG. Taking a company-specific adjustment factor into account, this resulted in an overall discount factor of 12.66%. A calculation using the planning figure for the combined customer base and the discount factor resulted in a value of EUR 612,000 for the customer base of Tex-ass GmbH, which will be amortized over a useful life of 7 years (this is the period established for the budgeting period). The reported amortization amount of the customer base for 2007 is EUR 15,000.

Two cash generating units (CGU) have been identified for the impairment test for goodwill in the consolidated balance sheet of m4e AG, whereby each corresponds to a separate legal entity: m4e AG (CGU 1: Licensing) and Tex-ass GmbH (CGU 2: Merchandising). In the process the recoverable amounts have been reviewed for both CGUs and determined, on the basis of discounted cash flow forecasts (WACC method), for future periods and then compared with the book values of the respective CGUs. For the budgeting periods for CGU 1, a gross profit margin of 40% and a growth ratio of 10% for future periods were assumed. For the budgeting periods for CGU 2 a gross profit margin of 31% and a growth ratio of 1% for future periods were assumed. A discount rate of 13% was assumed for CGU 1 and a discount rate of 12% was assumed for CGU 2. The recoverable amounts for both CGUs have been found to be higher than the book value of the CGUs. According to IAS 36, on the basis of the impairment tests, there is no write-down requirement.

The other intangible assets (EUR 550,000) are comprised mainly of the purchased licensing rights to film productions (EUR 544,000) and software.

(2) Property, plant and equipment

Property, plant and equipment are comprised of factory and office equipment.

(3) Deferred tax assets

Deferred tax assets are shown below:

	in EUR m
Intangible assets	3
Loss carryforward m4e AG	82
	85

Deferred tax assets are created for all unused tax losses as these, in all probability, will be fully realized within the next 3 years. The losses primarily accrue from the parent company, m4e AG and, in accordance with the approved planning figures for m4e AG, will most likely be fully usable within the next three years. The future tax rate to be applied is the Group taxation rate of 30%.

(4) Finished goods and products

No write-downs were necessary for this item which expressly includes merchandise owned by Tex-ass GmbH totaling EUR 678,000.

(5) Trade receivables

The market value of trade receivables of EUR 1,173,000 is recognized at book value. There are no identified individual risks and, consequently, no write-downs have been taken.

(6) Prepayments

This item consists of advanced payments for merchandise totaling EUR 27,000.

(7) Other assets

Other assets totaling EUR 515,000 are broken down as follows:

	in EUR m
Prepayments for rights (agency)	253
Debit account balances	89
Deposits	44
Tax credits from interest and solidarity tax	27
Sales tax credits Tex-ass GmbH	18
Claims against employees	18
Deferred interest credits	11
Other	55
	515

(8) Cash and cash equivalents

This item is comprised of the following:

	in EUR m
Cash on hand	15
Cash at banks	6.372
	6.387

(9) Equity

According to IAS 1, the changes in equity are presented as a separate component of the consolidated financial statements in a statement of changes in Group equity.

(9a) Subscribed capital

The subscribed capital on December 31, 2007, amounted to EUR 3,620,000 and is divided among bearer shares at a par value of EUR 1.00 per share

Subscribed capital increased from EUR 25,000 to EUR 50,000 by means of an increase in cash capital totaling EUR 25,000 on the basis of a resolution passed at the general meeting on April 4, 2007.

At the extraordinary general meeting on June 13, 2007, it was resolved to increase share capital against non-cash contributions from the limited partner's shares of m4e GmbH & Co. KG, which resulted in an increase in subscribed capital on May 1, 2007, of an additional EUR 2,450,000 to EUR 2,500,000.

At the extraordinary general meeting on June 25, 2007, it was resolved to increase share capital against cash contributions related to the public offering by an additional EUR 800,000 to EUR 3,300,000 and again, by a resolution of the Management Board and of the Supervisory Board on November 13, 2007, against cash contributions from authorized capital by EUR 320,000 to EUR 3,620,000.

(9b) Authorized capital

At the general meeting on June 13, 2007, the Management Board was authorized to increase the share capital by issuing new bearer shares on one or more occasions before May 31, 2012, with the approval of the Supervisory Board, against cash or non-cash contributions up to EUR 1,250,000 (authorized capital).

The Management Board is authorized to exclude the subscription rights of the shareholders in the following circumstances:

- to settle fractional amounts,
- in the event of an increase in cash capital that does not exceed the maximum of 10% of the share capital of the Company, to the extent the issue price of the shares is not significantly lower than the stock market price,
- to acquire non-cash contributions, especially, in the form of companies, business units, investments, or rights.

