Annual Report 2000

RTV Family Entertainment AG

2	**Introduction**
4	**Strategy**
10	**Investor Affairs**
17	**Business Lines**
18	Production
26	Distribution
32	Merchandising
37	**Managing Board Report**
54	**Supervisory Board Report**
56	**Consolidated Financial Statement**
57	Balance Sheet
58	Income Statement
59	Equity Statement
60	Cash Flow Statement
62	Changes in Assets
64	Notes to Financial Statements
100	Audit Opinion
102	**Glossary**

Dear Shareholders

Last year was one of investments and groundwork preparation for RTV Family Entertainment AG. Some 18 months after our initial public offering, RTV is well positioned as a producer, distributor and licensor of children's, youth and family programming.

In April 2000, RTV's headquarters were relocated from Ravensburg to Munich. This move comes after 20 years of being situated in our parent company's headquarters and signals our commitment to achieve our own lofty goals while continuing to maintain close ties to the Ravensburg Group. These ties have been secured long term through contracts in all key areas, notably new concepts and ancillary rights marketing.

Our move resulted in some employees leaving the company, although the relocation to the desirable city of Munich enabled us to find highly qualified employees quickly. Furthermore, we strengthened our talent pool throughout the company and built up several corporate divisions such as marketing, business development and new media.

Last year, we expanded our market position in our core animation business. Thanks to our acquisition of a 68 % stake in Energee Entertainment, Sydney, we now have our own production studio facilities. Our cooperation agreement with Nelvana opens up distribution outlets in North and South America and also provides us with access to North American programming. By acquiring CLT-Ufa's children's, youth and family library, we significantly increased our inventory of internationally marketable rights of high-quality products. We have also established close ties to Super RTL, an important purchaser of children's and family programming.

All these acquisitions and cooperation agreements from last year significantly expand our position in our core business, i.e. children's, youth and family programs. We have also expanded into other areas such as documentaries and adult-market shows.

Our goal is to make RTV a leading European television producer and rights licensor. This year, we will use our strengthened market position to increase the sales contribution from our international businesses and to create long-term geographic diversification.

f.l.t.r. John Travers, Peter Hille, Wolfgang Heidrich

We appreciate your support and contribution to our ongoing expansion and look forward to future long-term, successful cooperation.

Sincerely,

John Travers

Peter Hille

Wolfgang Heidrich

Strategy

RTV began operations in the early 1980s, when Ravensburger AG diversified into new media and created a division to add value to existing content through films. This division later became Ravensburger Film & TV GmbH, which over the past 20 years has developed an excellent reputation as a producer of children's and family programming, especially animation.

RTV's business partners – broadcast networks, producers and licensees – know that we offer tradition, quality and reliability in the production, distribution and licensing of our programs. Our strategy for the years ahead consists of building on this strength to develop long-term, comprehensive international marketing business, innovative ideas and new markets in such compatible areas as documentaries and other adult-market programming. We intend to further develop our core animation business while expanding into select market segments that share many of the same characteristics. This expansion will gradually reduce our dependence on animation programs while further diversifying our revenues.

Last year, RTV invested in production companies and program libraries. This year, we are focusing more on integrating the newly acquired companies and programs while optimizing the marketing of our characters.

Thanks to our majority stake in Energee Entertainment, we now have in-house production capacity. We strengthened our market position as a provider of children's and family entertainment through our acquisition of CLT-Ufa's vast program library covering this market segment. At end-2000, we had a total of 5,800 program episodes, of which 70 % enjoy international marketability.

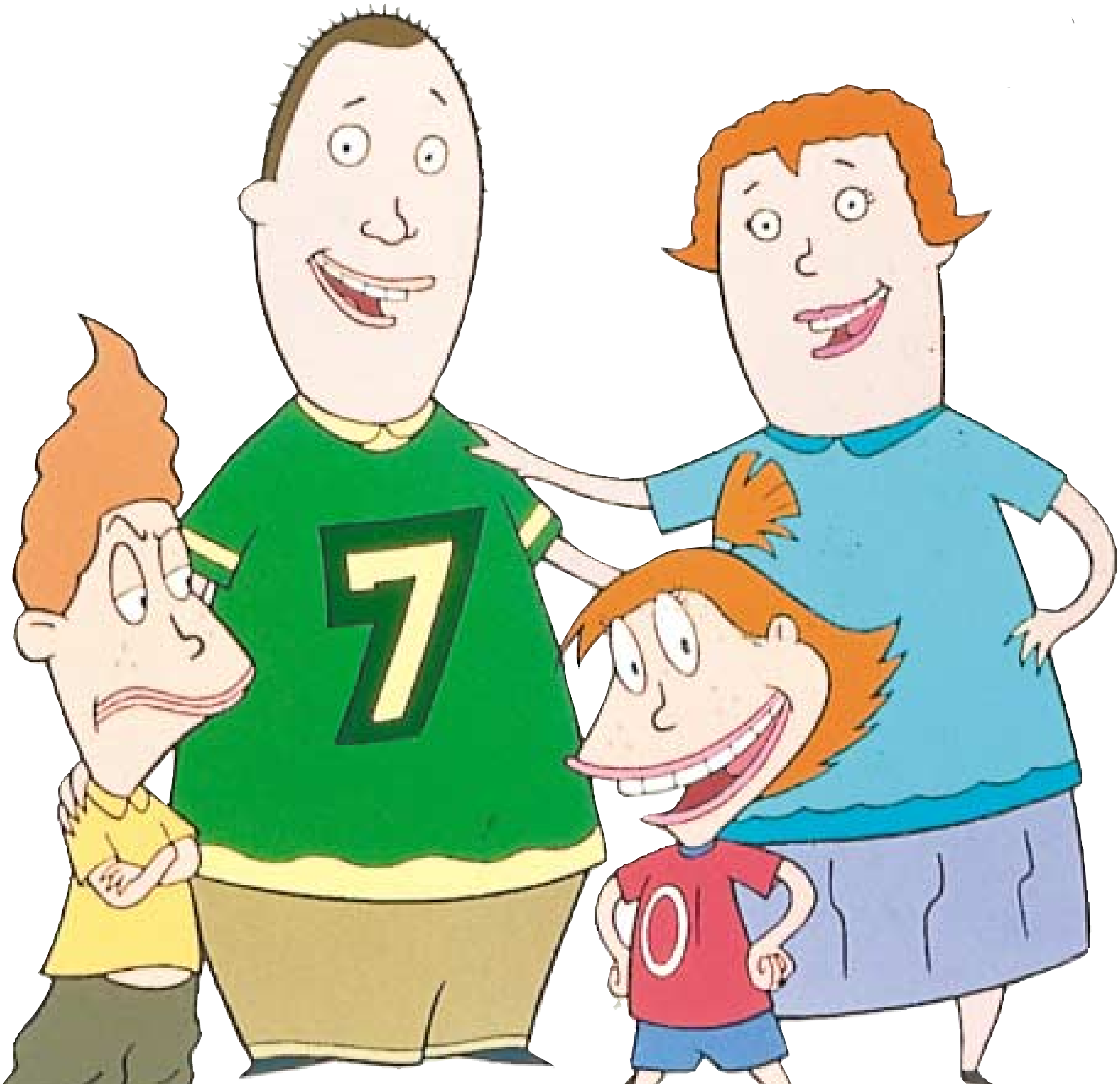
In addition to these acquisitions, we also entered into strategic partnership agreements providing significant sales and earnings contributions. RTV has concluded a multiyear cooperation, coproduction and reciprocal purchasing agreement for animation programming with Toronto-based Nelvana, a leading and well-known North American producer of children's television programming (1999 sales of DM 125 million). We have thus gained entry into the North American market for both production and distribution without having to make a direct equity investment. We also gain access to quality, high-value products for our European markets, especially in the pre-school area with its all-important character marketing potential.

In Germany, we also entered into a long-term cooperation and coproduction agreement with Super RTL, the market leader in children's and family programming. This agreement guarantees sales and air-time for RTV programs and contributes to overall sales. Through acquisitions and new launches, RTV intends to expand into compatible genres and new market segments.

A good example was our 100 % acquisition of Off the Fence last July 1, 2000. This production company based in Amsterdam focuses on wildlife programming and is highly esteemed for its quality productions and reasonable costs. Documentaries share many of the same characteristics as animated productions. Both are easy to rerun and to dub into foreign languages, which makes them well suited for foreign marketing. The agreement with Off the Fence enables us to expand our very successful non-fiction business, both in terms of program hours and geographic exposure. Through its newly developed and acquired programs, Off the Fence will also vastly increase the library over the next two years while optimizing the global distribution.

In the spring of 2000, we implemented our strategic objective of establishing market position as an international producer of television programs and feature films with the launch of Waterfront Medien Produktion GmbH in Hamburg. Waterfront's goal is to develop and produce adult-market programming: television movies, series, shows, comedy and feature films. Medium term, this company will enhance RTV's position in the German market for prime-time programming and help us achieve increased market share abroad.

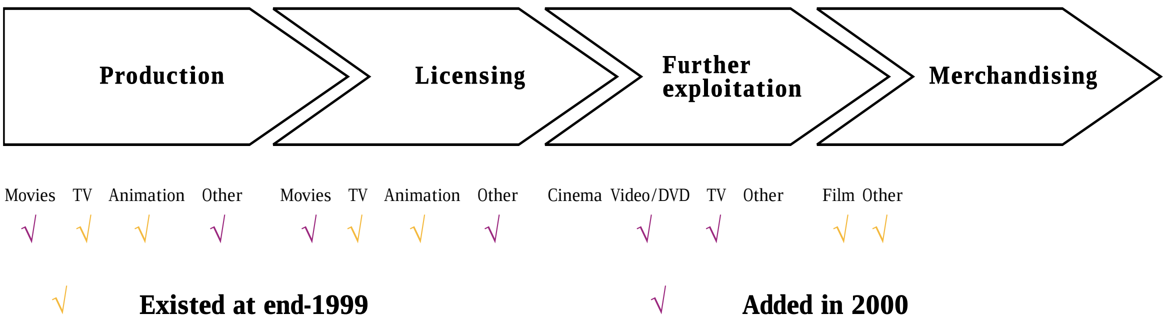
In this context, RTV also acquired a 50,2 % stake in Golbach Productions based in Düsseldorf. This producer of commercials enjoys excellent contacts to well-known directors, with whom we can develop ties and produce adult-market entertainment programming. Golbach Productions' core business, i.e. producing television advertising, is commissioned, which provides RTV with steady cash flow while minimizing financial risk. Through Golbach Productions we expect to get direct access to the advertising industry, a source of future production clients and partners alongside our current stable of renowned coproducers and clients.



Last year, Energee Entertainment and RTV merged their distribution networks into one global sales organization. We now have specialists in Munich, London, Sydney and Amsterdam, who serve all key world markets, except for North and South America where RTV works closely with agents while building up a direct presence through Nelvana. All corporate functions such as developing and monitoring our licensing rights database are carried out in Munich. In 2001, RTV will focus on integrating the respective subsidiaries into a powerful alliance, expanding our foreign network of up-and-coming content developers and optimizing production, distribution and licensing. Our goal is to minimize our dependence on any one product or market segment. At the same time, we want to market several of our well-known characters even more comprehensively. Even in the character development and production phases, we want to ensure that our clients and consumers associate them clearly and exclusively with RTV, which enhances our overall market presence.

Continuous air time on television is essential if characters are to remain popular over the long term. Starting in June 2001, RTV has the opportunity to broadcast its programs independently on free television networks thanks to an agreement to develop and program a two-hour time slot on Super-RTL every day of the week except Saturday. Our goal with regard to this agreement, among others, is to increase our characters' recognition and marketing appeal, which will increase merchandising sales.

Our acquisition of Ravensburger AG's Musik & Video division will also open up a new avenue for adding further value. By licensing the Ravensburger brand, RTV is now positioned as a completely vertically integrated media production company, with one of the best entertainment brands in our core European market.



Investor Affairs

Market trends

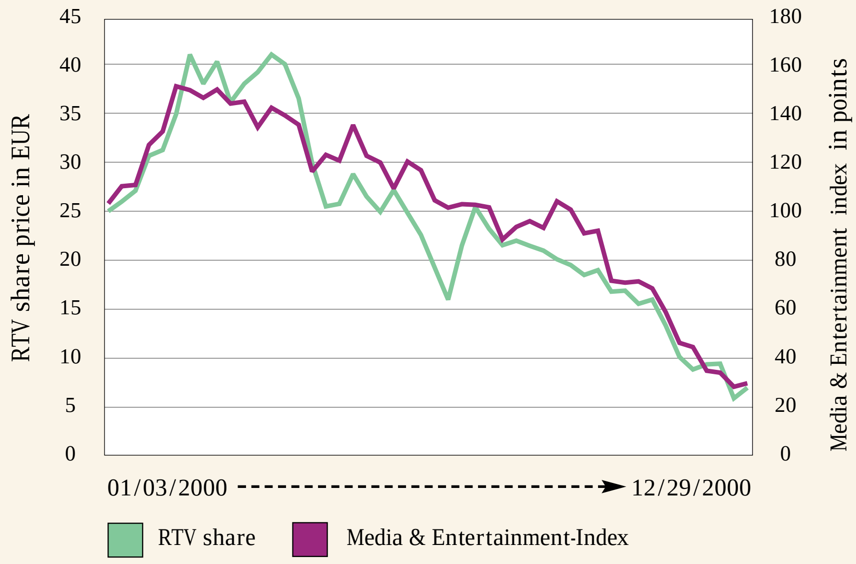
2000 was a year of dramatic changes for Germany's Neuer Markt, with 133 initial public offerings on this exchange, which is home to numerous growth companies. The number of listed companies now totals 331, a 67 % increase. Of that total, 41 (12 %) are active in the entertainment sector. Early in the year, stocks continued their upward march. In the first 10 weeks of 2000, the Nemax-All-Share-Index nearly doubled. In March, the index rose above the 8000 point threshold. Shortly thereafter, however, the market entered new territory. What first appeared to be a healthy correction turned into a major downturn. Share prices were driven downward in an unrelenting spiral because of revised sales and earnings forecasts and false information disseminated by certain market participants.

Investor relations

RTV shares trended very favorably in early 2000. They hit a high of EUR 40.25 on February 25, the day the company announced its transactions with Energee und CLT-Ufa. Market turbulence then negatively affected RTV shares, although we were able to float new shares successfully in a difficult market environment. In April, RTV increased its net cash position through a capital increase, with 1.1 million shares issued at a price of EUR 25.5. Two in-kind capital increases were used to finance the Energee and CLT-Ufa acquisitions and were entered in the corporate register on May 22, 2000. RTV shares lost ground thereafter, but rebounded temporarily in early July on the news of management board additions and a bonus share distribution through a 1:1 stock split. Within days, the shares had jumped 26 % to EUR 21.7. Afterwards, the they fell into step with the sector index and on December 28 fell to an low for the year of

	2000	1999
Number of shares outstanding	23,875,000	10,375,000
Par value	EUR 1	EUR 1
High for the year	EUR 40.25	EUR 40.95
Low for the year	EUR 5.91	EUR 10.35
Year-end market capitalization	EUR 167.13 million	EUR 511.49 million

Share price trend

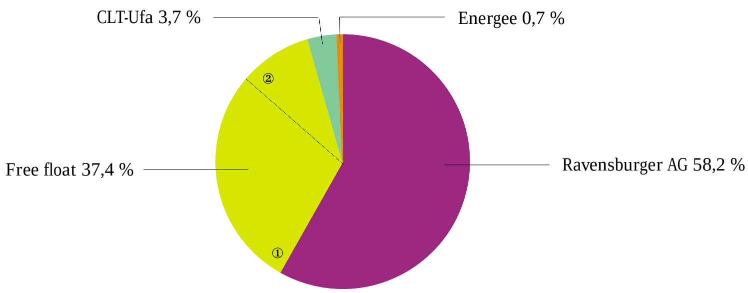


EUR 5.91. Three days later, RTV shares closed out the year at EUR 7.00, or 71.6 % below the previous year's close of EUR 24.65. Share volume over 254 trading days was approximately 8 million shares, with EUR 190.5 million changing hands. At year-end, RTV's market capitalization stood at EUR 167.1 million. Both the Neuer Markt and Media & Entertainment indices suffered severe declines over the same period. At year-end, the Neuer Markt index was at 2,743 points, down 40 % from the 4,552 point level of the previous year. The Media & Entertainment index finished the year at 29.75 points, down 70 % from its previous year level of 100.52 points.

