



made for entertainment

HALF-YEAR REPORT



Frosch & Freunde



PlayStation.



Huntik
Brennt & Jakt



Interim Management Report

General economic environment

The German economy grew by 2.2 per cent in the second quarter of 2010. This was the fastest pace of growth since records for Germany overall began in 1991. Germany was at the forefront of European recovery in the first half of 2010, a positive consequence of the rapid growth in exports driven by orders from Asia and rising corporate investment in the reporting period. The Eurozone also saw recovery as a result of Germany's strong performance. Economic growth in the 16 Eurozone countries was one per cent in the second quarter of 2010, thus overtaking that of the US.

Industry trends

Consumer spending was also more stable in the first half of the year. The Federal Statistical Office reports continuous growth in German retail trade in the first six months of 2010. The index measuring buyer confidence was at 3.7 points in June 2010 (previous year: 2.6 points). In June 2010 German retail trade, an important sector for m4e AG, was nominally 5.3 per cent higher and 4.7 per cent higher in real terms than in June of the previous year.

The German toy market saw clear growth in the first half of the year, with turnover and sales volume up 4 per cent from the same period last year. Due to positive consumer trends, further growth is expected to the end of the year (source:

NPD Group). The FIFA World Cup engendered the highest sales growth, at 18 per cent, within the Outdoor & Sport product areas. However, the share of licensed products in this market remained at under 20 per cent. Contrastingly, there was a drop in sales figures for video games consoles and PC and video games themselves. Bitkom forecasts a fall in total sales for this sector of 8 per cent in 2010, to 2.3 billion euro.

BUSINESS DEVELOPMENT

Sales development and earnings position

Despite a brightening of the general mood, the economy is still feeling the after-effects of the financial downturn. Uncertainty over long-term stability in respect of both countries and companies was the overriding impression of the financial world in the first six months of 2010. The m4e Group achieved a positive result in the first half-year in spite of the difficult economic climate and persistently weak consumer activity. With sales of 4.54 million euro (previous year: 5.71 million euro, the Group's earnings before interest and taxes (EBIT) was 0.17 million euro (previous year: 0.37 million euro).

The drop in sales is due to the fact that in the reporting period the m4e Group concentrated on the development of own rights which were still in production, and would only impact sales when completed.

After tax and interest income and expenses, the profit for the first half of 2010 was 0.18 million euro (previous year: 0.36 million euro).

Based on 4.07 million shares (from January 1, 2010 to June 30, 2010), earnings per share for the half-year were 0.04 euro. Earnings per share for the same period last year, based on 4.07 million shares, were 0.09 euro.

Financial situation

The balance sheet figure on June 30, 2010 was 18.6 million euro. Shareholding Equity on June 30, 2010 was approximately 11.9 million euro. The resulting equity ratio was approximately 64 per cent. Compared to the balance sheet date of December 31, 2009 (equity ratio: approximately 60 per cent) this is a rise in the equity ratio of 4 per cent.

Cash flow from operating activities in the reporting period was negative 1.7 million euro (previous year: negative 1.1 million euro). This is mainly attributable to the payment of due license fees in the first half of 2010.

Cash flow from investing activities in the first half of 2010 was negative 0.6 million euro (previous year: negative 1.8 million euro). Investment payments are primarily related to development and production of own film formats.

Cash flow from financing activities on 30 June 2010 was negative TEUR 6 (previous year: negative 0.4 million euro) due mainly to repayment of the loan in respect of the acquisition of Tex-ass GmbH and the addition of new loans for the subsidiary Telescreen B.V.

Asset situation

Trade receivables for the first six months of 2010 were 2.9 million euro (December 31, 2009: 2.1 million euro). Non-current assets were 12.6 million euro (31 December 2009: 12.4 million euro). Their share of the balance sheet figure was thus approximately 68 per cent.

On the liabilities side, short-term liabilities for the first six months of 2010 were 3.9 million euro (December 31, 2009: 4.9 million euro). The reduction in short-term liabilities is mainly due to the reduction of license liabilities.

Long-term liabilities were approximately 2.8 million euro (December 31, 2009: 2.8 million euro) and relate to the Group's loan obligations.