The Management Board is also authorized, with the approval of the Supervisory Board, to determine the additional details of the respective capital increases as well as their execution.

The resolution was entered in the Company's commercial register on June 27, 2007.

On December 31, 2007, after the partial exercise of EUR 320,000, the authorized capital was EUR 930,000.

(9c) Contingent capital
A resolution at the general meeting on June 25, 2007, conditionally authorized a capital increase in share capital up to EUR 1,250,000 by issuing, on one or more occasions, up to 1,250,000 new bearer shares with entitlement to profits effective at the start of the financial year in which the issuance takes place (contingent capital 2007/1). Contingent capital serves exclusively to grant shares to the holders of options or convertible bonds. No new shares were issued in 2007 in the context of contingent capital.

(9d) Capital reserves
The increase of capital reserves to EUR 5,818,000 is based on the premium (less the directly assignable cost of raising equity capital after taxes) totaling EUR 510,000 that resulted from the subscription of new shares issued subsequent to a resolution passed at the extraordinary general meeting on June 25, 2007, which specified a cash capital increase totaling EUR 4,400,000 (the directly assignable cost of raising equity capital is EUR 472,000) as part of the IPO and, on the basis of the resolution passed at the general meeting on November 13, 2007, which specified a cash capital increase totaling EUR 1,856 (the directly assignable cost of raising equity capital is EUR 38,000) from authorized capital. There was also an addition based on the business rollup of m4e merchandising GmbH & Co. KG (EUR 72,000) into m4e AG.

(9e) Loss carried forward
The loss carry forward of EUR 1,000 originated in m4e Verwaltungs GmbH.

(9f) Capital risk management
The Group manages its capital with the aim of maximizing shareholder earnings through the optimization of the debt-to-equity ratio. In the process all Group companies are assured an operating environment that is conducive to the “going concern” principle. The Group capital structure is comprised of debt and cash as well as the available capital of the equity providers of the parent company. This consists of a combination of issued shares, the capital reserve and the net income for the year.

The aims of capital management are to maintain the company as a going concern and secure an adequate return on capital. The implementation demands that capital be employed in relation to risk. Capital is monitored on the basis of economic equity. Economic equity is the balance sheet equity. Debt capital is defined as non-current and current financial liabilities, provisions, and other liabilities.

The balance sheet equity and the net income as of December 31, 2007:

in EUR m	**December 31, 2007**
Equity capital	10,338
Equity as % of total capital	55%
Debt capital	8,622
Debt capital as % of total capital	45%
Total capital (equity plus borrowed capital)	**18,960**

The Group Risk Management Committee regularly monitors the capital structure.

(10) Current and non-current liabilities

Debts or liabilities are classified as short term whenever they must be redeemed in less than twelve months from the balance sheet date. Long-term liabilities must be redeemed no earlier than one year after the balance sheet date.

The time to maturity for liabilities is shown below:

in EUR m	Total	up to 1 year	1 to 5 years	Over 5 years
Liabilities due to banks	3,800		3,800	
Trade payables	2,469	2,469		
Other liabilities	316	316		
Deposits received	52	52		
Total	**6,637**	**2,837**	**3,800**	

(11) Non-current liabilities

(11a) Deferred tax liabilities

Deferred tax liabilities are comprised of the following:

	in EUR m
Intangible assets (licenses)	34
Customer bases of m4e AG and Tex-ass GmbH	410
	444

(11b) Liabilities due to banks

The Company assumed a money market loan for the partial financing of the purchase of shares of Tex-ass GmbH, Essen totaling EUR 3,800,000 with a maturity of December 31, 2012. The loan carries a variable interest rate payment based on the Euribor rate. Long-term interest-earning debt, according to the repayment schedule which extends to December 30, 2012, will be repaid by this date.

(12) Current liabilities

(12a) Short-term provisions

in EUR m	1-1-2007	Use	Release	Addition	12-31-2007	of which, short-term
Provisions for taxes	0	0	0	985	985	985
Other short-term provisions	1	1	0	556	556	556
	1	**1**	**0**	**1,541**	**1,541**	**1,541**

Provisions for taxes are comprised of the following:

	in EUR m
Trade tax	600
Corporation tax	385
	985

Other provisions are broken down as follows:

	in EUR m
Licensing fees	300
Salaries	88
Closing and audit	74
Vacation	18
Revenue sharing	38
Safety deposits	15
Other	23
	556

The provisions for licensing fees total EUR 300,000 and were formed on the basis of unpaid licensing fees for which, as of the balance sheet date or at the time of its preparation, no invoices or settlements had been issued by the licensor.