Shareholder structure

Shares outstanding increased from 10,375,000 to 23,875,000 through the three capital increases (one cash, two in-kind) and a stock split. The shares have a par value of EUR 1 and have full dividend rights. At end-2000, Ravensburger AG owned 58.2 % of the total shares outstanding (23,875 million), while CLT-Ufa held 3.7 % and the founders of Energee Entertainment 0.7 %. The free float was 37.4 %. Institutional investors such as investment funds, insurance companies and asset management companies account for approximately three-fourths of the publicly traded shares, with private investors owning the remaining quarter. By geographic distribution, German investors held 60 % of the publicly traded shares, with the balance almost exclusively in the hands of other European investors.

Shareholder structure



① of which, institutional 77 %
② of which, private investors 23 %

Investor Relations

RTV met frequently with financial analysts, reporters and investors individually and at large public presentations in Germany, France, Switzerland and the United States. We value a frank exchange of ideas and opinions with our private investors. We kept investors informed of all strategic decisions, including the transactions with Energee and CLT-Ufa in February, the founding of Waterfront Medien Produktion GmbH, the acquisition of Off the Fence, the capital increase and the equity stake taken in Golbach Productions.

Shareholders' General Meeting

RTV's first ordinary Shareholders' General Meeting took place on May 4, 2000, with 72 % of the capital stock represented. Among the resolutions requiring approval were the agreements with CLT-Ufa, Energee and Nelvana and the capital increase. These resolutions were aimed at expanding and strengthening RTV's international presence through the financing of capital investments. Another proposed resolution called for increasing the number of supervisory board members from three to six. The General Meeting approved all the resolutions and set an approved capital II of EUR 2,387,500 through May 3, 2005, which may only be issued in exchange for cash contributions. The approved capital I totals EUR 2,841,910 through April 30, 2004, with this amount reserved for acquisition-related financing through cash and in-kind capital increases. The General Meeting voted not to pay a dividend for 1999.

Underwriters/Research/Designated Sponsors

Deutsche Bank managed RTV's initial public offering in 1999. Other underwriters included Baden-Württembergische Bank and Commerzbank. In terms of sales and market capitalization, RTV is among the Neuer Markt's top 10 media companies. So far, the stock is actively followed by the research departments of six banks: Deutsche Bank, Commerzbank, HSBC Trinkaus & Burkhardt, West LB Panmure, BW Bank and Morgan Stanley. RTV has two designated sponsors in Deutsche Bank and Commerzbank, which mainly ensure a liquid market for the shares.

Lock-up agreements

At the time of the initial public offering and again for the capital increase, RTV AG and and Ravensburger AG entered into an agreement with Deutsche Börse AG that neither would divest any shares for a period of six months after the shares were listed or, in the case of the capital increase, after shares began trading on the Neuer Markt.

Companies that received RTV shares in exchange for equity interests such as Energee, Golbach Productions GmbH and Off the Fence as well as CLT-Ufa agreed not to divest any RTV shares for six months following the transaction.

Stock options

The company has created an employee and management stock option plan. The General Meeting set conditional capital at EUR 1.6 million. EUR 400,000 in conditional capital previously approved by the Extraordinary General Meeting of May 6, 1999 and modified slightly by the Shareholders' General Meeting on May 4, 2000, also exists. RTV employees and managers have the option to buy shares at a fixed price. This right to buy shares may be exercised no sooner than two years after this option is granted. The selection of qualified employees and managers and the determination of share allocations is made by the management board with the approval of the supervisory board. For options granted to management board members, the supervisory board alone makes this determination.

Expanded Investor Relations Activities

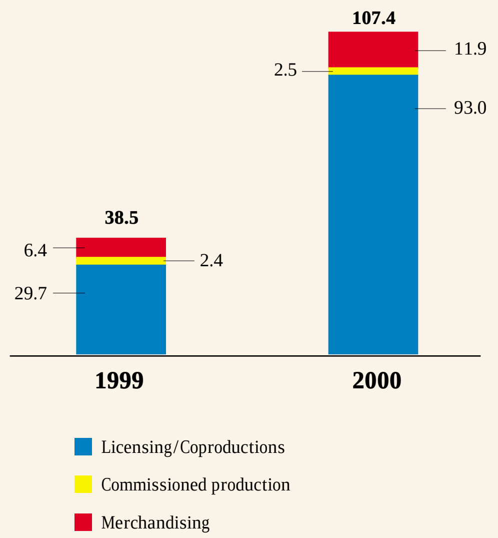
RTV's investor relations principles follow those of the German Association of Financial Analysts (DVFA). By providing shareholders, analysts and potential investors with timely, open, comprehensive and regular information, we remain a trustworthy partner and make a fair valuation of the shares possible. In 2001, we will continue to strengthen our ties to financial reporters, analysts and investors in order to meet the growing demands of global capital markets.

Business Lines

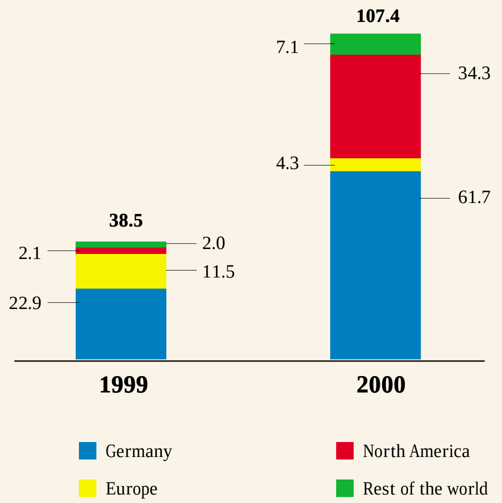
Last year, RTV recorded sales of DM 107.4 million from licensing/coproductions (87 %), commissioned work (2 %) and merchandising (11 %). RTV's licensing/coproductions business posted the strongest sales growth thanks to the Energee and CLT-Ufa program library acquisitions and the partnership agreement with Nelvana.

The Nelvana partnership significantly boosted RTV's North American sales. Our German sales also increased significantly following RTV's acquisition of the CLT-Ufa children's, youth and family programming library, since these programs generate recurring sales from RTL Group's broadcast networks (Super RTL and RTL II).

Sales by business sectors
in DM million



Sales by regions
in DM million



Business Lines
Production

In our core development and production business targeting children's and family programming, we increased the number of television episodes and films produced over the previous year. We were involved in seven coproductions in 1999, nearly twice as many last year. Commissioned production consisted of 47 new episodes of Philipps Tierstunde. Much of the groundwork for the production delivered to clients last year was laid in 1999, including the securing of rights, contract negotiations, the establishment of coproduction consortiums and the hiring and organization of personnel and materials.

Production process

RTV maintains strong ties to German and foreign authors and screenwriters, rights agents and marketers, production companies and networks. Given 12- to 18-month project completion times, trend scouting and program development are essential to ensure the future marketability of RTV's product pipeline. Last year, we founded our own program development business, headed by well-known animation producer Alexandra Schatz. Her animated films Big Cat Little Cat and Marvellous Milly were shown at festivals from Washington to Tokyo and received numerous awards.

RTV has contractually secured first-look rights on ideas developed within the Ravensburger Games and Book Publishing business. Internationally, RTV is already working on the early phases of a coproduction with well-known development companies. Among our successful partners in this regard are Skryptonite in the U.K. and Dargaud Marina and Futurikon in France.

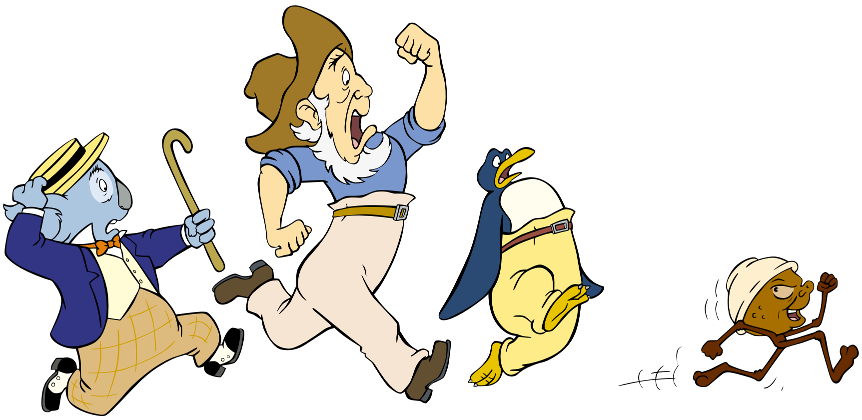
The Energee acquisition provides RTV with its own animation production studio in Sydney, which positions us to offer a complete range of animation services. We are now able to contribute our own production facilities to any production consortium in order to secure an advantage in production or, in certain cases, product quality.

Selected coproductions

COMPLETED COPRODUCTIONS

Generation O! was produced with Sunbow/Sony Wonder and airs in the U.S. on the WB Kids network and in Germany on Super RTL. This series is a humorous and fresh story of a nine-year-old girl who sings in a rock-and-roll band. The music is written by the brother of Randy Newman. Marvellous Milly, which is already being shown at film festivals, was produced with SWR (Südwest Rundfunk) and Berlin-based Hahn-Film. Turtle Island, a humorous series about pirates, was produced with Mimosa. The first 13 half-hour episodes have already been delivered to Super RTL. The next 13 are scheduled for delivery in the spring of 2001. The Magic Pudding is the first feature film coproduced by RTV and Energee. The film opened in theaters in Australia over

Christmas and was very successful. Internationally, the film is distributed by Mel Gibson's company ICON and has been sold to 15 European countries so far, including the U.K., France and Italy. Currently, RTV and Energee are working on the development of a Magic Pudding series.



Completed coproductions 2000

Program	Format	Partner	RTV Share	Targeted Age group
Turtle Island	13x24'	Mimosa	21 %	7-10
Marvellous Milly I	13x5'	Hahn Film	90 %	5-8
Generation O!	13x24'	Sunbow	37 %	8-12
Hoota and Snoz I	26x10'	Barron	50 %	6-14
Wild Kat I	13x24'	Barron	10 %	8-12

PRODUCTIONS IN PROGRESS

At our Sydney animation studio, where The Magic Pudding was produced, we began working assiduously in late 1999 on productions scheduled for completion in the spring and summer of 2001. Among them are: Gloria's House, which will be broadcast by ARD and KIKA; the horror story Wicked!, which has already been purchased by the BBC; the second installment of Fix & Foxi for WDR/ARD. Last year we also began work on series scheduled for delivery in late 2001 or 2002. They include: Malo Korrigan, a science-fiction series currently being produced in conjunction with France-based Futurikon and Super RTL; Albert fragt (Albert asks), a spin-off of Albert sagt (Albert says) that is produced for ZDF; the second installment of Marvellous Milly for SWR. We are also planning a clay-mation series with Frankfurt-based Scopas and in cooperation with Nelvana. Production began on Wilf - The Witch's Dog after a successful showing at the Cartoon Forum in Sweden. We are also negotiating coproduction agreements with ZDF and Buena Vista regarding video release.

Coproductions in progress

Program	Format	Partner	Share	Targeted Age Group	Completion date
Wicked!	26x24'	Energee	50 %	8-12	2001
Fix & Foxi II	13x24'	Energee	75 %	6-10	2001
Gloria's House	26x24'	Energee	50 %	6-12	2001
Albert fragt	13x24'	ZDF, Egenolf, Neurones	35 %	4-8	2002
Wilf	26x11'	Skryptonite, Jade, Cine Cartoon	67 %	4-8	2001/2002
Marvellous Milly II	13x5'	SWR, Hahn Film	90 %	5-8	2001
Malo Korrigan	26x24'	Futurikon	40 %	9-14	2002
RoboRoach & Reg	26x24'	Portfolio	50 %	8-12	2001/2002
The Gnarfs	13x24'	Phenomedia, Hahn Film	65 %	8-12	2001
Wild Kat II	13x24'	Barron	10 %	8-10	2001

Long-term cooperation agreements

Last year, RTV negotiated two significant programming cooperation agreements that ensure access to financing and prominent placement in key television markets. Nelvana, a leading animation production company, and RTV will produce at least two series per year consisting of 26 half-hour episodes as well as other series. The agreement's term is three years and is significant for RTV since it ensures a North American outlet for RTV programs and provides access to programming coproduced with Nelvana. By working closely with this Canadian studio and distributor in the production phase, we can tailor our productions to meet U.S. and Canadian market preferences, which helps with their subsequent international marketing.

Planned coproductions

Program	Format	Partner	Share	Targeted Age Group	Completion date
Magic Pudding	26x24’	Energee	40 %	6-8	2002/2003
Big Cat Little Cat	26x11’	Skryptonite, Jade, Cine Cartoon	70 %	5-10	2002
Nicenstein	26x24’	Dargaud Marina	50 %	8-12	2002
Mo Gang	13x24’	Clayart, Nelvana	50 %	10-16	2002
Moorhuhn Shorts	26x30”	Phenomedia, Hahn Film		8-14	2001
Hoota and Snoz II	26x10’	Barron	50 %	6-14	2002

RTV also reached an agreement with Super RTL on a three-year coproduction and program delivery contract. Under this agreement, Super RTL will help RTV coproduce at least one series consisting of 26 half-hour episodes and acquire at least three additional series from RTV. Super RTL is the leading broadcast network for the 3- to 13-year-old age group in Germany and is a leading purchaser of children's programming in Europe.

Commissioned production

Last year, RTV produced 47 episodes of Philipps Tierstunde for SWR and KIKA. This show receives an average market rating of over 20 % on Saturday afternoons, which is outstanding. Last year, RTV focused mainly on series production and rights acquisitions in order to remain competitive in children's programming. These trends pushed development and realization of commissioned production farther into the background. Last year, RTV did not make any significant efforts to bring in and complete additional commissioned production, since slots in the children's television magazines and shows was clearly lacking.

New business areas

RTV intends to use its production capabilities in order to enter new target markets and expand into compatible areas. To that end, last year we founded Waterfront Medien Produktion GmbH and acquired Off the Fence, a documentary film production and distribution company.

Waterfront

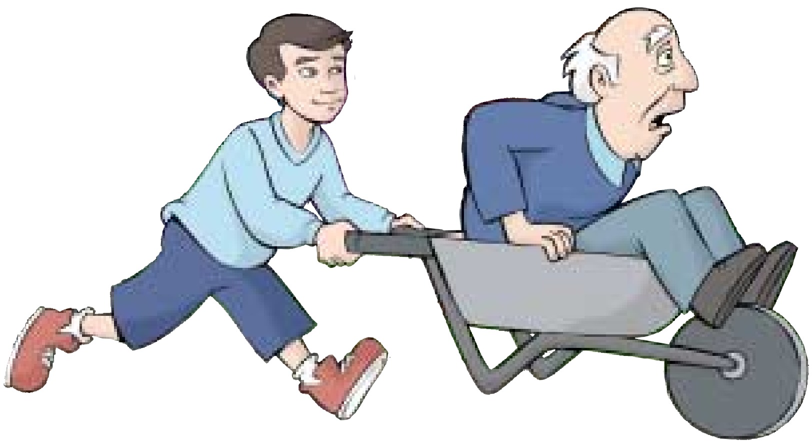
Initially, Waterfront will concentrate mainly on commissioned production of shows that appeal to adults and are televised by German broadcast networks. Currently, Waterfront's team consists of five full-time employees, including general managers Eberhard Naumann and Wolfgang Esser. Last year, Waterfront acquired or developed a sufficiently large number of projects to cover all the existing segments of traditional non-fiction television programming. Currently, Waterfront projects are on the desks of virtually all the leading German broadcast networks for consideration. With the allocation of a public project development order, Waterfront has its first concrete feature film project, for which financing will be in place by end-2001. Waterfront is thus on the way to developing RTV's market presence as an international producer of adult-market television and feature film content over the medium term. Waterfront also enjoys strategic and operating synergies, in particular through Off the Fence and Golbach Productions, in which RTV acquired a majority stake as of January 1, 2001.

Off the Fence

Effective July 1, 2000, RTV acquired a 100 % stake in Amsterdam-based Off the Fence, which specializes in the production and distribution of documentary films. Off the Fence expands RTV's presence in the non-fiction segment of the television production business. Currently, Off the Fence has seven full-time employees and 50 hours of new programming. Ellen Windemuth, who has been a successful film producer for 16 years, heads the company. Among the company's films are Mountain Rivals, which has garnered numerous prizes at the leading wildlife film festivals around the world, and The Whole Story, sold to Discovery Channel-International and Discovery Channel-Europe.

Last year's big hit was the 75-minute documentary The Great Dance at the Wildscreen Festival 2000. For the first time, a film won three Panda awards: WWF Golden Panda Award; Delegates' Choice Award; Production Crafts Award for best script.