Employees

On June 30, 2010, the m4e Group employed 33 people (December 2009: 35). This represents a drop of 6 per cent.

RISK AND OPPORTUNITY REPORT

The 2009 Management Report describes m4e Group's risk and opportunity management system. This was published in the annual report and is available on the Company website.

EVENTS AFTER THE END OF THE ACCOUNTING YEAR

No events of special significance for the Group took place after the interim reporting date nor after the date of compiling the present report.

FORECAST REPORT

General economic environment

The Federal Government expects the economic recovery to continue in the coming months. The Association of German Chambers of Industry and Commerce (DIHK) estimates an overall growth figure of 3.4 per cent for the year 2010, where previously they had forecast growth of only 2.3 per cent. Leading economic researchers nevertheless believe that it is still too soon to give the all-clear for the economy, as there are signs that the second half of the year will be marked by a weaker trend. There is general optimism surrounding the topic of growth in Germany, with a stable propensity to buy, so that GfK assumes "consumer patterns in Germany are steadily improving".

Industry trends

On the basis of positive developments in the first half of the year, German retailers are confident of being able to attain overall sales for 2010 that will at least equal those of the previous, weaker year. A study by the German Retail Federation (HDE) concludes that retail sales are expected to reach the level of the previous year, of 400 billion euro.

Future business outlook

m4e AG's primary objective is to further expand own IP rights in order to reinforce recognition of brands, to fully realize potential in all marketing areas and ultimately to attain higher margins. The Company continues to follow this strategy. We are currently developing a TV series of 'Mia and me' (previously 'Yoko, Mo & Me') which will be presented for the first time at the Mip-com TV trade fair in October 2010 and will premiere on television in the fall of 2011. We have also secured the rights to the Dutch brand "Pinkeltje" (known in Germany as "Pünkelchen"). Alongside licensing activities, we plan the in-house production of a TV series.

Telescreen has furthermore acquired the international television and video rights to the popular children's character "Conny" from the Carlsen Verlag publishing house.

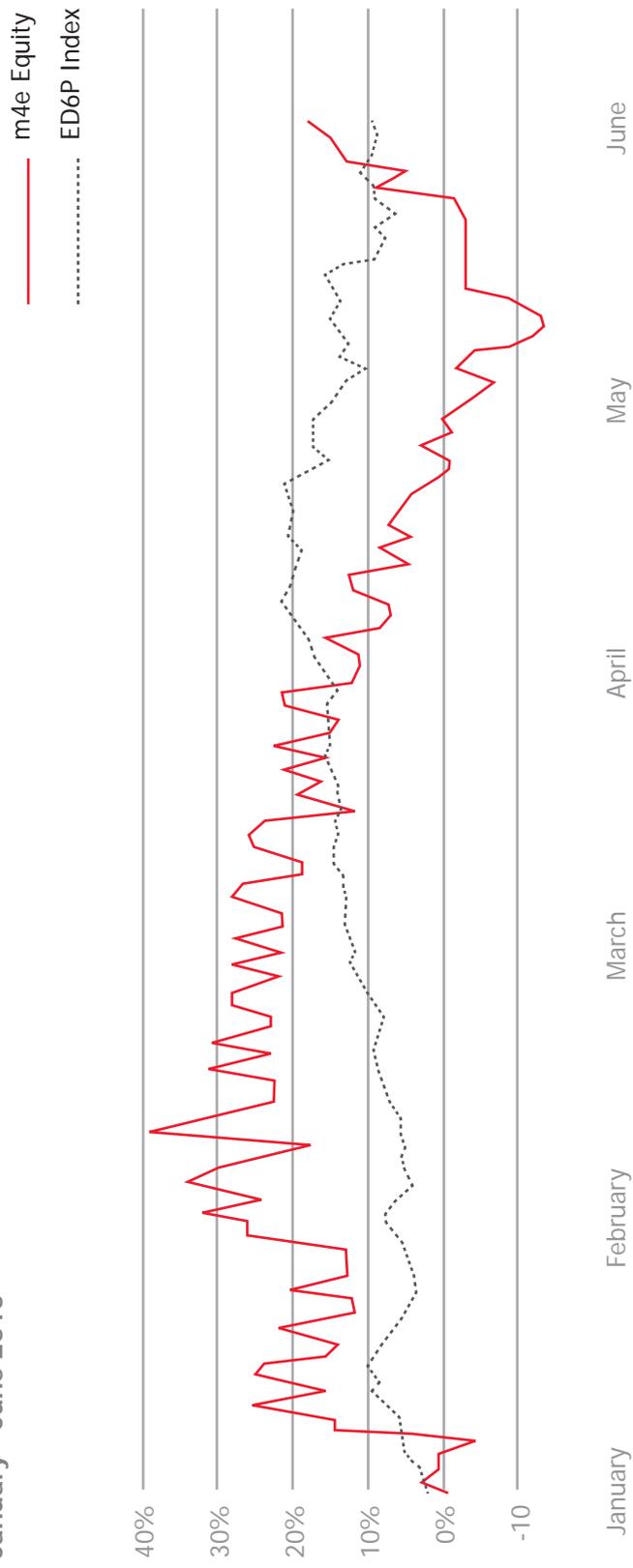
Tex-ass Textilvertriebs GmbH continues to expand its customer base, thus creating a broader platform for the marketing of its products and simultaneously reducing dependencies.