(12b) Current liabilities

Deposits received

Deposits received consist of advanced payments for licenses.

Other liabilities

Other liabilities are presented as follows:

	in EUR m
Tex-ass GmbH Operating taxes and contributions	177
m4e AG sales taxes	57
Payroll and church tax	31
Payroll	16
Other	35
	316

C. NOTES TO THE IFRS CONSOLIDATED INCOME STATEMENT 2007

(1) Sales

Group sales of main products and services are derived from the following segment operations:

in EUR m		Domestic	Foreign
m4e AG	1,715	1,374	341
Tex-ass GmbH	1,930	1,620	310
	3,645	**2,994**	**651**

Sales analyzed by activity:

	in EUR m
m4e AG	
Agency and licensing income	1,715
Tex-ass GmbH	
Merchandise	1,180
Licenses	750
	3,645

(2) Material expenses

Material expenses include costs for goods purchased (EUR 811,000) as well as the costs for services (EUR 227,000).

Expenses for the procurement and receipt of goods includes the costs of goods purchased by Tex-ass GmbH and are presented as follows:

	in EUR m
Receiving	603
Change in inventory	103
Additional delivery costs, customs and import	67
Other	38
	811

Expenses for the procurement of services include the costs for m4e AG and are presented as follows:

	in EUR m
Revenue sharing	159
Costs of external services invoiced to customers	55
Other	13
	227

(3) Personnel expenses

Personnel expenses of EUR 745,000 result from payroll (EUR 680,000) and social contributions (EUR 65,000).

(4) Amortization

Amortization expenses pertain to the intangible aspects of capital assets and tangible assets and are presented as follows:

	in EUR m
Customer base of m4e merchandising GmbH & Co. KG	70
Other intangible assets	46
Property, plant and equipment	16
Customer base of Tex-ass GmbH	15
Minor value assets	2
	149

(5) Other operating income

Other operating income is broken down as follows:

	in EUR m
Commission income	60
Currency gains	17
Other	2
	79

(6) Other operating expenses

Other operating expense is broken down as follows:

	in EUR m
Cost of office space	71
VInsurances	6
Repairs	13
Fleet expenses	52
Advertising and travel costs	128
Freight	8
Currency losses	27
Closing and auditing costs	43
Adjustments on receivables	17
Bookkeeping	16
Tax advice	13
Supplies	12
Telephone, postage	11
Rentals and leasing	8
Incidentals	8
Courier service	5
Charitable donations	2
Other	52
	492

There is no income outside the period under review as defined in IAS 1 to be itemized.

(7) Financial income

Interest on term deposits in the amount of EUR 78,000 is shown here.

(8) Financial expenses

This item contains short-term interest expense from drawing on a current account (EUR 4,000) as well as a money market loan (EUR 28,000). The amount of the money market loan is EUR 3,800,000 and has a maturity date of December 31, 2012. On the basis of the variable rate (interest rates to EURIBOR plus a specific margin) agreement entered into for the long-term bank loan, an interest rate swap was created for half of the loan amount as a hedge against rate increases with an effective period from January 1, 2008, to December 31, 2012. Based on the variable rate agreement entered into for the long-term bank loan, with rates tied to EURIBOR, any significant interest rate increase could represent a risk for the Company for the unhedged amount of the loan.

(9) Income taxes

Taxes on Group income are broken down as follows:

	in EUR m
Tax expense from balancing the cost of raising equity capital	218
Corporate tax expense 2007	152
Commercial trade tax expense 2007	143
Deferred taxes on unused tax losses and on HGB-IFRS transition	-76
Solidarity tax expense 2007	8
	445

In 2007 the corporate income tax rate in Germany was 25% plus the solidarity tax supplement (for German unification) of 5.5 % applied to the corporate tax. The average trade tax liability for the m4e Group companies was approximately 15%. After deducting the trade taxes from their own and from the corporate income tax basis, an overall tax rate for 2007 of approximately 37% resulted. According to the German corporation tax law, a statutory tax rate of 15% plus the solidarity tax supplement of 5.5% applied to the corporate tax will come into effect in 2008. The average trade tax liability for the m4e Group companies is approximately 14%. The overall tax liability from 2008 will therefore be approximately 30%.