Off the Fence has more than 60 hours of programming, with approximately 90 % consisting of wildlife shows. Our goal is to diversify the program portfolio, with around 30 % wildlife shows and 70 % other genres such as docudramas and science. RTV will support Off the Fence's efforts to acquire quality, high-value repertory programs and develop and produce new genres, including anthropology, science and technology, travel, etc. Off the Fence is also now in the early development stages of its first IMAX movie.



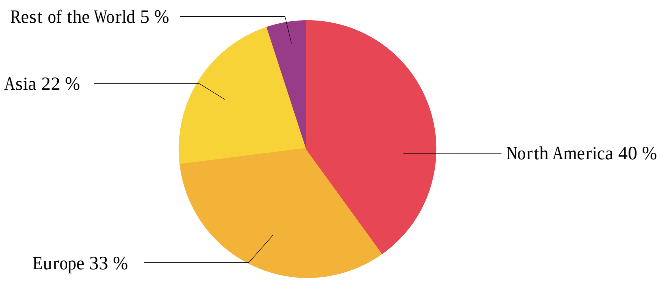
Business Lines
Distribution

The global market for children's television is approximately $2.1 billion per year. The North American market is the largest in terms of television rights with a 40 % share, followed by Europe (33 %), Asia (22 %) and the Rest of the World (5 %), all according to screendigest.

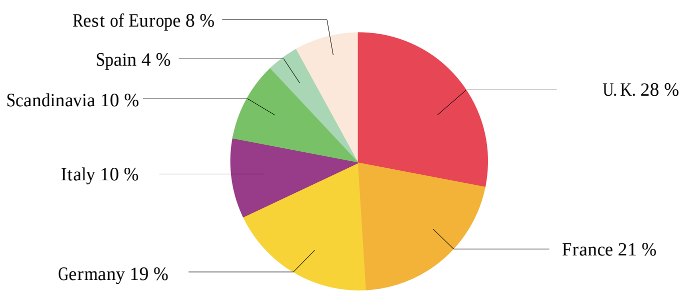
Market trends and market share

Over the past two years, a substantial quantity of animation programs have been produced in Germany. Primary audiences are older children and youths. Some networks that traditionally aired animations have switched to U.S. imports in an effort to improve their bottom lines. Because Europe has certain quotas that must be met for a product to qualify as European in origin, leading U.S. networks and production companies are currently looking for additional European production companies as partners on live-action films.

Global market for children's television



Market for children's television in Europe



The North American television market is the largest in the world, but it remains beyond the reach of many European rights agents, since it is covered almost exclusively by U.S. producers. Through our strategic alliances with firms such as Nelvana, RTV has opened up distribution channels in this exclusive market. High-value, innovative productions are the key to developing longlasting success and marketability. The story and screenplay of a film are more important than ever before. The inroads made by digital television in Europe are increasingly breaking down the divide between free and pay digital television and challenging analog broadcast technology. The traditional television networks that once turned down comprehensive licensing packages are now willing to pay higher prices to acquire pay-television rights, in order to offer their own digital services.

Corporate organization

The Energee and Off the Fence acquisitions along with the move from Ravensburg to Munich led to a restructuring and expansion of the sales organization in order to integrate the group's offices in London, Sydney and Amsterdam. Operating out of Munich, three sales experts cover the traditional core markets of German-speaking Europe and Eastern Europe. In London, three experts specialized in children's and family programming market RTV's expanded rights library in the U.K., Scandinavia, French-speaking and southern Europe. In Sydney, two employees with more than 10 years experience cover the Asia-Pacific region. Through agents and, increasingly, our partnership with Nelvana, RTV covers the North- and South-American markets. Our corporate staff (legal/contracts, materials management, sales service) provides support for the Munich office as well as the other international divisions in London and Sydney. The respective sales offices have benefited from overall overhead cost reduction, enhanced market clout and significantly expanded geographic coverage. Energee

As of 1999, more than 70 % of RTV's licensing rights were still concentrated in Germany, Eastern Europe and Scandinavia. Last year this figure was reduced to 50 %. At the same time, the number of marketable episodes increased by 70 %, whereby RTV significantly expanded its export potential and market penetration in only two years. RTV's new programs and the acquired program libraries from Nelvana and CLT-Ufa have expanded the range of licensing rights well beyond our traditional markets. As a result of these acquisitions, RTV now has more than 1,000 hours of new programming with international rights. This makes further market penetration possible while diversifying revenue streams and making the company less vulnerable to the market fluctuations in any single region. We are better positioned to exploit RTV's multi-regional and multimedia potential while recognizing global trends that much faster.

Program library		**Genre**		**Rights**			
	Total Episodes	of which animation	of which non-animation	German-speaking territories	Europe, incl. Germany	Australia/ Pacific	World-wide
RTV Catalog (12/31/00)	3,872	3,248	624	1,708	1,764		400
Productions 2000	238	197	41	26	132		80
Energee	791	618	173		142	538	111
CLT-Ufa	948	702	246	173	683		92
Total (12/31/00)	5,849	4,765	1,084	1,907	2,721	538	683

More than 80 % of the program library consists of animations, which are RTV's mainstay for television sales and enable subsequent added value through merchandising. Also noteworthy are the live-action series RTV acquired through the CLT-Ufa program library, which enables us to meet growing demand for such series. The acquisition of 560 program hours from CLT-Ufa was a major challenge in terms of integration, corporate organization and marketing, but was nevertheless successfully completed last year. In December 2000, RTV had 321 half-hour episodes and one film broadcast by the following free television networks: WDR, RTL II, Super RTL and Kinderkanal. Another 117 half-hour episodes and two films were shown on pay television (Fox Kids, Premiere World).

Key agreements

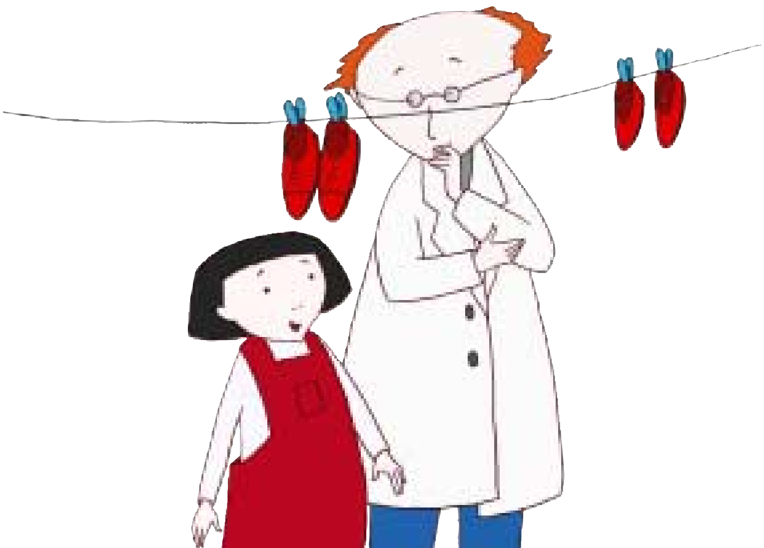
Our company's reorganization, strengthened sales staff and expanded program library have enabled us to develop new clients around the world. Our numerous coproductions with Energee (Wicked, Gloria's House, Fix & Foxi II) have been presold to leading networks in the U.K., Germany, France, Spain and Australia. The relicensing of live-action films such as Sweet Valley High has also been well received. These created new ties to key commercial European broadcast networks. Although sales to Scandinavia declined last year, sales to France rose considerably. We also increased our activities in the Spanish market, where several sales opportunities now exist. The productions acquired from or produced with Nelvana are especially popular in Italy, Spain, Eastern Europe and Scandinavia. With our sales to Channel 7, Australia's third-largest television network, RTV developed a new market Down Under.

Output deals/Basic agreements

Last year, RTV's agreements with Nelvana and Super RTL were the first partnership agreements with major purchasers. Our Nelvana agreement included contracts for the U.S. preschool program PBS Bookwork Club and Pelswick. RTV owns the rights for German-speaking Europe, Scandinavia, Benelux, Eastern Europe, Spain, Portugal, Italy and Turkey, which opens avenues for expansion in southern Europe. For its part, Nelvana acquired the North- and South-American rights to Fix & Foxi and Wicked. This agreement promises a successful entry into the world's largest television market. We expect Nelvana will contribute approximately DM 35 million to RTV's sales. We are currently discussing future coproductions that would help solidify this important partnership. The Super RTL agreement involves a three-year contract to purchase 104 half-hour program episodes. This agreement is expected to generate sales of up to DM 6 million and secure RTV's earnings in our core German market considerably.

Trade shows

Last year, RTV's sales force participated in the three largest television trade shows: NATPE in New Orleans, MIPTV and MIPCOM in Cannes. A comprehensive advertising package backed these appearances. We increased our media relations activities in order to enhance the visibility of our newly developed and acquired programs.



Business Lines
Merchandising

Merchandising business

RTV is well established in the rights licensing business, from acquisitions to merchandising with both licensors and licensees. RTV's activities focus mainly on the development and production of high-quality, high-value animations. These productions provide RTV with a wide range of licensing themes that fulfill the needs of purchasers, such as high television market share or long-term recognition potential among groups targeted by the carefully crafted characters. In 2000, merchandising generated approximately 11 % of RTV's total sales. Our core markets for this business are German-speaking Europe, in particular Germany itself. Currently, our most marketable characters are Moorhuhn, Käpt'n Blaubär (Capt'n Bluebear), Fix & Foxi, Philipp and Countrymouse & Citymouse. RTV markets licensing rights for all product categories such as Toys & Games, Publishing, Stationary, CI/Promotion and works with first-rate partners such as Ravensburger AG and TUI.

Market development

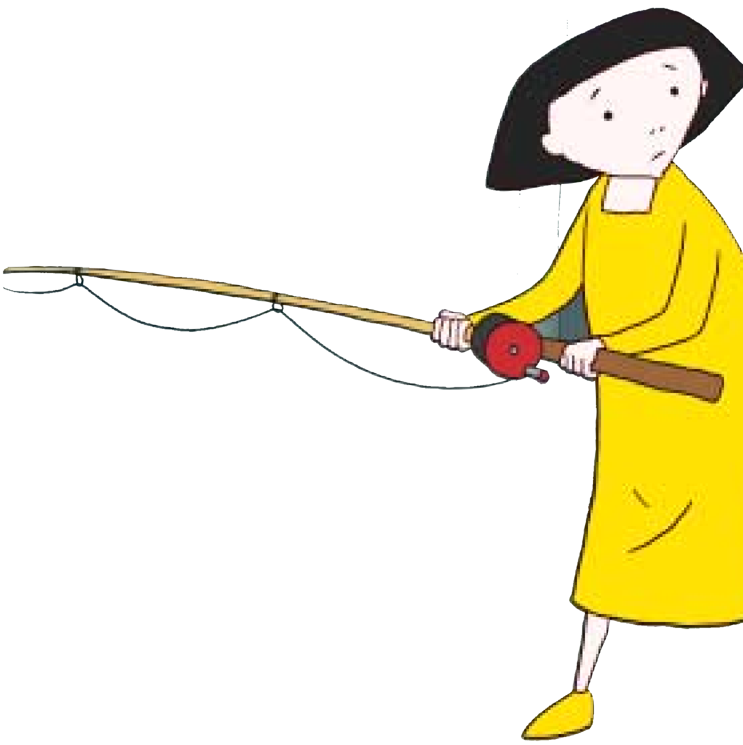
Germany's licensing market has been growing rapidly for years and last year's total volume reached approximately DM 13 billion. Some product categories saw sales jump by 40 % or so. These gains were due to a growing acceptance on the part of merchants, which allows us to market key licensing themes as part of promotional and permanent advertising campaigns across all product categories. It's clear that classic themes hold up well alongside the more recent trends. Käpt'n Blaubär, Pumuckl, Winnie the Pooh and Teletubbies all do very well against television newcomers such as Big Brother or cult themes such as Moorhuhn. The biggest merchandising theme in recent years has been Pokémon, but such hot trends are very difficult to bank on. The most secure, long-term earnings potential comes from classic themes. The business is increasingly consolidating around fewer but longer-lasting themes. The key to future growth is enhanced cooperation and competence at the point of sale.

Corporate organization

Last year, we reorganized RTV's merchandising business. We now have in-house production with design, a veteran sales staff and professional license management covering product management and after-sales service.

Key sales/Agreements in 2000

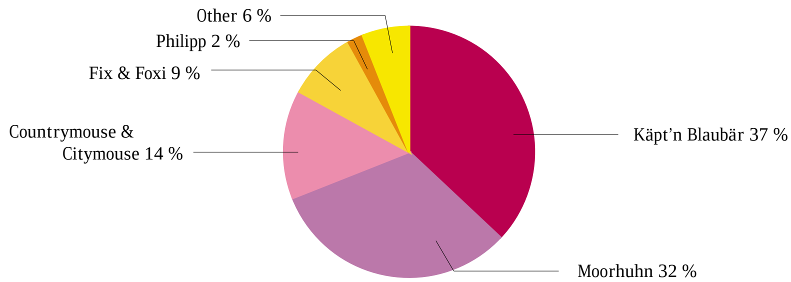
Moorhuhn was our leading merchandising character last year. Thanks to 14 licensing agreements with well-known partners such as Ravensburger, à la carte and Herding, we laid the groundwork for the development of a long-term, targeted character. Moorhuhn-themed merchandise has generated strong sales and demand, lately. The characters from the Käpt'n Blaubär series can be found



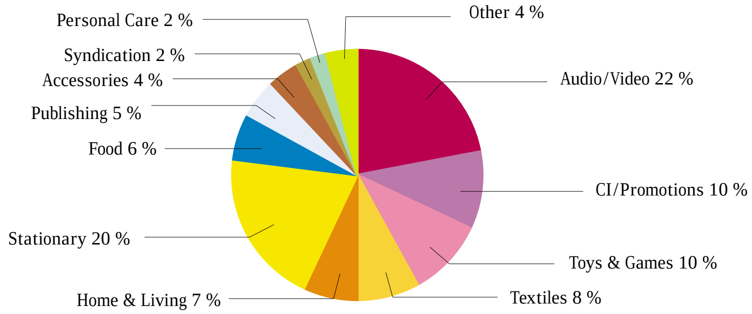
on many different types of merchandise thanks to their continuously high television rating. Käpt'n Blaubär has turned out to be a classic licensing character. The licensing of these characters to the TUI Familienreisen travel company was a major licensing success for RTV. Haribo has expanded its high-value license portfolio and is coming out with a candy series next year. We also negotiated an agreement with Carlsen Publishing, the publisher of the Harry Potter books. As of 2001, a complete range of Käpt'n Blaubär books will be published. We also expanded our Fix & Foxi licensing activities last year. Fix & Foxi are classic German comic-book characters. Averaging a 25 % market rating on German television, the series has become a proven long-term winner. The characters' strong recognition factor makes them ideal for advertising, especially since they enjoy popular appeal among adults. With their broad range of products, the merchants contribute substantially to the characters' image-building. Last year, we reached agreements with additional Fix & Foxi merchandisers. In Germany, the theme received nationwide support from the Vedes. In more than 550 specialized retail stores, Fix & Foxi were displayed in a shop-in-shop concept. Numerous promotional events (walking acts, window dressings, product give-aways, etc.) kept this theme foremost in the minds of toy store chains. McDonald's promoted Fix & Foxi with an in-store game of chance and significant theme-based interior design throughout its entire chain of restaurants in Germany.

RTV has a well-balanced client portfolio for all its licensing themes and works with leading manufacturers in all product categories.

Merchandising sales by character



Merchandising sales by product category



Outlook

Last year, we significantly built up our merchandising/licensing business, in particular the corporate organization. We expect further significant sales gains thanks to our consistent implementation of strategic licensing management and attentive after-sales client service. We also laid the groundwork to become a major marketer of international consumer products in the children's and family segments thanks to our acquisition of Ravensburger AG's Musik & Video business, which is expected to contribute DM 6 million in sales this year. Our contractually secured licensing of the Ravensburger brand for such products provides additional support.

Toys & Games:	Ravensburger Spieleverlag
Publishing:	Ravensburger Buchverlag, Carlsen Verlag, Xenos Verlag
Food:	HARIBO, Bofrost, Naschwerk
Corporate Identity/ Promotional:	TUI, McDonald's
Home & Living:	Herding
Textiles:	Santex

Managing Board Report

CORPORATE STRUCTURE AND BUSINESS LINES

RTV Family Entertainment AG owns majority interests in the following subsidiaries:

- Energee Entertainment Pty. Limited, based in Sydney, Australia
- CJGT Investments Pty. Ltd., based in Sydney, Australia
- Waterfront Medien Produktion GmbH, based in Hamburg, Germany

Effective January 1, 2000, RTV acquired a 68 % stake in Energee Entertainment, an Australian animated film production company. RTV's ownership interests in Energee are held directly and indirectly through CJGT, which is purely a holding company and has no operations. The remaining shares in Energee are owned by members of the founding family. Energee Entertainment has fully consolidated equity interests in the following companies: Energee Distribution Pty. Ltd., Energee Licensing Pty. Ltd. and Ekidz Pty. Ltd. Consolidated in the RTV group for the first time, Energee Entertainment saw its fiscal-year results adjusted in order to reconcile them with RTV's fiscal year.