THE m4e SHARE

The m4e share has seen positive development in the first half of 2010, reflecting business development in the period. From an opening price 3.38 euro of on the first day of trading in 2010, the share rose 13.6 per cent to 3.84 euro on June 30, 2010. The German DAX index of major listed German companies changed little over the first six months of the year, rising only 0.1 per cent.

The small-cap SDAX index of smaller companies rose by 10 per cent in the same period. On June 30, 2010 m4e AG's market capitalization was 15.6 million euro (previous year: approximately 8.5 million euro).

Entry Standard Performance January - June 2010



During the reporting period the m4e Management Board made presentations at the Close Brothers Seydler Bank AG Capital Markets conference and the General Standard conference in Frankfurt am Main. Additional talks with investors and media representatives took place, in which the business model and growth perspectives were highlighted.

On July 7, 2010 the Management Board reported to the Annual General Meeting of shareholders in Munich on business developments in 2009 and took questions. The shareholders approved all management proposals by a clear majority. The agenda and voting results can be found on www.m4e.de.

m4e AG is listed on the Entry Standard of the Frankfurt Stock Exchange. In the first half of 2010, 277,642 m4e shares were traded on all German exchanges. The turnover for the previous year had been only 145,099 shares.

Shareholder structure



Share information

SHARE	m4e AG
ISIN / WKN / code Stock type	DE000A0MAEQ3 / A0MSEQ / MU4
denomination	No par value bearer ordinary shares
Number of shares	4.072.500
Stock market	Entry Standard
Stock Exchange	Frankfurt am Main
Industry	Media, licensing, Intellectual Property
Issuing price	EUR 6.50
Opening price	19. Juli 2007 / EUR 6,94
Designated Sponsor	Close Brothers Seydler Bank AG

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

Responsibility statement

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

Höhenkirchen-Siegertsbrunn,

September 30, 2010

Hans Ulrich Stoef
(CEO)

Michael Büttner
(CFO)

Consolidated Balance Sheet as of June 30, 2010

	30.06.2010	31.12.2009
	EUR	EUR
ASSETS		
I. NON-CURRENT ASSETS		
1. Intangible assets	8.010.230,80	8.010.230,80
a. Goodwill	849.416,67	953.202,38
b. Customer base	3.450.190,75	3.042.112,00
c. Other intangible assets	12.309.838,22	12.005.545,18
2. Property, plant and equipment	315.028,80	351.961,00
Other equipment, factory and office equipment	21.778,00	21.888,00
3. Financial assets valued at equity	0	1.508,65
4. Deferred tax assets	12.646.645,02	12.380.902,83
TOTAL NON-CURRENT ASSETS	12.646.645,02	12.380.902,83
II. CURRENT ASSETS		
1. Semi-finished goods	805.546,00	615.663,00
2. Finished goods and merchandise	184.342,59	225.509,05
3. Trade receivables	2.896.941,13	2.109.284,52
4. Other assets	1.615.310,50	1.327.617,49
5. Tax receivables	357.638,00	376.631,00
6. Cash and cash equivalents	125.634,51	2.439.970,29
TOTAL CURRENT ASSETS	5.985.412,73	7.094.675,35
TOTAL ASSETS	18.632.057,75	19.475.578,18