According to IAS 12.86, the corporate tax rate is determined by the ratio of income tax expense to earnings before taxes (IFRS EBT). The taxes on income include both the current and deferred tax expenditure or revenue. Referring to the IFRS EBT amount of EUR 1,347,000 the theoretical income tax amount would be EUR 498,000 and thus a difference of EUR 53,000 to the disclosed tax expense of EUR 445,000. The difference between the expected tax expense based on the tax rate of the parent company and the figure disclosed is explained below.

Tax transitioned to current tax revenue	**2007**
	in EUR m
Earnings before tax on income	1,347
Income tax rate for m4e AG	37.0%
Expected income tax expense	498
Difference in assessed tax due to variations between local tax rates and the theoretical tax rate	-53
Reductions based on non-taxable income less increases based non-deductible expenses	0
Current tax expense (+) / yield (-)	445
Effective tax rate	**33,0%**

(10) Earnings per share (IAS 33)

Earnings per share as of December 31, 2007, are determined as follows:

Capital measures (Date of entry)	**Start date**	**End date**	**Subscr. capital**	**Period**
Capital increase Business form change 05-16-2007	01-01-2007	05-16-2007	25,000.00	135
Capital increase Rollup of m4e KG 06-18-2007	05-17-2007	06-18-2007	50,000.00	32
Capital increase IPO 07-30-2007	06-19-2007	07-30-2007	2,500,000.00	41
Capital increase from 12-12-2007	07-31-2007	12-12-2007	3,300,000.00	134
	12-13-2007	12-31-2007	3,620,000.00	18

Weighted average Shares	1,707,875.00
Annual net profit in EUR	901,376.00
Earnings per share (undiluted/diluted)	**0.53**

Earnings per share are determined according to IAS 33 by dividing the net income by the weighted average number of outstanding shares during the reporting year. As of December 31, 2007, due to contingent capital no shares were granted to holders of option or convertible bonds which could dilute the profit per share as of December 31, 2007.

D. SEGMENT REPORTING

According to IAS 14.31, segment reporting must be carried out on the basis of the internal organizational structure of the Group. The segments of the Group structure are those sub activities that sell products and deliver services using their own uniform risk and earnings structure, but nevertheless, differ in their risk and earnings structure to the other segments. The primary reporting format for the reportable sub activities of the Group is divided into two segments, licensing and merchandising, which are also separated into legally independent Group companies.

The licensing segment comprises the core business of m4e AG. Licensing performs the marketing of intellectual property rights (IP-Rights). This includes both own rights as well as third party rights (agency transactions).

The merchandising activities are bundled primarily in the subsidiary Tex-ass GmbH. In this segment licensed textile items are produced and sold to large retail department stores. The Group only performs this business from within Germany.

The net assets, financial position and results of operations in the segments described above are presented below.

Segment information 2007:

in EUR m	Licensing	Merchandising	Group
External sales	1,715	1,930	3,645
Inter-segment sales	0	0	0
Total sales	1,715	1,930	3,645
Segment write-offs	128	21	149
Segment earnings	589	712	1,301
Financial earnings	45	1	46
EBT	634	713	1,347
Taxes			445
Group annual earnings			901
Segment assets	15,051	3,910	18,961
Segment debts	6,411	2,212	8,623
Segment investments	491	36	527

E. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

The cash flow statement shows in accordance with IAS 7 (Cash Flow Statement) how the cash balance within the Company changed over the course of the reporting year (see Consolidated Statement of Cash Flow in the Financial Notes, page 53). A distinction is made in the cash flow statement between the origin and utilization of cash from ordinary operations, investment activities, and financing activities and is prepared using the indirect method. The cash amounts taken into account in the cash flow statement include the cash on hand and the bank credits including call money.

Based on a Group annual net income totaling EUR 901,000 and in consideration of the non-cash expenses totaling EUR 2,133,000 (write-offs and the addition to provisions) and the reduction in net current assets by the amount EUR 760,000, the Group attained an inflow of funds from ordinary operating activities totaling EUR 3,794,000. The decrease in net current assets is characterized by the increase in short-term liabilities.

The outflow of funds from investment activities totaling EUR 8,610,000 is mainly the result of the acquisition of Tex-ass GmbH at EUR 7,242,000. Moreover, an outflow of EUR 841,000 is the result of the rollup of the customer base of m4e merchandising GmbH & Co. KG as well as an additional outflow of EUR 527,000 for investment in fixed assets.