Waterfront Medien Produktion GmbH was founded in March 2000. RTV owns a 95 % equity interest, with the remaining 5 % held by a managing director.

RTV has operations in the following business lines: Licensing/Coproductions, Commissioned Production and Merchandising. In 2001, these three lines will be reorganized into three core businesses: Distribution, Production and Consumer Products. This reorganization should enhance the company's transparency.

The new Production division will consist of the former Licensing/Coproductions and Commissioned Production business lines. Consumer Products will take over the long-standing merchandising activities along with music and video activities added this year.

For the first time, RTV is publishing a consolidated financial report for the year ending December 31, 2000 as a result of the acquisitions made in 2000. Consequently, last year's results are not directly comparable to those of the previous year, which were prepared according to IAS guidelines but reflect only RTV-standalone.

SIGNIFICANT EVENTS OF 2000

In 2000, RTV's business activities grew in a targeted fashion. The company increased its vertical integration by acquiring a 68 % majority interest in the Australian production studio Energee. RTV also expanded its program library through the February 2000 acquisition of CLT-Ufa's children's and youth film library for DM 121.5 million, of which DM 81.5 million was paid in cash.

Both acquisitions are consistent with RTV's strategy of significantly increasing the vertical integration of its core business. RTV's expanded program library coupled with measures begun last year to increase the size of the sales force have broadened the appeal and international marketability of its rights portfolio. The majority stake in Energee provides RTV with its own production studio, which was already used on three RTV coproductions last year.

In March 2000, Waterfront Medien Produktion GmbH was founded to develop and acquire enough projects by early 2001 to enable RTV to enter a new market segment, i.e. traditional feature film and television series productions targeting family and prime-time audiences. Several Waterfront projects are currently being considered by leading broadcast companies, including ARD, ZDF and SAT1.

Last year, RTV successfully strengthened its equity position through a capital increase in exchange for cash. The company also meaningfully increased its capital through a medium-term syndicated loan in September 2000, for which Deutsche Bank served as lead underwriter.

RTV acquired a 50,2 % equity interest in Düsseldorf-based Golbach Productions GmbH and 100 % of Amsterdam-based Off the Fence B.V., which was consolidated in the RTV Group's financial statements effective January 1, 2000. Both acquisitions involved significant preparations and contractual agreements.

NET WORTH, FINANCIAL POSITION AND RESULTS

Business development in 2000

RTV Family Entertainment Group sales increased by DM 68.865 million last year to reach DM 107.356 million, a 179 % increase relative to 1999. Sales fell DM 2.644 million short of their projected level of DM 110 million primarily because of the cancellation of a DVD rights distribution contract with RTV's sister company, Ravensburger Interactive Media (RIM). Given that RTV acquired RIM's Musik & Video business effective January 1, 2001, the existing distribution contracts no longer made economic sense. The acquisition terms therefore included a refund on the balance of the DVD licensing contract. The unexpected sharp decline in the U.S. dollar relative to the deutsche mark at end-2000 also negatively impacted sales, although these reductions were fully offset through currency hedging. Other operating income thus rose by DM 2.13 million over its budgeted amount to reach DM 3.795 million.

Earnings before interest, taxes, depreciation and amortization (EBITDA) rose by DM 33.485 million to reach DM 50.125 million, a more than 200 % increase over the previous year's result of DM 16.64 million. RTV posted an operating loss (EBIT) of DM 18.237 million, compared with operating income of DM 10.217 million in 1999. This result was largely due to higher-than-expected depreciation costs totaling DM 68.362 million and deferred fourth-quarter sales. Instead of fully delivering three new, high-margin productions (Fix & Foxi II, Gloria's House, Wicked!) as planned, RTV's sales were generated mainly through coproductions with Nelvana.

Last year, RTV posted a loss on ordinary operations of 22.366 million, which was DM 32.598 million below the 1999 result, a gain of DM 10.232 million. The group posted a 2000 net loss of DM 14.213 million after adjusting for corporate taxes, compared with net income of DM 1.626 million in 1999.

The more than ten-fold increase in depreciation expense of DM 68.362 million resulted largely from changes to last year's film portfolio depreciation methods. By applying the "individual film-forecast-computation-method" (US-GAAP SOP 00-2), the depreciation schedule now follows a declining-balance method with above-average depreciation in the first three to four years following the completion of a production. This method is used because the bulk of a project's licensing revenues are generated during that initial period. Last year's changeover from the straight-line to the declining-balance method caused depreciation to jump by DM 29.227 million. Had RTV used the straight-line depreciation method over a 10-year period or the project's remaining useful life, as permitted under IAS guidelines, the company would have generated operating income of DM 10.990 million instead of a loss of 18.237 million, a difference of DM 29.227 million.

RTV's 2000 sales broke down by business line as follows: German sales as a percentage of the overall total remained flat from 1999 (59 %) to 2000 (58 %). Foreign sales were marked by significant regional differences from one year to the next, however. North America's sales contribution rose sharply, from 6 % to 32 % on the strength of RTV's increased activities with Nelvana. The decrease in Europe was due mainly to the fact that last year all of RTV's significant coproductions were realized with German, North American or Australian partners.

	2000		1999	
	DM 000	as a %	DM 000	as a %
Licensing/Coproductions	93,043	87	29,670	77
Merchandising	11,853	11	6,371	17
Commissioned production	2,460	2	2,450	6
Total	**107,356**	**100**	**38,491**	**100**

	2000		1999	
	DM 000	as a %	DM 000	as a %
Germany	61,735	58	22,899	59
Europe	4,289	4	11,500	30
North America	34,259	32	2,100	6
Rest of the World	7,073	6	1,992	5
Total	**107,356**	**100**	**38,491**	**100**

Group net worth

Total assets for the group increased by DM 243.175 million to DM 348.782 million, a 230 % increase. Intangible assets (film portfolio, other rights and prepayments) also rose a considerable 163 % from DM 72.751 million to DM 191.684 million. This rise was due mainly to expanded business activities through new productions and the acquisition of CLT-Ufa's children's, youth and family program library.

Assets also include DM 39.980 million in goodwill for the equity stakes in Energee Entertainment and CJGT.

Trade receivables and other receivables with a term period of less than one year increased from DM 28.178 million to DM 40 million. The bulk of these receivables are related to RTV's production and licensing operations. Other long-term receivables also rose sharply on account of RTV's expansion, increasing from DM 20.006 million to DM 24.308 million. Most of this increase is attributable to revenues derived from the CLT-Ufa program library, whose range of term periods approximately mirror those of the current receivables portfolio, with the longest extending until 2008.

Other assets comprises mainly tax receivables from fiscal authorities and forward currency contract receivables.

Equity increased from DM 131.861 million to DM 194.814 million, thanks in large part to cash contributions in the successful April 2000 capital increase as well as the in-kind capital increases. The cash capital increase netted DM 103.488 from the sale of 1,037,500 shares. Costs related to the capital increase totaled DM 5.81 million. After netting out deferred taxes of DM 2.353 million, the balance was offset against paid-in capital. The in-kind capital increase totaled DM 47.429 million, of which the CLT-Ufa portion accounted for DM 40 million. Additions to paid-in capital from the Energee acquisition made up the balance. Other changes in equity are explained in the notes to the consolidated financial statements. Overall, the equity ratio declined from 59.6 % in 1999 to 55.9 % last year.

The RTV Group's debt increased last year as the company financed organic growth and acquisitions. Current and long-term bank debt increased from DM 10.271 million in 1999 to DM 93.854 million last year. This increase was largely due to the successful placement of a three-year syndicated loan totaling DM 80 million.

RTV's increased production activities resulted in increased trade payables, which rose by 75 % last year to DM 44.491 million. Other liabilities and deferred income comprises mainly accrued interest on the syndicated loan and deferred income for the film production The Magic Pudding.

Key figures (in DM 000)

	2000	1999
Sales	107,356	38,491
EBITDA	50,125	16,640
EBIT	-18,237	10,217
Group net income (loss)	-14,213	1,626
Cash flow DVFA/SG	54,201	8,118
Total assets	348,782	105,607
Film portfolio (incl. prepayments)	191,684	72,751
Equity	194,814	62,953
Interest-bearing debt	94,445	10,271

Group financial position

The RTV Group's financial position was marked by several increases of its capital basis on the one hand and by the robust expansion of its business activities (notably in the licensing/coproductions business) on the other. Overall, RTV's cash provided by financing activities increased by approximately DM 178 million thanks to the capital increase and the syndicated loan. RTV invested DM 180 million, of which about 20 % went toward the acquisition of Energee and the remaining DM 140 million toward rights purchases and new productions.

Working capital needs increased as a result of the group's robust expansion and the up-front cost structure of the film and television production business. Such projects can take several years to generate a return on investment, since licensing revenues are spread over the term of the entire licensing period. RTV has covered its increased working capital needs through a DM 20 million short-term operating credit facility. RTV also has additional credit lines of another DM 10 million with Ravensburger AG.

As of year-end 2000, RTV thus had available credit lines totaling DM 17 million.

BUSINESS ACTIVITIES BROKEN DOWN BY BUSINESS LINES

Licensing/Coproductions

The core licensing/coproductions business enjoyed a satisfactory year in 2000 and recorded sales of DM 93.043 million. This sales result was up DM 63.373 million, or 214 %, over the DM 29.670 million recorded the previous year. Last year, the licensing/coproductions business accounted for 87 % of total group sales.

Among last year's noteworthy coproductions were the second installment of the successful Fix & Foxi series along with new productions Wicked! and Gloria's House, which were produced entirely in Energee's Australian production studio. On all three of these productions, RTV secured project financing from well-known broadcasters such as WDR and pre-financing from international clients such as the BBC, TF1, Fox Kids and Nelvana.

In December 2000, RTV delivered the first installment of 13 episodes of Turtle Island, a series coproduced along with Canada-based Mimosa. Thirteen additional episodes are scheduled for delivery in the first quarter of 2001. RTV also successfully completed production on Generation O, coproduced with U.S.-based Sunbow Entertainment. The Magic Pudding, an Australian production and RTV's first feature film, premiered in Sydney on December 14.

Production delays prevented RTV from fully delivering the Fix & Foxi II, Wicked! and Gloria's House series as planned in 2000. These delays occurred because the feature film The Magic Pudding overshot its deadline, which created a bottleneck at RTV's Australian production studio.

RTV did, however, complete five coproductions with its Canadian partner Nelvana: George Shrinks, Pelswick, Seven Little Monsters, Timothy Goes to School, and Marvin, the Tap-Dancing Horse. As early as last year, these productions generated revenues from rights licensing.

Total investments in RTV's core licensing/coproductions business reached DM 175,235 million in 2000, which is 425 % higher than the 1999 level of DM 33,384 million, a difference of DM 141,851 million. Last year, RTV invested and prepaid a total of DM 53,716 million on new productions, which increased the company's program library by 238 new episodes, or 98 program hours. RTV invested DM 81,474 million to acquire CLT-Ufa's internationally marketable children's and youth program library. RTV also invested DM 40,045 million on company acquisitions.

The program portfolio grew from 3,966 episodes in 1999 to 5,849 episodes in 2000. Of this total, nearly 70 % are international and 30 % German-language. RTV has a total of 1,841 program hours, most of which generate recurring revenues over several licensing cycles in Europe and around the world. The 1,883 additional episodes correspond to a 47 % increase and break down as follows: 948 episodes from the acquisition of the CLT-Ufa program library, almost 800 episodes from the acquisition of Energee and 238 episodes from new productions.

Licensing revenues from the sharply expanded program library were affected both favorably and unfavorably by a number of extraordinary events. After Nelvana, CLT-Ufa was the leading purchaser of RTV program licenses, which generated DM 26,314 million in sales. Nelvana's network clients included PBS and Fox Kids, while CLT-Ufa's programs were aired primarily on RTL Group networks. Other important purchasers included Spain-based producer D'Ocon, Sunbow Entertainment (WB Kids, Nickelodeon), BBC and ORF, as well as German-based companies Kirch Media, SWR and WDR.

Delays in creating the enlarged sales organization resulted in lower-than-expected sales revenues. Moreover, RTV's efforts to develop relations with all potential program purchasers have not yet reduced the company's dependence on certain key clients.

Merchandising

Despite RTV's strong merchandising sales, in particular for its Moorhuhn character, results in the merchandising business remained below last year's high expectations. Sales increased by 86 % to DM 11.853 million, but the large share of minority interests along with product-related marketing costs (the Moorhuhn campaign) resulted in an operating loss of DM 4.824 million.

Commissioned production

RTV's commissioned production business continued to perform well. Sales remained largely flat, inching up from DM 2.45 million in 1999 to DM 2.46 million this year. The bulk of these sales were generated by the successful Philipps Tierstunde (Philipp's Animal Hour) series, which is now in its fourth year of production for SWR.

EMPLOYEES

At end-March 2000, RTV relocated its corporate offices from Ravensburg to Munich. Nine of 19 employees followed the company. In Munich, RTV filled the 10 posts left vacant and added another 10.

RTV strengthened the staffing and skill of existing corporate divisions (sales, merchandising, sales management, media and investor relations, legal and corporate development) and added new divisions in Munich such as marketing and new media.

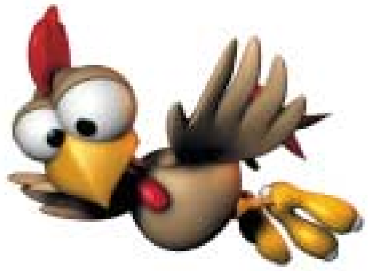
RTV's majority stake in Energee Entertainment includes that company's employees along with those of newly founded Waterfront Medien Produktion GmbH to RTV's total for 2000. Waterfront has five employees (including its managing directors), while Energee has 24 full-time employees. These additions led to a 144 % increase in personnel costs, from DM 3.2 million in 1999 to DM 7.8 million last year.

Number of employees as of year-end:

	2000	1999
Waterfront Medien Produktion GmbH	5	-
Energee Entertainment	24	-
RTV employees (incl. Managing Board)	42	29
- of which Munich/Ravensburg	30	18
- of which Mainz	12	11
Total employees	**71**	**29**

RTV employees by division:

	2000	1999
Managing Board	4	3
Production/Development	12	9
Sales/Marketing	7	4
Merchandising	6	4
Public/Investor Relations	3	2
Financial administration	4	3
Other administration	6	4
Total RTV employees	**42**	**29**



RTV has had an active youth apprenticeship program for years. The company offers on-site job training and degree-related programs, and last year began training a student at the Ravensburg vocational academy.

RISK REPORT

Competitive risks

The feature film and television market remains characterized by industry consolidation in both the production and broadcast businesses, which can affect demand for productions. Other potential risk factors include current consumption and leisure trends, changes in the advertising market and network programming and purchasing preferences.

Program production risks

RTV has mastered the production process through a careful selection of reliable, creative and well-respected partners as well as contractual measures such as insurance and completion bonds. RTV also closely monitors financial matters and exercises creative control throughout the course of production. These measures notwithstanding, production delays remain a possibility and can disrupt the timing of sales and earnings.

Program-related purchasing and use risks

RTV has ties to the full range of broadcast networks: state-owned, advertising-sponsored free television and pay television. Despite an approximately 4 % stake held by CLT-Ufa, RTV maintains ties to all leading German and international purchasers of children’s and family programming and looks to spot early trends and meet the demands of the networks.

Corporate organization and controlling

Corporate controlling became necessary after last year’s restructuring, in particular given the expansion of RTV’s operating business, the partnership agreements with CLT-Ufa and Nelvana, the acquisition of stakes in Energee Entertainment and Off the Fence B.V. and the launch of Waterfront Medien Produktion GmbH.

Risk management

In accordance with the stipulations of the law on business controlling and transparency (KonTraG), all general and operating risks are regularly monitored, assessed and addressed through risk minimization measures. Risk management is currently introduced in the context of a corporate-wide controlling system.