LIABILITIES

11

31.12.2009

30.06.2010

EUR

EUR

I. SHAREHOLDER'S EQUITY

1. Subscribed capital	4.072.500,00	4.070.510,00
2. Capital reserve	7.204.470,63	7.199.037,93
3. Cash flow hedge reserves	-38.202,44	-44.812,08
4. Currency translation reserves	-9.543,72	2.655,60
5. Profit carried forward	476.803,35	1.046.508,35
6. Result for the year	181.956,53	-569.705,00
7. Minority interests	6.889,94	9.806,02
TOTAL EQUITY	11.894.874,29	11.714.000,82

II. NON-CURRENT LIABILITIES

1. Deferred tax liabilities	279.671,41	343.523,04
2. Due to banks and credit institutions	2.519.580,00	2.516.175,00
	2.799.251,41	2.859.698,04

III. CURRENT LIABILITIES

1. Short-term accruals	0	67.000,03
a. Tax accruals		
b. Other accruals	170.806,76	76.323,38
	170.806,76	143.323,41
2. Short-term liabilities		
a. Trade payables	2.577.940,44	3.726.562,53
b. Deferred liabilities	294.897,90	278.452,00
c. Derivatives with negative market value	53.058,94	62.239,02
d. Other liabilities	841.228,02	691.302,36
	3.767.125,30	4.758.555,91

TOTAL SHORT-TERM LIABILITIES

TOTAL LIABILITIES

TOTAL EQUITY AND LIABILITIES

19.475.578,18

Consolidated Income Statement for the first half-year 2010

	01.01.2010- 30.06.2010	01.01.2009- 30.06.2009
	EUR	EUR
I. Sales	4.539.235,13	5.712.596,00
II. Operating expenses		
1. Cost of materials	-2.112.254,19	-3.100.869,27
2. Personnel expenses	-1.188.976,41	-1.138.159,80
3. Depreciation and amortization	-327.020,52	-269.582,83
III. Other operating income and expenses		
1. Other operating income	46.929,15	90.536,37
2. Other operating expenses	-787.046,96	-921.371,36
Operating result	170.866,20	373.149,10
IV. Financial result		
1. Interest and similar income	11.018,67	48.521,65
2. Interest and similar expense	-64.371,02	-67.882,48
Pre-tax result	117.513,85	353.788,27
V. Tax on income	61.526,60	7.418,65
VI. Profit for the year before minority interests	179.040,45	361.206,92
VII. Minority interests	2.916,08	0
VIII. Profit for the year after minority interests	181.956,53	361.206,92
Earnings per share		
Earnings per share (undiluted)	0,04	0,09
Earnings per share (diluted)	0,04	0,09

Consolidated Cash Flow Statement for the first half-year 2010

	30.06.2010	30.06.2009
	TEUR	TEUR
Profit for the year before minority interests	179	361
+ Depreciation and amortization of fixed assets	327	270
+/- Increase in provisions including deferred taxes	-20	-1
+/- Other non-cash expense and income	1	0
-/+ Increase/decrease in stocks, in trade payables and other assets not assigned to investing or financing activities, incl. deferred taxes	-1.204	32
+/- Increase/decrease in trade payables and other liabilities not assigned to investing or financing activities	-999	-1.791
= Cash Flow from operating activities	-1.715	-1.092
-/+ Outflow/inflow for investments in property, plant and equipment and intangible assets. Outflow for investments in financial assets	-594	-1.064
- Interest payments	0	-692
= Cash flow from investing activities	-594	-1.756
-/+ Out-/inflow from bank loans	-6	-448
= Cash flow from financing activities	-6	-448
Effective changes in liquid funds	-2.315	-3.296
Liquid funds at the beginning of the period	2.440	6.966
= Liquid funds at the end of the period	125	3.670

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