The inflow of funds from financing activities (EUR 11,201,000) is the result of EUR 7,401,000 from the capital increase performed during the reporting year (Equity contributions in addition to the premium on capital reserves) as well as EUR 3,800,000 from a long-term bank loan for the purpose of partially financing the acquisition of Tex-ass GmbH.

Overall the cash balance increased during the reporting period by the amount of EUR 6,385,000.

F. OTHER NOTES AND DISCLOSURES

(1) Liabilities

The shares of Tex-ass GmbH were pledged to the credit issuing bank as collateral for the liabilities due to the bank (purchase price financing for the purchase of shares of Tex-ass GmbH in the amount of EUR 3,800,000).

The purchase agreement concerning the acquisition of the shares of Tex-ass GmbH features a second performance-related purchase price component that splits the purchase price into a second payment obligation of EUR 1 million through the granting of shares of m4e AG to the seller in 2009. In this context, the equity for 2009 was increased by contributions in kind from authorized capital.

(2) Other financial liabilities

The other financial obligations consist mainly of leasing, rentals, and insurance as shown in the following table:

Contract type in EUR	Subject	due	due 2009-2012	due from 2013
Leasing	Auto	51,259.98	46,777.52	0.00
Rental	Office building	142,363.80	191,643.36	0.00
Insurance	Auto/D&O	28,446.00	81,784.00	0.00
Total	**222,069.78**	**320,204.88**	**0.00**	**0.00**

The operating leases are for eight vehicles. Options to extend and price adjustment clauses are not components of the leasing agreements.

(3) Financial instruments

Book values are presented on the balance sheet on the basis of the classifications provided in IAS 39 / IFRS 7.8.

in EUR m	Cash	Trade receivables	Liabilities
Loans and receivables	6,387	1,173	
Financial liabilities that are valued at residual book value			3,800
Total	6,387	1,173	3,800

(4) Related Party Disclosures

According to IAS 24, parties are considered to be related if they are subject to the control or significant influence of the reporting Company or they are able to exercise control or significant influence over the Company. For example, a person or company with a key management function is considered as a related party.

Disclosures concerning the business relationships of members of the Management and Supervisory Boards as well as possible additional related persons are shown in the following table in EUR m:

Persons/ transactions	Controlling Persons	Persons with significant influence	Associated Persons	Subsid-iaries	Joint Ventures	Management in key - positions	Other related persons sonen
Services							250

Services are accounted for on the basis of market prices.

(5) Employees

During the reporting year the Group employed an average staff of 21, of which 11 were employed at Tex-ass GmbH and 10 at m4e AG. Only subsequent to the rollup of m4e merchandising GmbH & Co. KG on May 1, 2007, did m4e AG employ its own staff.

(6) Notes on the Company Bodies

Management Board

In the period under review, the following were appointed members of the Management Board:

- Mr. Hans Ulrich Stoef, Oberpframmern, Germany; Businessman, CEO and director of Marketing, Sales, Purchasing, and Production
- Mr. Michael Büttner, Oberpframmern, Germany; Businessman, CFO and director of Finance, Controlling, and Investor Relations

The total remuneration for the Executive Board in the Financial Year 2007 amounted to TEUR 272 including the pecuniary advantage of Company cars. Total compensation consisted exclusively of fixed amounts in 2007.

The current CEO, Hans Ulrich Stoef also sits on the following Supervisory Board:

- Member of the Supervisory Board of cdv Software Entertainment AG, Munich

Supervisory Board

In the period under review the following were appointed members of the Supervisory Board:

- Mr. Oliver Jansen, Munich, (Chairman),
- Mr. Jens Röhrborn, Munich, (Vice- Chairman),
- Mr. Andreas Kinsky, Munich, (Member)

The current members of the Supervisory Board also hold seats on the following Supervisory Boards:

Mr. Jens Röhrborn
- Member of the Supervisory Board, Patrio Plus AG, Hamburg
- Member of the Supervisory Board, Wirecard Bank AG, Grasbrunn
- Member of the Supervisory Board, Arena Boxpromotion AG, Hamburg
- Member of the Supervisory Board, Prime Time Entertainment AG, Mörfelden
- Member of the Supervisory Board, Habour Real Estate Portfolio AG, Hamburg

Mr. Andreas Kinsky
- Member of the Supervisory Board, Patrio Plus AG, Hamburg

The Supervisory Board waived its statutory right to remuneration for 2007.

(7) Subsequent events

There were no material events after December 31, 2007 that meet the requirements of mandatory disclosure.

(8) Financial risk

On the basis of its operating activities, the Group has no significant concentrations of currency, interest rate and credit risk that could affect the earnings, financial and asset situation. Where required, the Group employs derivative financial instruments to manage this risk. There were no derivative financial instruments used in the reporting year.