Currency fluctuations and hedging

Since the bulk of RTV's programs are produced abroad, approximately 70 % of their costs are incurred in non-euro currencies, mainly U.S. dollar. The increase in non-euro-denominated cash-flows in 2000 relative to the previous year resulted from the agreements with Nelvana, Energee and CLT-Ufa as well as RTV's expanded production activities. RTV's revenues, on the other hand, are largely in deutsche marks or other euro currencies. RTV enters into forward currency contracts on a case-by-case basis in order to hedge against currency fluctuations, and acts accordingly with interest rate swaps to protect against interest rate fluctuations.

Future fluctuations in results

Sales and earnings fluctuations are possible in the course of a year. These fluctuations may be caused by a number of factors, including the scope and timing of completing new productions, scope and timing of film and televisions rights sales, competitive effects on average sales prices and demand, and progress made in the expansion of the sales force.

Access to financing

Last year's expansive growth was financed largely through capital increases and syndicated loans. Given the substantial time lag between investments and sales revenues, access to outside financing is essential for continued strong growth.

OUTLOOK

In 2001, RTV Family Entertainment AG will seek to continue restructuring so as to enhance the transparency and productivity of its business lines. RTV and its newly acquired businesses currently have some overlap in such operations as sales, merchandising and production, which RTV intends to consolidate into profit centers. Other functions such as marketing, investor relations, corporate development, corporate finance and controlling will be increasingly handled in holding-company fashion at the corporate level. A modular controlling system implemented at end-2000 covers all significant business divisions: corporate finance, planning/reporting, sales management and strategic production controlling.

RTV's market strategy is to further expand its all-important international sales force, which will enable the company to exploit its broad range of licensing rights to the fullest. The acquisition of sister company RIM's Musik & Video business in order to strengthen RTV's consumer products business, which includes merchandising, is a logical step into a new and compatible business area.

In its traditional consumer products business (merchandising), RTV intends to make changes so as to respond to market demands of targeted clients in select market segments. RTV chose six core characters from its rights portfolio, including Käpt'n Blaubär.

The block of time slots secured contractually with Super RTL gives RTV daily air time for its programs, except Saturdays, as of June 2001. This programming block makes it possible to manage the televised presence of many characters over the long term and to develop the related marketing campaigns in tandem with other merchandising partners. The result is a favorable combination of virtual television exposure and real-world products.

Two subsidiaries, Waterfront (fiction and prime-time programs) and Golbach Productions (advertising films) will branch out into new business areas such as industry-sponsored programs alongside their existing core activities.

Off the Fence's position as a leading worldwide producer of wildlife, nature and history programs will be further expanded. The company's ties to theme-channels such as Discovery Channel International, distribution companies such as Explore and producers such as National Geographic will be used to help further this expansion.

RTV Family Entertainment AG is convinced that the implementation of the measures described above will result in favorable business growth in 2001.

DEPENDENT COMPANY REPORT

The Managing Board produced the 2000 dependent company report, which outlines ties between RTV Family Entertainment AG and its subsidiaries, and submitted the report to the company's independent auditor. The Managing Board declares that to its knowledge, the company has received appropriate consideration for all legally binding transactions with affiliated companies. No measures taken in 2000 were subject to reporting requirements under § 312 para. 1 line 2 of the German Stock Corporation Law (AktG).

Ravensburg, March 2001

The Managing Board

Supervisory Board Report

The Supervisory Board met five times and was kept regularly informed by the Managing Board through oral and written reports on the company's progress, financial situation and all major investments in programs or equity interests in other companies.

RTV Family Entertainment AG's 2000 accounts, financial statements and Managing Board report were audited by Ernst & Young Deutsche Allgemeine Treuhand AG, Stuttgart, which issued an unqualified opinion. The auditor participated in the Supervisory Board's meeting on March 6, 2000 and informed the board of all significant findings. The Supervisory Board took note of the audit opinion presented at the conclusion of the meeting.

The Supervisory Board examined and approved RTV Family Entertainment AG's year-end financial statements and Managing Board Report submitted by the Managing Board. The year-end financial statements are duly established.

On May 4, 2000, the Shareholders' General Meeting approved doubling the size of the Supervisory Board from three to six members. Dorothee Hess-Maier, Dr. Wolfram Freudenberg and Dr. Hans-Christoph Maulbetsch were appointed to the board.

On June 30, 2000, Erhard Pohle retired from the board for health reasons.

Jochen Kröhne was appointed to the board on October 26, 2000. At the Supervisory Board meeting on August 4, 2000, Dr. Johannes Kreile was elected deputy chairman of the Supervisory Board.

On July 1, 2000, John Travers was appointed to the Managing Board.

The Supervisory Board mourns the loss of Erhard Pohle, who died in October 2000.

Ravensburg, March 6, 2001

RTV Family Entertainment AG, Ravensburg
Balance Sheet as of December 31, 2000

Assets	Notes (III)	12/31/2000 DM	12/31/1999 DM 000
FIXED ASSETS			
Intangible assets			
Software		452,367.23	0
Film portfolio		187,729,944.19	71,428
Goodwill	1	39,980,053.76	0
Prepayments		3,953,753.42	1,323
		232,116,118.60	72,751
Tangible fixed assets			
Other investments, office equipment and machinery	2	2,221,212.03	240
Financial assets			
Equity interests	3	85,840.00	80
Deferred taxes	4	12,165,739.22	0
Other long-term receivables	5	24,308,318.37	4.302
		270,897,228.22	**77.373**
CURRENT ASSETS			
Inventory			
Unfinished goods and services	6	13,073,479.59	0
Receivables and other assets			
Trade receivables		40,000,191.34	11,822
Receivables from affiliated companies	7	18,484,371.30	1,462
Other assets and prepaid expenses	8	6,268,573.05	4,267
		64,753,135.69	17,551
Cash and bank deposits	9	58,374.52	10,683
		77,884,989.80	**28,234**
		348,782,218.02	**105,607**

Liabilities

	Notes (III)	12/31/2000 DM	12/31/1999 DM 000
EQUITY	10		
Capital stock	11	46,695,441.25	20,292
Paid-in capital	12	162,104,593.36	41,048
Retained earnings	13	1,603,298.09	0
Other equity		-1,386,994.43	0
Net profit (loss) carried forward		-14,202,746.12	1,613
		194,813,592,15	**62,953**
MINORITY INTERESTS	18	**2,309,707.48**	**0**
LONG-TERM RESERVES AND DEBT			
Reserves			
Pension reserves	19	513,840.00	483
Other reserves	20	140,678.00	120
		654,518.00	**603**
Deferred Taxes	21	1,265,620.36	0
Debt	22		
Bank debt	23	80,513,920.00	0
Other long-term operating debt	28	590,957.78	190
		81,104,877.78	**190**
		83,025,016.14	**793**
CURRENT RESERVES AND LIABILITIES			
Reserves			
Tax reserves		347.112.08	474
Other reserves	20	2.235.872.90	4.215
		2.582.984.98	**4.689**
Liabilities	22		
Bank debt	23	13,340,378.01	10.271
Advances on orders		440,652.84	661
Trade payables		43,899,637.24	25.457
Liabilities to subsidiaries	24	220,720.45	0
Liabilities to equity-affiliated companies		5,840.00	0
Other liabilities and deferred income	25	8,143,688.73	783
		66,050,917.27	**37,172**
		68,633,902.25	**41,861**
		348,782,218.02	**105,607**

Income Statement

	Notes (IV)	2000 DM	1999 DM 000
SALES	1	**107,355,908.51**	**38,491**
Goods and services		10,770,202.96	0
Other operating income	2	3,794,887.77	571
		121,920,999.24	**39,062**
Cost of materials	3		
a) raw materials and supplies		-127,223.31	-166
b) costs of services		-36,690,024.43	-2,292
Personnel expenses	4		
a) wages and salaries		-7,041,849.59	-2,713
b) non-wage benefits		-737,630.06	-379
c) retirement benefits		-17,287.00	-55
Depreciation of tangible and intangible fixed assets	5	-68,362,202.88	-6.423
Other operating expenses	6	-27,182,182.81	-16.817
Other interest and similar income	7	241,710.88	303
Interest and similar expenses	8	-4,369,993.36	-288
Income (loss) from ordinary operations		**-22,365,683.32**	**10,232**
Extraordinary expenses		0.00	-6,893
Corporate tax	9	1,001,427.40	-1,713
Deferred tax	9	7,805,977.46	0
Net income (loss)		**-13,558,278.46**	**1,626**
Minority interests	10	-654,651.66	0
Net income (loss), group share		**-14,212,930.12**	**1,626**
Profit carried forward (loss)		10,184.00	-13
Loss carried forward (profit), group share		**-14,202,746.12**	**1,613**

Equity Statement

Changes in equity between January 1 and December 31, 2000:

	Capital stock DM	Paid-in earnings DM 000	Retained earnings DM 000	Other equity DM 000	Profit (loss) carried foreward, group share DM 000	Equity, group share DM 000
1/1/2000	20,292	41,048	0	0	1,613	62,953
Cash capital increase from approved capital (April 11, 2000)	2,029	101,459	0	0	0	103,488
In-kind (I) capital increase from approved capital I (May 22, 2000)	860	39,140	0	0	0	40,000
In-kind (II) capital increase from approved capital II (May 22, 2000)	166	7,263	0	0	0	7,429
Capital increase from paid-in capital (May 23, 2000)	23,348	-23,348	0	0	0	0
Offsetting cost of capital increase	0	-3,457	0	0	0	-3,457
Allocation of profit carried forward from previous year	0	0	1,603	0	-1,603	0
Offsetting minority interests	0	0	0	-37	0	-37
Foreign currency translation	0	0	0	-261	0	-261
Unrealized gains or losses on financial instruments	0	0	0	-1,088	0	-1,088
Net income (loss), group share	0	0	0	0	-14,213	-14,213
	46,695	**162,105**	**1,603**	**-1,386**	**-14,203**	**194,814**

The above-mentioned dates correspond to dates of entry in company's corporate register.

Cash Flow Statement

Cash flow statement for January 1 through December 31, 2000

	2000 DM 000	1999 DM 000
1. Cash flow from operations		
Net income (loss), group share	-14,213	1,626
Extraordinary items	29,227	6,893
Interim result before extraordinary items	15,014	8,519
Depreciation of film portfolio and other rights (excl. extraordinary items)	33,573	6,288
Depreciation of other fixed assets	1,120	135
Goodwill	4,442	0
Changes in long-term reserves	52	69
Payments from extraordinary items	0	-6,893
Cash flow (calculated on DVFA/SG basis)	**54,201**	**8,118**
Capital loss on disposal of fixed assets	343	0
Increase/decrease in inventory	-10,767	2,198
Increase/decrease in trade receivables	-40,724	523
Increase in receivables from related companies	-17,022	-1,361
Increase in other assets	-14,443	-4,510
Increase in trade payables	17,938	18,998
Decrease in other liabilities	-370	-50,322
Cash used in operations	**-10,844**	**-26,356**
2. Cash flow from investing activities		
Proceeds from disposal of fixed assets	14	0
Payments for company acquisitions	-40,045	0
Payments for fixed asset investments	-1,945	-216
Payments for film portfolio and other rights (including prepayments)	-138,049	-33,088
Payments for investments in other intangible assets	-392	
Payments for investments in financial assets	0	-80
Cash used in investing activities	**-180,417**	**-33,384**

	2000 DM 000	1999 DM 000
3. Cash flow from financing activities		
Proceeds from capital increase (cash only)	100,031	60,150
Proceeds from issuance of long-term debt	80,000	0
Proceeds from issuance of short-term liabilities	11,550	10,271
Loan redemption payments	-10,945	0
Cash flow from financing activities	**180,636**	**70,421**

4. Net cash at year-end.		
Net cash flow	-10,625	10,681
Net cash at beginning of period	10,683	2
Net cash at end of period	**58**	**10,683**

Changes in Fixed Assets 2000

	Acquisition and manufacturing costs			
	1/1/00 DM	Foreign currency translation DM	Changes in consolidated group DM	Additions DM
Intangible assets				
Software	0.00	-56,835.98	706,389.98	391,834.66
Film portfolio and other rights	77,715,765.75	-392,197.19	4,874,450.75	175,250,204.18
Goodwill	0.00	0.00	44,422,281.96	0.00
Prepayments	1,353,000.00	0.00	0.00	2,798,753.42
	79,068,765.75	**-449,033.17**	**50,003,122.69**	**178,440,792.26**
Fixed assets				
Other investments, office equipment and machinery	824,168.18	-232,435.81	2,888,845.07	1,944,699.76
Financial assets				
Equity interests	80,000.00	-511.00	6,351.00	0.00
	79,972,933.93	**-681,979.98**	**52,898,318.76**	**180,385,492.02**

Reclassi-fications DM	Disposals DM	12/31/00 DM	Accumulated depreciation DM	Book value 12/31/00 DM	Depreciation for the year DM
0.00	0.00	1,041,388.66	589,021.43	452,367.23	151,421.27
168,000.00	1,782,043.06	255,834,180.43	68,104,236.24	187,729,944.19	62,799,751.34
0.00	0.00	44,422,281.96	4,442,228.20	39,980,053.76	4,442,228.20
-168,000.00	0.00	3,983,753.42	30,000.00	3,953,753.42	0.00
0.00	**1,782,043.06**	**305,281,604.47**	**73,165,485.87**	**232,116,118.60**	**67,393,400.81**
0.00	89,890.59	5,335,386.61	3,114,174.58	2,221,212.03	968,802.07
0.00	0.00	85,840.00	0.00	85,840.00	0.00
0.00	**1,871,933.65**	**310,702,831.08**	**76,279,660.45**	**234,423,170.63**	**68,362,202.88**

I. GENERAL REMARKS

1. General information about the company

The parent company, RTV Family Entertainment AG, is based in Ravensburg, Germany and is registered under HRB 2027 in the Ravensburg corporate registry. The company's business activities include television film production, the buying and selling of film and licensing rights and the marketing of in-house and third-party ancillary rights.

2. Accounting principles

a) IAS accounting principles

RTV Family Entertainment AG's consolidated financial statements for the fiscal year January 1 through December 31, 2000 were prepared in accordance with international accounting principles based on International Accounting Standards (IAS) as well as the findings of the Standing Interpretations Committee (SIC) of the International Accounting Standards Committee (IASC). As authorized under §292 of the German Commercial Code (HGB), consolidated financial statements were not prepared under the accounting principles of the German Commercial Code (HGB) and German Stock Corporation Law (AktG). The Managing Board report was prepared in accordance with the stipulations of §§290 et seq. of the German Commercial Code (HGB). This report was combined with that of the parent company, as is allowed.

The consolidated financial statements were prepared under IAS principles that included IAS 39 (Financial Instruments: Recognition and Measurement), which took effect January 1, 2001.

The income statement was prepared using the full-cost method. Amounts listed are generally in thousands of deutsche marks (TDM) unless otherwise indicated.

b) Industry-specific considerations

Since neither the German Commercial Code (HGB) nor IAS provide specific guidelines for the film and media industry, the valuation and accounting of film assets and other rights was made by applying portions of U.S. GAAP SOP 00-2 (Accounting by Producers or Distributors of Films), which is used by the U.S. film industry companies whose fiscal year begins after December 15, 2000. The application of U.S. GAAP in this respect was made only insofar as it did not conflict with IAS provisions, and given the absence of specific IAS guidelines, appeared to be the best alternative.

c) Notes on the differences between IAS consolidated financial statements and German accounting principles (§ 292 a, para. 2, No. 4 b, German Commercial Code (HGB))

Intangible assets produced in-house, in particular film and merchandising rights, were capitalized in the attached IAS consolidated financial statements at their manufacturing cost. The German Commercial Code (HGB) does not allow these assets to be capitalized.

Under IAS principles, expenses related to advisory services and appraisals for acquisitions of companies and licensing rights may be capitalized at their acquisition cost. Under the German Commercial Code, these expenses are netted out through the income statement.

Under IAS principles, consolidated balance sheet assets and liabilities are valued as of the fiscal year-end. In the IAS consolidated financial statements, assets and liabilities denominated in foreign currencies are valued using the year-end exchange rate. Under the German Commercial Code, a higher of cost or market valuation is used for liabilities, while a lower of cost or market valuation is used for assets. The application of IAS foreign currency translation principles also affected the reporting of revenues and expenses at the income statement level.

Pension reserves were valued using the projected unit credit method under IAS 19. Under the German Commercial Code, pension reserves are valued using the partial value method.

Under IAS principles, non-interest-bearing reserves and liabilities are entered at their present value, whereas under the German Commercial Code they are entered at face or redemption value.

Under IAS, development costs may be capitalized under certain conditions, whereas under the German Commercial Code they are netted out through the income statement.

Costs directly related to the capital increase less their corresponding tax liability were offset against paid-in capital. Under the German Commercial Code, costs related to the capital increase are included under extraordinary expenses.