The following sections discuss the individual risks and risk management in greater detail.

Foreign exchange risk

Currency risk occurs notably when receivables, payables, means of payment, and planned transactions exist, or will accrue, in a currency other than the company's local currency.

The Group performs its business activities from within Germany and invoices in Euros. Sometimes purchases are made in a foreign currency, although the resulting exchange rate risk is not significant.

Interest rate risk

The Company has assumed a money market loan for EUR 3,800,000 with a maturity of December 31, 2012. On the basis of the loan agreement, an interest rate hedging instrument (an interest rate swap provision) becomes effective on January 1, 2008, for half of the loan amount. On December 31, 2007, there had been no other interest rate swap. Based on the variable rate agreement (interest rates to EURIBOR plus a specific margin) entered into for the long-term bank loan, a significant interest rate increase could possibly represent a risk for the Company for the unhedged half of the loan.

Credit default risk

The risk of default on accounts receivable is viewed as low by the Company. No allowance for doubtful accounts is considered because most important contracts require a respective bank guarantee or involve relations with a long-term customer where no significant credit losses were ever experienced in the past. Theoretically, there is always a risk that a borrower will be unable to meet his obligations.

Liquidity/Refinancing risk

The liquidity risk for the Group primarily results when available resources are inadequate to meet financial obligations. Group-wide financial planning tools are used to monitor and manage liquidity risk. The planning horizon extends one year in advance.

The Group has access to credit lines in order to ensure liquidity at all times. At December 31, 2007 the amount still undrawn was EUR 750,000. The Group expects to meet other liabilities using cash flows from operating activities and the inflow from maturing financial assets. Furthermore, the Group intends to maintain the current debt-to-equity ratio.

(9) Release of consolidated financial statements for approval and publication

On March 31, 2008, the Management Board of m4e AG released the consolidated financial statements for submission to the Supervisory Board. It is the duty of the Supervisory Board to examine the consolidated financial statements and to declare its acceptance of them. The Management Board also proposes that the Supervisory Board and the General Meeting on July 9, 2008 approve the carry forward of the results.

(10) Responsibility statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the earnings, financial and asset situation of the Group and the Group management report includes a fair review of the development and performance of the businesses and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Grünwald, March 31, 2007

m4e AG
The Management Board

Hans Ulrich Stoef	Michael Büttner
CEO	CFO

Consolidated Balance Sheet as of December 31, 2007

ASSETS	Notes	12-31-2007
		EUR
I. NON-CURRENT ASSETS		
1. Intangible assets		
a) Goodwill	B.1	7,819,373.65
b) Customer base	B.1	1,368,345.24
c) Other intangible assets	B.1	550,063.20
		9,737,782.09
2. Property, plant and equipment		
Other equipment, factory and office equipment	B.2	356,782.00
3. Deferred tax assets	B.3	84,771.93
TOTAL NON-CURRENT ASSETS		**10,179,336.02**
II. CURRENT ASSETS		
1. Inventories	B.4	678,325.20
2. Trade receivables	B.5	1,173,271.11
3. Payments on account	B.6	27,345.60
4. Other assets	B.7	515,260.73
5. Cash and cash equivalents	B.8	6,386,829.63
TOTAL CURRENT ASSETS		**8,781,032.27**
TOTAL ASSETS		**18,960,368.29**

EQUITY AND LIABILITIES

	Notes	12-31-2007
		EUR
I. SHAREHOLDERS' EQUITY		
1. Subscribed capital	B.9a	3,620,000.00
2. Capital reserves	B.9d	5,818,103.78
3. Loss carryforward	B.9e	-1,317.66
4. Earnings after taxes		901,376.63
TOTAL EQUITY		**10,338,162.75**
II. NON-CURRENT LIABILITIES		
1. Deferred tax liabilities	B.11a	444,496.46
2. Liabilities due to banks	B.11b	3,800,000.00
		4,244,496.46
III. CURRENT LIABILITIES		
1. Short-term accruals		
a) Tax accruals	B.12a	984,705.20
b) Other accruals	B.12a	556,262.98
		1,540,968.18
2. Short-term liabilities		
a) Trade payables		2,468,589.56
b) Deposits received	B.12b	52,000.00
c) Other liabilities	B.12b	316,151.34
		2,836,740.90
TOTAL SHORT-TERM LIABILITIES		**4,377,709.08**
TOTAL LIABILITES		**8,622,205.54**
TOTAL EQUITY AND LIABILITES		**18,960,368.29**

Consolidated Income Statement for the Financial Year 2007

	Notes		01-01-2007 – 12-31-2007
		EUR	EUR
I. Sales	C.1		3,645,670.95
II. Cost of sales			-1,931,743.42
1. Cost of materials	C.2	-1,037,874.43	
2. Personnel expenses	C.3	-744,965.52	
3. Amortization and depreciation	C.4	-148,903.47	
III. Other operating income and expenses			-412,918.67
1. Other operating income	C.5	78,775.59	
2. Other operating expenses	C.6	-491,694.26	
EBIT			**1,301,008.86**
IV. Financial results			45,717.80
1. Interest and similar income	C.7	77,707.83	
2. Interest and similar expenses	C.8	-31,990.03	
EBT			**1,346,726.66**
V. Taxes on income	C.9		-445,350.03
VI. Net profit after taxes			**901,376.63**

Earnings per share		
Earnings per share (Undiluted)	C.10	0.53
Earnings per share (Diluted)	C.10	0.53

Consolidated Cash Flow Statement for the Financial Year 2007

		Notes	2007
		Ref.	in EUR m
	Net Income		**901**
+	Amortization and depreciation of fixed assets	C.4	149
+	Increase in provisions, incl. deferred taxes	B.11a,12a	1,984
-	Increase in inventory, trade receivables and other assets not assigned to investing or financing activities, incl. deferred taxes	B.4,5,6,7	-367
+	Increase in trade payables and other liabilities not assigned to investing or financing activities	B.12b	1,127
=	**Cash flow from operating activities**	**E.**	**3,794**
-	Outflow for investments in property, plant and equipment and in intangible assets	B.1,2	-527
-/+	Inflow/Outflow for the purchase of Tex-ass GmbH as of 11-15-07 (IAS 7.40)	A.4	
-	Intangible assets		-612
-	Property, plant and equipment		-270
-	Short-term assets		-2,112
+	Provisions		756
+	Short-term liabilities		954
-	Goodwill		-5,958
-	Intangible assets rolled up from m4e customer base	B.1	-841
=	**Cash flow from investing activities**	**E.**	**-8,610**
+	Inflow from capital increases	B.9a,d	7,401
+	Inflow from long-term bank loans	B.11b	3,800
=	**Cash flow from financing activities**	**E.**	**11,201**
	Effective change in liquid funds		6,385
	Liquid funds at the beginning of the period		2
=	**Liquid funds at the end of the period**	**B.8, E.**	**6,387**

Interest payments in the amount EUR 3,750 and paid taxes in the amount EUR 20,691 were entered in the financial year 2007.

Consolidated Statement of Changes in Group Equity for the Financial Year 2007 (IAS/IFRS)

in EUR	Notes ref.	Subscribed capital: No. of no-par value shares issued	Subscribed capital: Par value (book)	Capital reserve	Net income	Loss carry forward	Total Shareholder equity
Balances, January 31, 2007		25,000	25,000.00	0.00	0.00	-1,317.66	23,682.34
Net income for the period					901,376.63		901,376.63
Capital transactions							
Capital increase related to the change in legal business form as per shareholder resolution of 4-4-2007	B.9a	25,000	25,000.00				25,000.00
Capital increase through contributions in kind from m4e GmbH & Co. KG as per resolution of the general meeting of 6-13-2007	B.9a	2,450,000	2,450,000.00	71,938.60			2,521,938.60
Cash capital increase as per resolution by the general meeting on 06-25-2007 related to IPO	B.9a	800,000	800,000.00	4,400,000.00			5,200,000.00
Settlement of cost of raising equity capital in the context of the cash capital increase of 06-25-2007	B.9d			-472,261.46			-472,261.46
Cash capital increase as per the Management and Supervisory Board decision of 11-13-2007 from authorized capital	B.9a	320,000	320,000.00	1,856,000.00			2,176,000.00
Settlement of cost of raising equity capital in the context of the cash capital increase of 11-13-2007	B.9d			-37,573.38			-37,573.38
Balances, December 31, 2007		3,620,000	3,620,000.00	5,818,103.76	901,376.63	-1,317.66	10,338,162.73