In the consolidated income statement, sales revenues were reduced by an amount correpsonding to the allocation of discounted trade receivables. Under the German Commercial Code, these expenses are entered under other operating expenses.

Deferred taxes were entered for all temporary differentials between the consolidated balance sheet and the tax balance sheet, with the exception of goodwill. Tax-loss carryforwards were also accrued.

Balance-sheet valuations of derivative financial instruments were made in accordance with internationally accepted principles.

To enhance corporate reporting and transparency, the more extensive IAS reporting criteria were applied in the Notes to the Consolidated Financial Statements, including information regarding earnings per share, relations to affiliated individuals and detailed information on bank debt.

In accordance with IAS guidelines, the notes to the consolidated financial statements include a breakdown of results by business line and a cash flow statement.

Balance sheet items were ordered according to their term periods in accordance with IAS 1.

d) Previous year amounts

RTV Family Entertainment AG was required for the first time to publish consolidated financial statements for the year ending December 31, 2000. No consolidated group existed prior to last year. Many of the previous year's figures cited in the consolidated financial statements correspond to amounts entered in RTV Family Entertainment AG's financial statements from the previous year, which were prepared in accordance with IAS principles. As such, direct comparisons to the previous year's figures are only relevant to a limited degree.

3. Information regarding the consolidated group

a) Consolidation scope

The following companies, in which RTV Family Entertainment AG directly or indirectly owns a controlling stake through a majority of the voting rights or other rights, were fully consolidated in the RTV Family Entertainment AG Group. .

Subsidiary	Equity interest, as a %	Consolidation period	First consolidated as of
Waterfront Medien Produktion GmbH, Hamburg	95.0	3/27 – 12/31/2000	3/27/2000
CJGT Investments Pty. Limited, Sydney/Australia	100.0	1/1 – 12/31/2000	1/1/2000
Energee Entertainment Pty. Limited, Sydney/Australia	68.0	1/1 – 12/31/2000	1/1/2000
Energee Licensing Pty. Limited, Sydney/Australia	68.0	1/1 – 12/31/2000	1/1/2000
Energee Distribution Pty. Limited, Sydney/Australia	68.0	1/1 – 12/31/2000	1/1/2000
Ekidz Pty. Limited, Sydney/Australia	68.0	1/1 – 12/31/2000	1/1/2000

The above-mentioned companies and their financial statements prepared in accordance with IAS were included in the consolidated financial statements for the first time as of year-end 2000.

b) Subsidiaries

Waterfront Medien Produktion GmbH

Waterfront Medien Produktion GmbH, Hamburg, was founded on March 27, 2000. RTV owns 95 % of the company's TEUR 100 in capital stock. The company's business purpose is the conception, development, writing, production and marketing of films and audiovisual content for cinema, television, multimedia and the Internet; the acquisition of licensing rights and equity interests in broadcast companies; the buying and selling of films and audiovisual content, merchandising goods, foreign and German rights; events marketing; all related businesses with the exception of regulated business activities. In the period from March 27 through December 31, 2000, the company posted a net loss of DM TDM 929 and negative equity of TDM 733. The company did not generate any sales revenue. On July 28, 2000, the company entered into a subordinated agreement with RTV in order to avoid a debt overload under bankruptcy provisions. RTV pledged its assets as collateral for all of the company's current and future creditors.

CJGT Investments Pty Limited, Sydney/Australia

With an agreement dated February 29, 2000, RTV acquired 100 % of the company. The total acquisition cost was AUS $31.032 million, of which AUS $26.132 million (DM 32.534 million) was paid in cash and the balance of AUS $4.9 million through 69,414 new bearer shares issued in exchange for in-kind contributions. This led to additional acquisition costs of DM 6.067 million (cost of issuing shares of EUR 3.102 million). Capitalized acquisition-related costs totaled TDM 389. CJGT is a holding company whose only asset is its 55.5 % stake in Energee Entertainment Pty Limited, Sydney, Australia. The financial statements for the year ended December 31, 2000 show a net loss of TAUS $22 (TDM 28) and negative equity of TAUS $42 (TDM 49).

Energee Entertainment Pty Limited, Sydney/Australia

Through acquisition agreements dated March 9, 2000 and May 2, 2000, RTV acquired a 12.5 % equity interest in Energee. Of the total acquisition price of AUS $6.968 million, AUS $5.868 million (DM 7.529 million) was paid in cash, and the balance of AUS $1.1 million through the issuance of 15,586 new bearer shares in exchange for an in-kind contribution. This led to additional acquisition costs of DM 1.362 million (cost of issuing shares of TEUR 697). The company's primary business activities include the acquisition, production and marketing of licensed and copyrighted rights in the area of children's entertainment. The financial statements for the year ended December 31, 2000 show net income of AUS $1.774 million (DM 2.184 million) and equity of AUS $6.058 million (DM 7.075 million). The company owns 100 % stakes in Energee Licensing Pty Limited (net income: AUS $0; equity: TAUS $134 (TDM 157)); Energee Distribution Pty Limited (net income: TAUS $6 (TDM 7); equity: AUS $3.225 million (DM 3.767 million)); Ekidz Pty Limited (net income: AUS $0; equity: AUS $0). All three companies are based in Sydney, Australia. These figures reflect amounts as of December 31, 2000.

c) Unconsolidated subsidiaries

The 50 % equity interest in Sir Katherine Pty Limited, Sydney/Australia, which is held by Energee Licensing Pty Limited, as well as the 40 % equity interest in RTV Film + TV GmbH, Ravensburg, were immaterial and therefore not included in the consolidated financial statements.

d) Consolidation principles

The financial statements of all the consolidated companies were prepared using the consolidated group's fiscal year. The same accounting and valuation methods were used throughout. The equity of the fully consolidated companies was consolidated under the acquisition method, with acquisition costs offset against the book value of the equity as of the acquisition date. All other known valuation differentials were allocated to hidden reserves, and any remaining valuation differential entered as goodwill. This goodwill is depreciated using the straight-line method over a period of 10 years.

Assets and liabilities held by fully consolidated companies are netted out against one another. Intragroup sales and earnings are netted out against their respective costs. No elimination of unrealized results within the consolidated group was required.

Equity interests held by third parties and their share of the group's earnings are reported under minority interests. Negative equity interests held by third parties and their share of negative earnings are offset against the remaining equity, in accordance with IAS standard 27.27.

e) Foreign currency translation

Foreign currencies are translated based on the functional currency principle under IAS 21. Balance sheet entries of foreign companies use the year-end, mean currency rate. Income statement entries use the average annual exchange rate. Equity is translated at historical cost.

Foreign currency translation differentials, as well as differentials from the translation of previous year's totals, are reported under changes in equity and are netted through the income statement.

The translation of goodwill amounts is done using the exchange rate at the time of the acquisition.

In the financial statements of consolidated group companies, assets and liabilities denominated in foreign currencies are valued using the year-end exchange rate.

The first-time consolidation of the Australian subsidiaries used an exchange rate of DM 1.270/AUS $1. The year-end, mean exchange rate was DM 1.168 and the average exchange rate in 2000 was DM 1.231.

II. ACCOUNTING AND VALUATION PRINCIPLES

1. Balance sheet

The film portfolio and other rights were entered at their acquisition cost less depreciation. Beginning in 2000, depreciation is calculated based on the commercial use of film rights. The depreciation amount, which is taken periodically, corresponds to the proportion of sales relative to the total planned commercial use of the film rights.

This depreciation method is borrowed from the U.S. accounting principle SOP 00-2 (Accounting by Producers or Distributors of Films), which applies to all U.S. companies whose fiscal year begins after December 15, 2000. IAS accounting standards do not specifically cover film rights. Previously, these rights were depreciated over a useful life of five to 10 years using the straight-line method. The additional depreciation totaled DM 29.227 million. Furthermore, the film assets are subjected to an impairment test at the end of each year.

Goodwill is depreciated over 10 years using the straight-line method.

Software and fixed assets are entered at their acquisition cost less scheduled depreciation. The depreciation periods correspond to the average useful life of the goods in each asset category. Motor vehicles are depreciated over three to four years, while other office equipment and machinery is depreciated over a period of between two and 10 years. Immaterial assets whose acquisition cost is less than DM 800 are fully expensed and entered as disposals by the consolidated companies based in Germany.

Equity interests are entered at their acquisition cost.

Unfinished goods and services do not yet apply to completed film productions. Their valuation is based on the lower of acquisition or manufacturing cost or expected net sales proceeds less anticipated future costs. The acquisition and manufacturing costs include all costs that can be allocated directly and indirectly as well as itemized costs that are contractually attributable to the client.

Deferred taxes are established at year-end for differentials between the tax valuations of the assets and liabilities and the valuations in the consolidated financial statements, in particular for Other Assets. Deferred taxes arising from unrealized tax loss carryforwards are capitalized to the extent that future taxable income is sufficiently certain. Deferred taxes are established in accordance with IAS 12.47 on the basis of the tax provisions in the respective countries applicable at the time the deferred taxes are established or in the future.

Receivables and other assets are entered at their acquisition cost.

Individual reserve allowances are established for all balance sheet items fraught with risk. An overall reserve allowance is established for general credit risk (1 % of net assets not subject to individual reserve allowances).

Non-interest-bearing receivables with a term period of more than one year are discounted at an annual rate of 6 %.

Pension reserves are calculated using actuarial principles with a minimum discount rate of 6 % under the projected unit credit method. The reserve amounts are based on the 1998 actuarial tables established by Dr. Klaus Heubeck. Other reserves are established to cover all recognizable risks from contingent liabilities. These reserves are established based on a best estimate of the amount necessary to cover the liabilities.

Liabilities are entered at their amounts repayable.

Currently, IAS standards do not specifically cover how to account for and value stock option plans, and no special adjustments are required for the balance sheet and income statement. Nor does there appear to be any international consensus on this matter. There is no obligation to enter a corresponding cost under personnel costs on the income statement, as there is under U.S. GAAP. In light of these factors, RTV Family Entertainment AG has presented a detailed description of its stock option plan in the notes to the consolidated financial statements (see information on conditional capital).

2. Income statement

Sales of television rights are booked at the time they are delivered to the licensee, insofar as the obligation is substantially fulfilled, i.e. the series or television programs are at the licensee's disposal or are available upon demand. The fact that a licensee uses the rights at a later date is irrelevant for the purpose of booking the sales.

In the merchandising business, guaranteed proceeds are booked once the contract with the licensee is signed. Revenues that depend on merchandising sales are booked at the time of the sale by the licensee.

Sales of commissioned productions are booked when the productions are completed.

As of 2001, the provisions of the U.S. accounting standard SOP 00-2 will apply to the booking of sales, i.e. the contractual licensing period must have started.

In accordance with IAS 18, discounted trade receivables during the fiscal year are offset against sales revenues, which thus make allowances for potential shortfalls due to financing.

III. NOTES TO BALANCE SHEET

Changes in individual asset entries are detailed in the Changes in Consolidated Assets table.

1. Goodwill

Goodwill breaks down as follows:

	Share of equity owned in subsidiary				
	Acquisition price	Capital stock/ paid-in capital	Net profit (loss) carried forward	Total	Goodwill
CJGT Investments Pty. Limited (excluding equity interest in Energee Entertainment Pty. Limited)	38,990	11	-352	-341	39,331
Energee Entertainment Pty. Limited	8,891	3,245	555	3,800	5,091
	47,881	3,256	203	3,459	44,422
less depreciation					-4,442
Goodwill 12/31/2000					**39,980**

2. Other investments, office equipment and machinery

The entry for other investments, office equipment and machinery includes capitalized lease agreements totaling TDM 805 (previous year: DM 0).

3. Equity interests

Equity interests comprise the 50 % stake in Sir Katherine Pty. Limited, Sydney/Australia (TDM 6) and the 40 % stake in RTV Film + TV GmbH, Ravensburg (TDM 80). This latter company recorded net income of TDM 1 in 2000 and had equity of TDM 202 at year-end.There was no financial statement delivered for Sir Katherine Pty. Limited.

4. Deferred taxes

Deferred taxes entered as assets were accrued as follows:

	12/31/2000 DM 000	31.12.1999 DM 000
Temporary differences between individual company financial statements	777	0
Accruals based on SIC 17 (see paid-in capital)	2,353	0
Net loss carried forward	9,036	0
	12,166	**0**

5. Other long-term receivables

Long-term receivables are those with a term period of more than one year. The amount discounted as of December 31, 2000 totaled DM 3.716 million (previous year TDM 605). These receivables originated primarily through licensing sales.

6. Unfinished goods and services

Unfinished goods and services comprise uncompleted film productions.

7. Receivables from affiliated companies

These receivables were contracted primarily with subsidiaries of Ravensburger AG, the majority shareholder in RTV Family Entertainment AG.

8. Other assets and prepayments

Other assets and prepayments comprises mainly receivables from tax authorities, forward currency contracts and employees. The tax receivables consisted of DM 2.274 million in corporate tax, TDM 125 in solidarity contributions, TDM 600 in trade tax and DM 1.409 million in value added tax.

The receivables from forward currency contracts comprise the following transactions, which at year-end had no underlying transactions:

Contract type [1]	Expiration date	Currency	Amount in DM 000	Guaranteed exchange rate	Equivalent in DM 000	Year-end exchange rate	Equivalent in DM 000	Market value in DM 000
Sale	1/31/2001	USD	939	2.254	2,116	2,099227	1,971	145
Sale	2/28/2001	USD	581	2.2515	1,308	2,096898	1,218	90
Sale	3/29/2001	USD	4.074	2.2489	9,162	2,094543	8,533	629
Sale	6/29/2001	USD	4.406	2.2407	9,873	2,088413	9,202	671
								1,535

[1] from RTV's perspective

All data used to calculate the market value were provided by the financial institutions issuing the forward currency contracts. All transactions were recorded in 2000. Income is reported under Other operating income in the consolidated income statement.

9. Cash and bank deposits

The reported amount of TDM 58 comprises cash totaling TDM 2 (previous year: TDM 2) as well as current deposits with financial institutions totaling TDM 56 (previous year: DM 10.681 million). At year-end, the current account balance bore annual interest income of 2.1 %.

10. Equity

Changes in equity are listed separately in the Equity Statement. The dates listed in this statement represent the moment the transaction was entered in the corporate register.

11. Capital stock

At year-end, RTV Family Entertainment AG's capital stock consisted of 23,875,000, fully paid-up bearer shares with a par value of EUR 1 each. Ravensburger AG owned 58.3 % of the capital stock, which as of December 31, 2000 totaled TEUR 23,875 (DM 46,695,441.25).

Changes in the capital stock last year were as follows:

On January 1, 2000, the capital stock totaled TEUR 10,375 (DM 20,291,736.25).

Pursuant to the authorization of the Extraordinary Shareholders' Meeting on May 6, 1999, the capital stock was increased by EUR 1,037,500 through the issuance of new bearer shares with a par value of EUR 1 per share and a minimum offering price of EUR 1 per share in exchange for cash contributions. Pre-emptive purchase rights for existing shareholders were waived. An underwriting syndicate sold these new shares through a public offering. The completed capital increase was registered in the commercial registry on April 11, 2000.

Two in-kind capital increases of, respectively, TEUR 440 (part of purchase price for CLT-Ufa rights package) and TEUR 85 (part of purchase price for shares in CJGT Investments Pty Limited and Energee Entertainment Pty Limited) increased the capital stock to EUR 11,937,500. New bearer shares with a par value of EUR 1 each and a minimum offering price of EUR 1 were issued. These capital increases made use of the approved capital created by the Extraordinary Shareholders' Meeting of May 6, 1999. Pre-emptive rights for existing shareholders were waived. The new shares were received by the parties making in-kind contributions. The capital increase was entered in the commercial register on May 22, 2000.

The Shareholders' General Meeting of May 4, 2000 increased the capital stock by another EUR 11,937,500 to TEUR 23,875, financed with paid-in capital through the issuance of new bearer shares with a par value of EUR 1 each and with a minimum offering price of EUR 1 per share. These shares were distributed to shareholders on a 1:1 basis. This capital increase was entered in the corporate register on May 23, 2000.

12. Paid-in capital

Paid-in capital comprises only proceeds from share offerings above the par value of the shares. Paid-in capital increased in 2000 thanks to three capital increases from approved capital I (one in exchange for cash and two for in-kind contributions). It also decreased as a result of the capital increase approved by the General Shareholders' Meeting of May 4, 2000 and financed using paid-in capital as well as from the offsetting of costs incurred as part of the cash capital increase. Pursuant to SIC 17, the DM 5.81 million in costs less deferred taxes of DM 2.353 million were offset against paid-in capital.

13. Retained earnings

The May 4, 2000 General Shareholders' Meeting attributed the entire profit carried forward from the previous year, i.e. DM 1.603 million, to retained earnings.

14. Approved capital I

Pursuant to the Extraordinary Shareholders' Meeting of May 6, 1999, the Managing Board was authorized, subject to the approval of the Supervisory Board, to increase the company's capital stock through a share offering in exchange for cash or in-kind contributions on one or more occasions in an amount not to exceed TEUR 5,000. This authorization remains valid through April 30, 2004. The Managing Board was also authorized, subject to the approval of the Supervisory Board, to waive the pre-emptive rights of existing shareholders. The approved capital was registered on June 4, 1999.

In 2000, the company made use of this authorization on three occasions to increase the company's capital stock by the respective amounts of EUR 1,037,500, TEUR 440 and TEUR 85. At year-end, EUR 3,437,500 in approved capital I still remained unused.

15. Approved capital II

The General Shareholders' Meeting of May 4, 2000 authorized additional approved capital (approved capital II). The Managing Board was authorized, subject to the approval of the Supervisory Board, to increase the company's capital stock through a share offering in exchange for cash on one or more occasions in an amount not to exceed EUR 2,387,500. This authorization remains valid through May 3, 2005. The Managing Board was also authorized, also subject to the approval of the Supervisory Board, to waive the pre-emptive rights of existing shareholders, provided the offering price of the new shares is not significantly below the stock market price.

16. Conditional capital I

The May 6, 1999 Extraordinary Shareholders' Meeting authorized a conditional capital increase of up to TEUR 400 through the issue of up to 400,000 new shares. Dividends are payable on the new shares beginning in the year in which they are issued. The conditional capital increase is for the purpose of granting stock option rights to members of the Managing Board and employees. The option rights may neither be transferred nor sold. They may be exercised as long as the holder remains an employee of the company in good standing.

Option holders include the members of the Managing Board (not more than 45 % of the option rights) and employees (not more than 55 % of the option rights).

The options are to be issued in annual tranches over a period of three years:

First tranche:	200,000 option rights	through June 30, 1999
Second tranche:	100,000 option rights	through June 30, 2000
Third tranche:	100,000 option rights	through June 30, 2001

On June 30, 1999, a total of 199,500 option rights were issued as part of the first tranche. The strike price was set at EUR 51.12.

Option holders may receive one new share for each option right. The option rights may be exercised only two years after they have been granted, and no later than five years after the scheduled issue date.

In lieu of new shares, option holders may be granted a cash settlement. The Managing Board makes this determination for options held by employees, while the Supervisory Board makes it for options held by Managing Board members.

The May 4, 2000 Shareholders' General Meeting voted to implement only the first tranche of the stock option plan for 200,000 option rights, of which 199,500 have been granted, and to cancel the second tranche of 200,000 rights. In effect, the stock option plan only applies to the 199,500 option rights already granted.

Following the capital increase financed through paid-in capital and registered on May 23, 2000, the number of option rights was doubled and the strike price halved. The plan thus consists of 400,000 option rights, of which 399,000 have been granted. The strike price was set at EUR 25.56

17. Conditional capital I

The May 4, 2000 Shareholders' General Meeting approved a conditional capital increase of up to TEUR 800 (conditional capital II) through the issuance of up to 800,000 new shares. Dividends are payable on the new shares beginning in the year in which they are issued.

The conditional capital increase is for the purpose of granting stock option rights to members of the Managing Board and employees, as well as to managers and employees of subsidiaries. The option rights may neither be transferred nor sold. They may be exercised as long as the holder remains an employee of the company in good standing.

Option holders include the members of the Managing Board (not more than 25 % of the option rights) as well as employees of the company and managers and employees of subsidiaries (not more than 75 % of the option rights).

The options are to be issued in annual tranches over a period of three years:

First tranche:	400,000 option rights	for the period July 1 through November 15, 2000
Second tranche:	200,000 option rights	for the period July 1 through November 15, 2001
Third tranche:	200,000 option rights	for the period July 1 through November 15, 2002

Option holders may receive one new share for each option right. Varying waiting periods were established for holders to exercise their option rights. On 40 % of the option rights, the waiting period was two years. On another 30%, the period was three years. On the remaining 30 %, the period was four years. At the earliest, the option rights from the first tranche may be exercised on November 15, 2002, those from the second tranche on November 15 2003 and those from the third tranche on November 15, 2004. At the latest, the option rights from the first tranche may be exercised on November 15, 2005, those from the second on November 15, 2006 and those from the third on November 15, 2007.

In lieu of new shares, option holders may be granted a cash settlement. The Managing Board makes this determination for options held by employees, while the Supervisory Board makes it for options held by Managing Board members.

Following the capital increase financed through paid-in capital and registered on May 23, 2000, the number of option rights was doubled. The plan thus consists of 1,600,000 option rights.

On August 4 and November 15, 2000, some 715,000 option rights were granted as part of the first tranche. The average strike price for the exercise of the options was set at EUR 22.56.

18. Minority interests

	12/31/2000 DM 000	12/31/1999 DM 000
Energee Entertainment Pty. Limited, Sydney/Australia	2,310	0
Waterfront Medien Produktion GmbH, Hamburg	0	0
	2,310	**0**

Minority interests in Waterfront Medien Produktion GmbH were accounted for pursuant to IAS 27.27.

Minority interests thus broke down as follows:

	Net income (loss) DM 000	Equity (excl. profit (loss) carried forward) DM 000	Minority interests DM 000	Share of total equity DM 000
Energee Entertainment Pty. Limited, Sydney/Australia[1)]	2,191	5,027	32.0	2,310
Waterfront Medien Produktion GmbH, Hamburg	-928	196	5.0	-37

1) Subgroup

19. Pension reserves

Two types of pension obligations exist: individual commitments and a pension fund. Two of the individual commitments are for Managing Board members and three pertain to bonus compensation conversions (two of which were for Managing Board members). The pension obligations are carried exclusively by RTV Family Entertainment AG.

The pension fund obligations are valued actuarially using the projected unit credit method in accordance with IAS 19. The actuarial parameters used were as follows:

	2000 %	1999 %
Discount rate	6.0	6.0
Compensation increases	0.0	0.0
Pension adjustments	2.0	2.0
Personnel		
– Individual commitments	0.0	0.0
– Pension fund	5.0	5.0

The 1998 actuarial tables prepared by Dr. Klaus Heubeck were used.

The present value of the pension obligations totaled TDM 514 and was entered as a balance sheet liability. Retirement compensation of TDM 17 consists of length of service expenses under personnel costs.

Changes in pension reserves were as follows:

	2000 DM 000	1999 DM 000
1/1/00	483	430
Transfer to Ravensburger Group companies	-21	-2
Bonus compensation conversions	35	0
Current expenses	17	55
12/31/00	**514**	**483**

20. Other reserves

Changes in other reserves were as follows:

	1/1/2000 DM 000	Additions to consoli- dated group DM 000	Use DM 000	Write-backs DM 000	Additions DM 000	1/31/2000 DM 000
Long-term reserves						
Personnel expenses	120	0	2	0	23	141
Short-term reserves						
Personnel expenses	468	288	689	67	785	785
Audit and acquisition costs	30	0	30	0	110	110
Outstanding bills	2,952	0	2,637	245	908	978
Legal risks	765	0	115	287	0	363
	4,215	**288**	**3,471**	**599**	**1,803**	**2,236**
	4,335	**288**	**3,473**	**599**	**1,826**	**2,377**

21. Deferred taxes

Deferred taxes entered as liabilities totaling DM 1.266 million correspond to differential amounts from the financial statements of the consolidated companies.

22. Liabilities

	less than 1 year DM 000	Term period 1 - 5 years DM 000	More than 5 years DM 000	Total DM 000
Bank debt	13,340	80,514	0	93,854
Advances on orders	440	0	0	440
Trade payables	43,900	591	0	44,491
Liabilities to affiliated companies	221	0	0	221
Liabilities to companies in which RTV owns equity interests	6	0	0	6
Other liabilities	8,144	0	0	8,144
	66,051	**81,105**	**0**	**147,156**
(31.12.1999	37,172	190	0	37,362)

23. Bank debt

Credit lines and their use break down as follows:

	Term period	Credit Linie DM 000	Use DM 000
RTV Family Entertainment AG			
Deutsche Bank AG, Ravensburg			
Current account (annual interest rate 7 %)	unlimited	10,000	6,438
Syndicated loan	9/6/03	30,000	30,000
Baden-Württembergische Bank AG, Ravensburg			
Current account (annual interest rate 7.5 %)	daily	2,500	79
Euro loan (Guernsey branch) (interest rate 5.95 %)	1/29/01	2,500	2,500
Syndicated loan	9/6/03	25,000	25,000
Bayerische Hypo- und Vereinsbank AG, Munich			
Current account (annual interest rate 8.0 %)	7/31/01	2,500	33
Syndicated loan	9/6/03	25,000	25,000
HypoVereinsbank Luxembourg S.A., Luxembourg			
Euro loan (annual interest rate 6.28 %)	1/29/01	2,500	2,500
		100,000	**91,550**
Energee Entertainment Pty. Limited			
National Australia Bank, Sydney/Australia			
Current account (annual interest rate 8.65 %)	daily	584	1,670
Loan (annual interest rate 6.98 %)	6/30/04	514	514
		1,098	**2,184**
Other group's subsidiaries		**112**	**120**
		101,210	**93,854**

Based on a contract dated September 6, 2000, RTV Family Entertainment AG opened a credit facility totaling DM 80 million through a syndicated loan, with Deutsche Bank AG, Ravensburg, as the lead underwriter. The following banks are part of the underwriting group:

Deutsche Bank AG, Ravensburg branch	37.50 %
Baden-Württembergische Bank AG, Ravensburg branch	31.25 %
Bayerische Hypo- und Vereinsbank AG, Munich branch	31.25 %

The loan was divided into four tranches, with respective annual interest rates of 5.986 %, 5.896 %, 5.947 % and 6.095 %.

The company pledged not to create third parties or, as always, other collateral, notably through partial recourse factoring. It agreed to not divest equity interests in other companies, encumber them or use them in any other way. It also agreed not to take on any obligations that would result in collateral created on behalf of third parties. The exceptions to these commitments include the traditional securing of supplier credits through reservation of ownership clauses and claims assignments. Also excepted are the traditional collateral rights of banks for general business conditions.

The company also pledged to provide the following collateral upon the demand of the lead underwriter in the event certain financial ratios (debt/EBITDA, EBITDA/interest expense, net debt/equity) fall short of contractually set levels for the year 2000 and thereafter:

- Total assignment of all borrower’s trade receivables with all debtors
- Total assignment of all receivables from companies within the consolidated Ravensburger AG Group
- At the discretion of the bank, pledging as collateral or transfer of all rights to complete film library
- Pledging of all equity interests as collateral.

On September 22, 2000, RTV entered into an interest rate swap agreement with Deutsche Bank AG, Frankfurt, for a loan amount of DM 50 million in order to hedge against interest rate risks related to the syndicated loan. The term period for this swap agreement begins March 30, 2001 and runs until September 2003. The year-end 2000 market value, as calculated by Deutsche Bank AG, was negative DM 1.83 million. After allowing for tax effects, this cash flow hedge was entered in the financial statements under equity and not netted out through the income statement.

National Australia Bank/Collateral:
As collateral for a current account credit and loan, Energee Entertainment Pty. Limited und Energee Licensing Pty. Limited have pledged several company assets.

24. Liabilities to affiliated companies

As was the case the previous year, liabilities to affiliated companies consisted exclusively of liabilities to Ravensburger AG, Ravensburg.

25. Other liabilities and deferred income

Other liabilities and deferred income consist mainly of interest accruals for the syndicated loan, the negative market value of the interest rate swap agreement related to the syndicated loan and accrued proceeds in connection with the feature film The Magic Pudding.

26. Contingent liabilities

Liabilities from a rent guarantee totaled TDM 20.

27. Other financial liabilities

Other financial liabilities from production agreements totaled DM 32.123 million, of which DM 22.656 million is due in 2001 and the balance of DM 9.467 million is due in 2002.

A purchase agreement with Ravensburger Interactiv Media GmbH gave rise to DM 2 million in liabilities. See: Significant Events Since December 31, 2000.

On April 1, 2000, the company relocated its headquarters to Munich. The company entered into a five-year-fixed rental agreement beginning March 2000. From this rental agreement and two others, the company incurred liabilities of DM 1.138 million in 2001 and DM 3.031 million in the years thereafter.

Liabilities from operating lease agreements totaled TDM 137 for the years 2001 through 2003, of which TDM 48 in 2001.

28. Breakdown of lease financing

	12/31/2000 DM 000
Minimum lease payments	
Up to 1 year	380
Between 1 and 5 years	648
More than 5 years	0
	1.028
less future financing costs	126
Present value of minimum lease payments	902
Up to 1 year	311
Between 1 and 5 years	591
More than 5 years	0

The effective annual interest rate was 10.39 %.

IV. NOTES TO INCOME STATEMENT

1. Sales revenues

The breakdown of sales revenues by business line and geographic region is provided in section VI.

Sales revenues were reduced by DM 3.262 million in 2000 on account of the discounting of trade receivables. No reduction was made in 1999.

2. Other operating income

This item comprises mainly exchange rate gains, write-backs on reserves and rental income.

3. Cost of materials

Materials for film production are included in the cost of raw materials and supplies. Costs for related services include mainly licences, filming and other film production costs.

4. Personnel expenses

The company averaged 69 employees for the year, including four Managing Board members.

5. Depreciation

TDM 756 in unscheduled depreciation on the film portfolio was taken following impairment tests.

6. Other operating expenses

Other operating expenses break down as follows:

	2000 DM 000	1999 DM 000
Distribution costs	14,397	11,804
Overhead expenses	6,717	2,622
Rental and leasing expenses	1,314	250
Repairs and maintenance	141	44
Other expenses	4,606	2,094
Miscellaneous taxes	7	3
	27,182	**16,817**

Other expenses consist mainly of exchange rate losses and additions to write-downs.

7. Interest and similar income

Interest and similar income from affiliated companies totaled TDM 100 in 2000 (previous year: TDM 295).

8. Interest and other expenses

Interest expense to affiliated companies was nil in 2000 (previous year: TDM 68).

9. Corporate taxes and deferred taxes

The corporate tax entry includes expected refunds of corporate income tax, trade tax and solidarity contributions because of overpayments for 1999, expected refunds of corporate income tax and solidarity contributions because of tax loss carrybacks and tax expenses for the subsidiaries in Australia.

Tax breakdown:

	2000 DM 000
Pre-tax income	-22,366
Tax liability at reported 53.3 % tax rate	11,921
Changes in tax liability because of:	
- variations in tax liabilities at foreign subsidiaries	488
- non-deductible expenses	-251
- goodwill depreciation	-2,368
- application of a 40.5 % tax rate	
for valuation of deferred taxes	-2,391
- tax loss carryforwards	1,408
	8,807
Effective corporate tax rate, as a %	39.4

The 53.3 % reported tax rate was calculated using a trade tax of 19.19 %, a corporate income tax rate of 40 % and solidarity contributions (5.5 % of the corporate income tax).

Deferred taxes were calculated using an average rate of 40.5 % (trade tax of 19.19 %, corporate income tax of 25 %, solidarity contribution of 5.5 % of the corporate income tax). The deferred tax of DM 7.806 million broke down as follows:

	2000 DM 000
Changes in capitalized deferred taxes	-9,072
Changes in deferred taxes carried as liabilities	1,266
	-7,806

In 2000, DM 3.094 million was offset against equity without being netted out through the income statement.

10. Minority interests

	2000 DM 000	1999 DM 000
Energee Entertainment Pty. Limited, Sydney/Australia	701	0
Waterfront Medien Produktion GmbH, Hamburg	-46	0
	655	**0**

11. Earnings per share

In accordance with IAS 33, earnings per share consists of the group share of net income divided by the weighted average number of shares.

	2000	1999
Net income, group share (in DM 000)	-14,213	1,626
Weighted average number of shares (units)	23,006,250	18,833,333
Earnings per share (DM)	-0.62	0.09

In the calculation of the weighted average number of shares, allowances were made for additions through the cash and in-kind capital increases and the free share distribution (1:1 stock split). Adjustments were made to 1999 earnings per share.

V. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

The net cash position consisted exclusively of cash.

Cash used for interest payments totaled DM 3.116 million in 2000 (previous year: TDM 288). Cash provided by interest totaled TDM 242 in 2000 (previous year: TDM 308). The portion of reported interest income and expense not involving cash flows was entered under Changes in Other Liabilities/Assets.