Consolidated Statement of Changes in Group assets for the Financial Year 2007

in EUR	Acquisition/ Manufacturing Costs 01-01-2007	Additions*	Additions Current Year	Disposals Current Year	Acquisition/ Manufacturing Costs 12-31-2007	Write-offs 01-01-2007	Additions*	Additions Current Year	Disposals Current Year	Write-offs 12-31-2007	Residual Book Value 12-31-2007
1. Intangible assets											
a) Goodwill	0,00	0,00	7.819.373,65	0,00	7.819.373,65	0,00	0,00	0,00	0,00	0,00	7.819.373,65
b) Customer base	0,00	0,00	1.453.000,00	0,00	1.453.000,00	0,00	0,00	84.654,76	0,00	84.654,76	1.368.345,24
c) Other intangible assets	0,00	16.765,00	583.971,80	0,00	600.736,80	0,00	10.220,00	40.453,60	0,00	50.673,60	550.063,20
2. Property, plant and equipment											
Other equipment, factory and office equipment	0,00	477.384,93	34.300,77	4.405,70	507.280,00	0,00	131.108,59	23.795,11	4.405,70	154.903,70	356.782,00
3. Financial assets											
Investments	10.000,00	0,00	0,00	10.000,00	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Total assets	10.000,00	494.149,93	9.890.646,22	14.405,70	10.380.390,45	0,00	141.328,59	148.903,47	4.405,70	290.232,06	10.094.564,09

*) The columns contain cumulative acquisition and manufacturing costs or the cumulative write-offs from the previous year, which are taken into account by m4e AG in the context of the rollup of m4e merchandising GmbH & Co KG as of 5-1-2007 as well as the initial inclusion of Tex-ass Textilvertriebs GmbH in the consolidated financial statements as of 11-15-2007.

Independent Auditor's Opinion

To m4e AG, Grünwald

We have audited the consolidated financial statements - comprised of the balance sheet, the income statement, the cash flow statement, the statement of changes in shareholders' equity as well as the notes to the financial statements and the Group management report prepared by m4e AG, Grünwald for the financial year from January 1, 2007 to December 31, 2007. The preparation and content of the consolidated financial statements and consolidated management report in accordance with the IFRS, as applicable in the EU, and as extended by applicable provisions of German commercial law in Section 315a paragraph 1 of the German Commercial Code (HGB), are the responsibility of the legal representatives of the Company. Our responsibility is to express an opinion on these financial statements and the management report based on our audit.

We conducted our audit of the consolidated financial statements in accordance with Section 317 of the HGB and established German principles for the auditing of financial statements pursuant to German auditing standards as set forth by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit to ascertain with reasonable assurance in accordance with German principles for proper accounting that any inaccuracies and breaches materially affecting the presentation of the earnings, financial and asset situation in the consolidated financial statements and in the Group management report are detected. Our determination of the audit procedures was made with knowledge of the business activities and the economic and legal environment of the Group as well as evaluations of any possible errors. Within the framework of the audit, the effectiveness of the accounting-related internal control system and the evidence supporting the amounts and disclosures in the consolidated financial statements and in the Group management report are examined primarily on the basis of random checks.

The audit includes an evaluation of the annual financial statements of the companies included in the consolidation, the definition of the consolidated companies, the accounting and consolidation principles used, significant estimates made by the Company's legal representatives, and the evaluation of the overall presentation of the annual and consolidated financial statements and the combined management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit did not give rise to any reservations.

In our opinion the consolidated financial statements present a true and fair view of the earnings, financial and asset situation of the Company in accordance with IFRS, as applicable in the EU and extended by applicable provisions of German commercial law in Section 315a par 1, of the HGB and communicated in consideration of these provisions on the basis of the audit results. The Group management report is consistent with the consolidated financial statements, conveys overall an appropriate view of the position of the Group and presents the opportunities and risks of its future development appropriately.

Munich, March 31, 2008

RP RICHTER GMBH
Independent Auditing Company

Weigl	Weber
Auditor	Auditor

Note:
This report contains forward-looking statements. These statements reflect estimates which we have made on the basis of information available to us at the present time. Should the assumptions underlying these statements prove incorrect or should risks - such as those mentioned in the risk report - materialize to an extent not anticipated, the actual results may vary from those expected at the present time.

Financial calendar 2008

February 24-27, 2008	1st Kitzbühel Capital Market Conference, A-ROSA Resort, Kitzbühel
April 2008	Publication of the annual / consolidated financial statements
April 29, 2008	General Standard Conference of the German Stock Exchange
May 6, 2008	5th MKK - Munich Capital Market Conference in SOFITEL
July 9, 2008	General Meeting, at Haus der Bayerischen Wirtschaft, Munich
October 2008	Publication of Semi Annual Report 2008

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