Cash used for tax payments totaled DM 2.468 million (previous year: DM 1.239 million). Of the payments made, DM 2.102 was capitalized as Other Assets because of losses posted by German companies during the year as well as the use of existing tax loss carryforwards.

Cash used to acquire companies broke down as follows:

	DM 000
Cash	407
Film portfolio	4,387
Other intangible and tangible fixed assets	1,294
Financial assets	6
Inventory	2,306
Trade receivables	3,602
Other assets	3,584
Assets	**15,586**
Other reserves	288
Bank debt	3,100
Trade payables	906
Other liabilities	1,144
Deferred income	4,901
Minority interests	1,788
Liabilities	**12,127**
Net assets	3,459
Goodwill	44,422
Acquisition price	47,881
less cash	407
less in-kind capital increase amount included in acquisition price	7,429
	7,836
	40,045

The acquisition price from the in-kind capital increase of DM 40 million was not included in cash used for investments in the film portfolio and other rights. Costs related to the public offering were offset against cash provided by the capital increase. See Changes in Equity for more information.

VI. RESULTS BY BUSINESS LINE AND REGION

The business lines are the primary reporting format. In accordance with IAS 14.50 et seq., information is provided for the following business lines: licensing/coproductions, merchandising, commissioned production. Given the company's major restructuring and partial lack of available information, no comparable data is presented for 1999.

1. Results by business line (primary report format)

	Licensing/ Coproductions DM 000	Merchan- dising DM 000	Commis- sioned production DM 000	Transition DM 000	Consolidated group DM 000
Sales	93,043	11,853	2,460	0	107,356
Changes in inventory	10,770	0	0	0	10,770
Other operating income	0	0	0	3,795[1)]	13,795
Total production	103,813	11,853	2,460	3,795	121,921
Expenses by business line	103,382	16,677	1,209	-18,890[1)]	-140,158
Income by business line (operating income)	431	-4,824	1,251	-15,095	-18,237
Assets by business line[2)]	221,912	9,752	0	2,674	234,423
Liabilities by business line[3)]	131,874	7,113	0	8,169	147,156
Investments	175,235	2,859	0	2,337[4)]	180,431
Depreciation	63,870	3,372	0	1,120[4)]	68,362

1) These entries involve income and expenses that cannot be attributed to any one business line.

2) Assets by business line = assets; entries for tangible fixed assets and software are entered in the Transition column.

3) Liabilities by business line = balance sheet liabilities; liabilities are included in the Transition column.

4) The Transition column includes entries for tangible fixed assets and software.

2. Results by geographic region (secondary report format)

Sales are broken down geographically according the headquarters location of the client, while assets and investments are broken down according to the headquarters location of the consolidated company:

VII. SIGNIFICANT EVENTS SINCE DECEMBER 31, 2000

	Germany DM 000	Europe DM 000	North America DM 000	Rest of the World DM 000	Consolidated group DM 000
Sales	61,735	4,289	34,259	7,073	107,356
Assets by region	230,886	0	0	3,537 [1)]	234,423
Investments	179,316	0	0	1,115 [1)]	180,431

[1)] consolidated companies in Australia

1. Acquisition of equity interest in Golbach Productions GmbH, Düsseldorf

Pursuant to a acquisition agreement notarized on October 20, 2000, RTV acquired a partial equity interest of 50.2 % with a par value of EUR 12,550 in Golbach Productions GmbH, Düsseldorf. The acquisition price was DM 3.403 million, of which DM 1.7 million was paid in cash and DM 1.703 million through the issuance of new RTV shares. The agreement contained a provision that the Managing Board would agree to increase RTV's capital stock in order to increase the number of shares to be issued. This increase occurred in February 2001, such that at year-end the contract was temporarily non-binding.

2. Acquisition of Off the Fence B.V., Amsterdam/Netherlands

In addition, RTV also acquired a 100 % stake both directly and indirectly in Off the Fence B.V., Amsterdam, Netherlands, through an agreement dated September 14, 2000 and an additional agreement dated January 9, 2001. The acquisition price totaled DM 13.013 million, of which DM 2.6 million was paid in cash and DM 10.413 million through the issuance of new RTV shares. As of year-end 2000, the contract was temporarily non-binding, since several provisions had not yet been fulfilled, notably the elimination of a post-formation acquisition obligation. At the time of preparation of the financial statements, the contract is binding.

3. Acquisition of Ravensburger Interactiv Media GmbH's "Music & Video" business

Based on an agreement dated December 20, 2000, RTV acquired the "Musik & Video" business of its sister company Ravensburger Interactiv Media GmbH effective January 1, 2001. This agreement includes all existing contracts, archival and photographic materials and inventory as of the effective acquisition date. The acquisition price was DM 2 million. Inventory was acquired at its manufacturing cost.

VIII. RELATIONS TO AFFILIATED COMPANIES AND INDIVIDUALS

1. Ravensburger AG and its affiliated companies

Up until its March 31, 2000 move to new offices in Munich, RTV rented office space and received services (primarily personnel-related) from its primary shareholder, Ravensburger AG (see Notes to Equity). Overall, RTV paid TDM 42 for the rent and services received.

In 2000, RTV had business relations with Ravensburger Spieleverlag GmbH, Ravensburger Buchverlag Otto Maier GmbH, Ravensburger Interactive Media GmbH, Ravensburger Spieleland AG, Ravensburger Freizeit- und Promotion-Service GmbH and Ravensburger Film + TV GmbH. RTV generated income of DM 7.255 million from the sale of licensing rights. Through April 30, 2000, interest income from the current account with the Ravensburger Spieleverlag GmbH totaled TDM 100. After that date, the current account was no longer used.

RTV was billed TDM 94 for services (data processing, etc.) and TDM 167 for development work in connection with the Moorhuhn project. RTV also paid DM 4.099 million for several other productions. These expenses were capitalized by RTV in its film portfolio.

Information regarding the acquisition of the "Musik & Video" business is provided above.

The prices paid all reflect market prices.

Assets and liabilities with the above-mentioned companies are listed separately in the financial statements.

2. Relations to affiliated individuals

In 2000, the Managing Board's compensation totaled TDM 908. Further, 90,000 option rights were granted to Managing Board members in 1999 and another 200,000 such rights in 2000.

At year-end, liabilities from compensation to Managing Board members totaled TDM 110 (John Travers).

The Supervisory Board's compensation in 2000 totaled TDM 58, of which TDM 43 had not been paid out as of year-end.

IX. COMPANY BOARDS

1. Members of the Supervisory Board:

Dr. Detlev Lux, Ravensburg - Chairman -
Managing Board Speaker (CEO) of Ravensburger AG, Ravensburg

Erhard Pohle, Ravensburg - Deputy Chairman - through June 27, 2000 -
Managing Board member of Ravensburger AG, Ravensburg

Dr. Johannes Kreile, Munich - Deputy Chairman - as of August 4, 2000 -
Attorney

Dorothee Hess-Maier, Ravensburg - as of May 4, 2000 -
Managing Board Member of Ravensburger AG, Ravensburg

Dr. Wolfram Freudenberg, Stuttgart - as of May 4, 2000 -
Managing Board Member of Württembergische Versicherungsgruppe, Stuttgart

Dr. Hans-Christoph Maulbetsch, Stuttgart - as of May 4, 2000 -
Attorney

Jochen Kröhne, Munich - as of October 26, 2000 -
Consultant

The Supervisory Board members were also members of the following other boards and advisory panels in the context of §125 para. 1, line 3 of the German Stock Corporation Law (AktG):

Dr. Detlev Lux:

- Supervisory Board Chairman, Ravensburger Spieleland AG, Ravensburg

Dr. Johannes Kreile:

- Supervisory Board Chairman, Euroarts Entertainment AG, Stuttgart
- Administrative Board Member, Bayerischen Landeszentrale für neue Medien, Munich

Dorothee Hess-Maier:

- Supervisory Board Member, Ravensburger Spieleland AG, Ravensburg

Dr. Wolfram Freudenberg:

- Supervisory Board Chairman, Stuttgarter Baugesellschaft von 1872 AG, Stuttgart
- Chairman of the Board of Directors WTC Windsor Treasury Center, Dublin/Ireland
- Chairman of the Board of Directors WPMC Württembergische Portfolio Management Company Ireland Ltd., Dublin/Ireland
- Chairman of the Board of Directors W&W Asset Management Dublin Ltd., Dublin/Ireland

Also a Supervisory Board Member of:

- Börse Stuttgart AG, Stuttgart
- IBB Internationales Bankhaus Bodensee AG, Friedrichshafen
- Ravensburger AG, Ravensburg
- Württembergische Hypothekenbank AG, Stuttgart
- BWK GmbH Unternehmensbeteiligungsgesellschaft, Stuttgart
- LEG Landesentwicklungsgesellschaft Baden-Württemberg mbH, Stuttgart
- W&W Asset Management GmbH, Ludwigsburg

Dr. Hans-Christoph Maulbetsch:

- Administrative Board Chairman, Ferdinand Gröber GmbH & Co. KG Textilwerke, Tübingen

Jochen Kröhne:

- Supervisory Board Chairman, Camgaroo AG

2. Members of the Managing Board:

Peter Hille, Ravensburg

International Business Affairs, Human Resources, Legal, Distribution (until June 30, 2000)

Wolfgang Heidrich, Georgenborn

Program Development, Program Acquisition and Production

Dr. Arno Haselhorst, Munich - through March 31, 2001 -

Corporate Finance, Equity Interests, Investor Relations and Merchandising

John Travers, London - as of July 1, 2000

Distribution

Ravensburg, March 2001

The Managing Board

Audit Opinion

We have audited the consolidated financial statements, comprising the balance sheet, the income statement and the statements of changes in shareholders‘ equity and cash flows as well as the notes to the financial statements, prepared by the RTV Family Entertainment AG for the business year from January 1 to December 31, 2000. The preparation and the content of the consolidated financial statements are the responsibility of the Company’s Executive Board. Our responsibility is to express an opinion whether the consolidated financial statements are in accordance with International Accounting Standards (IAS) based on our audit.

We conducted our audit of the consolidated financial statements in accordance with German auditing regulations and generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer in Deutschland (IDW). Those standards require that we plan and perform the audit such that it can be assessed with reasonable assurance whether the consolidated financial statements are free of material misstatements. The evidence supporting the amounts and disclosures in the consolidated financial statements are examined on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the Group for the business year in accordance with IAS.

Our audit, which also extends to the group management report prepared by the executive board for the business year from January 1 to December 31, 2000, has not led to any reservations. In our opinion, on the whole the group managment report together with the other disclosures in the consolidated financial statements provides a suitable understanding of the Group's position and suitably presents the risks of future development. In addition, we confirm that the consolidated financial statements and the group managment report for the business year January 1 to December 31, 2000 satisfy the conditions required for the Company's exemption from its obligation to prepare consolidated financial statments and the group managment report in accordance with German law.

Ravensburg, March 30, 2001

Ernst & Young
Deutsche Allgemeine Treuhand AG
Wirtschaftsprüfungsgesellschaft

Dr. Oechsle	Nover
Wirtschaftsprüfer	Wirtschaftsprüfer

Glossary

Ancillary rights marketing	In the case of RTV, which produces mainly television productions, ancillary rights refer to all program-related rights that fall outside the realm of network television, for example Video/DVD and merchandising rights.
Animation	Film-making process for cartoons.
Cash flow	Indicator of a company's financial capacity. Cash flow is the net result of operating income and expenses and affects the company's net cash position.
CI/Promotion	As part of their marketing and public relations campaigns, companies license well-known characters to enhance the image of their own products. For example, the German travel company TUI uses the popularity and appeal of RTV's Käpt'n Blaubär (Capt'n Bluebear) in order to appeal to and entertain its targeted children's market.
Commissioned production	Production realized on behalf of a network or another company.
Consolidation	Companies controlled by the same parent company form a consolidated group, and the consolidated financial statements present this group's financial situation and performance as if it were a single legal entity.
Consumer products	Everyday products purchased by consumers.

Coproduction	A film jointly produced by more than one producer in order to share costs and limit financial risk.
Coverage	Securities analysts follow publicly traded companies in order to provide a true and fair picture of a company's net worth, profitability and future share price trends. These findings, ratings and recommendations, which may be based on technical or fundamental analysis, are published in reports.
Dividends	Portion of a corporation's income paid to shareholders as an incentive to own shares. The dividend amount is determined by the Shareholders' General Meeting following recommendations by the Managing and Supervisory boards. Dividends are dependent on a company's performance and can therefore fluctuate.
Docu-drama	Term used to describe television productions that reconstruct actual events. A docu-drama may change the characters and story to some degree but nevertheless strives to achieve a semblance of reality and credibility.
DVFA	The German Association for Financial Analysis and Asset Management (Deutsche Vereinigung für Finanzanalyse und Asset-Management).
DVFA/SG-Earnings	After-tax earnings, net of extraordinary items in accordance with the common accounting reference model developed by the DVFA/Schmalenbach-Company.
Earnings per share (EPS)	A company's net income divided by the number of shares outstanding.

EBIT	Earnings Before Interest and Taxes. An often-used measure of operating income.
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization. Similar to EBIT, but this measure also nets out depreciation and amortization. This indicator is very revealing for media companies, since depreciation methods vary widely from one company to another. EBIT and EBITDA are also frequently used to compare the performance of companies in different countries, since these measures are less susceptible to distortions from contrasting accounting methods.
Fiction	Genre for television productions in which the characters and events are made up.
First-look right	The holder of this right is entitled to bid on a project before it is presented to a third party.
Genre	Films based upon common themes or subject matter are said to be part of the same genre. For example: westerns, dramas, etc.
Goodwill	The difference between the acquisition price of a company and the book value of its assets.
IAS	International Accounting Standards.
IPO	Initial Public Offering, when a company's shares are publicly listed for the first time.

KontraG	Law pertaining to corporate control and transparency.
Licensing	The rights to a celebrity, an artistic production and its characters may be licensed to third parties by geographic region or formats, including merchandising sales.
Live action	Type of film or production that features actors, as opposed to animated productions.
Lock-up period	A defined time period during which shareholders may not sell or offer to sell directly or indirectly shares acquired prior to the company's initial public offering.
Market capitalization	A company's current valuation. The market capitalization is based on the number of shares outstanding multiplied by the current stock price.
Media & Entertainment-Index	Sector index that covers the Neuer Markt's media companies.
Merchandising	For RTV, this term refers to the commercial use of its characters by third parties based on a licensing sale. The third parties seek to use these characters to improve the appeal and positioning of their companies and products and ultimately increase sales.
Nemax-All-Share	A weighted index based on market capitalizations of all Neuer Markt shares.
Non-fiction	Television productions in this category include documentaries, animal programs, travel shows, etc.

Sector Index	Index that tracks the performance of stocks in a given sector. RTV is part of the Media & Entertainment-Index, which tracks media stocks on the Neuer Markt.
Stationery	Merchandising product category that includes a full range of paper goods from calendars to posters to school supplies and writing stationery.
Stock options	Contractual right to buy or sell a set number of shares within a specified time period and at a predetermined price.
Stock split	Means of keeping the nominal price of a single share less expensive by increasing the number of shares outstanding and decreasing their par value accordingly. Following the 1:1 stock split in June 2000, RTV shareholders owned two shares for each share owned previously, although their aggregate value remained unchanged.
Syndication	Merchandising product category that in RTV's case involves newspaper publishing. Comic strips and cartoon excerpts are made available for publication in various daily papers. This category is also included under publishing.
TV-Magazine/Fiction-Spin-Off	Genre that uses film clips in conjunction with programs recorded in the studio with a host in front of a live audience.
TV-Mini-Series	A television production consisting of several episodes. The subject matter of these shows is related, although different characters may appear in each episode.

TV-Movie	Feature film produced for television.
TV-Series	Traditional television series typically consist of 13 episodes per season for broadcast in the evening or prime-time hours. These episodes, produced either on location or in a studio, usually run between 45 minutes and one hour. Other types of series consist of at least 26 episodes, each approximately 25 minutes. Studio series are usually comedy shows or soap operas.
Yield	The yield measures the return on capital employed, and is expressed as a percent.
Xetra	Exchange electronic trading (computerized securities exchanges).

Contact:

RTV Family Entertainment AG

Corporate Communications

Möhlstraße 23

D-81675 Munich

Torsten Weihrich

Telephon: +49 (0) 89/-99 72 71-17

Telefax: +49 (0) 89/-99 72 71-92

e-mail: ir@rtv-ag.de

Imprint

Publisher:

RTV Family Entertainment AG

Design& Layout:

Schoeller GmbH,

Corporate Communication,

Hamburg

Printer:

Druckhaus Arns,

Remscheid

Annual Report 2000

RTV Family Entertainment AG