

Quarterly Report 1/2001



Contact

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Financial key figures		
in DM mill.	Jan.-March 2001	Jan.-March 2000
Sales	22,7	7,3
EBITDA	6,6	0,3
EBIT	0,8	-2,1
Income (loss) from ordinary operations	- 0,7	-2,4

First-quarter results

In the first quarter of 2001, RTV Family Entertainment AG's sales were up 211% relative to the same period of the previous year, rising from DM 7.3 million to DM 22.7 million. Earnings before interest, taxes, depreciation and amortization (EBITDA) stood at DM 6.6 million, compared with DM 0.3 million the previous year. First-quarter operating income (EBIT) improved to DM 800,000 after an operating loss of DM 2.1 million the previous year. Energee Entertainment and Waterfront Medien Produktion were consolidated in the annual financial statements for 2000. The first quarter of 2001 saw the first-time consolidation of Off the Fence, Golbach Productions and Musik & Video. Consolidated sales broke down as follows among the respective business lines: Production 67%; Distribution 23%; Merchandising 10%.



Business lines

Production

Fiction (Animation, Real Fiction)

Two series were completed in the first quarter. Turtle Island (26 episodes x 24 minutes, coproduced with Mimosa) was delivered to Super RTL. We also wrapped up production on the second installment of Maggie and the Ferocious Beast (13 episodes x 20 minutes, coproduced with Nelvana). Almost all the episodes of Gloria's House (26 episodes x 24 minutes) have been completed, and will soon be delivered to the ARD and KIKA networks.

We also made progress on other projects such as the cartoon series Malo Korrigan (26 episodes x 24 minutes) and Wicked (26 episodes x 24 minutes). We began work on Roboroach, a coproduction with the Canadian firm Portfolio. For this coproduction, RTV has worldwide distribution and merchandising rights, excluding North America.

Together with Phenomedia AG, we began preparations for a Moorhuhn series and the production of The Gnarfs, a series being coproduced with Hahn-Film. We also began production on the cartoon series Wilf along with partners Skryptonite, Jade and Cinecartoon. We are currently filming the second installment of Marvellous

Milly, which is being produced for the SWR network among others, and of Albert fragt for the ZDF network. The animation series Hoota and Snoz (26 episodes x 1 minute) was so well received at the relevant television trade shows that we are now preparing to produce a second installment. In the area of commissioned productions, we continued to produce our weekly live production of Philipps Tierstunde (Philipp's Animal Hour), now in its fourth year, and in January we began working with H5B5 AG on Klugbeißer, a 200-part "infotainment" series of three-minute episodes for Super RTL.

Non Fiction (Documentaries)

Off the Fence is a wholly owned subsidiary of RTV specialized in non-fiction productions. In the first quarter of 2001, the company tripled the number of productions relative to the same period of the previous year. The genres include wildlife, adventure, science and technology, anthropology, travel and alternative lifestyles. This past quarter, Off the Fence also enjoyed great success at the 24th International Wildlife Film Festival in Missoula, Montana, USA, where it showed The Great Dance. This film provides the first look at the fascinating world of the hunters in the South African Kalahari desert. The film accompanies the indigent hunters and documents their age-old and still rarely practiced form of pursuit hunting. The Great Dance won the following awards at the festival:

- Best of Festival
- Best of Category Human Dimensions
- Best Narration
- Best Use of Music
- Best Script

In the first quarter of this year, several productions were delivered. Among the most important were Ochre & Water (1 episode x 60 minutes) and The Whole Story (13 episodes x 60 minutes). Ochre & Water was produced along with Doxa Productions and tells the moving story of the Himba and their struggle to survive. The Whole Story is an encyclopedia of the most fascinating African animals. It was coproduced along with Talking Pictures, South Africa's largest production company, as well as Discovery Networks Europe and Discovery Networks International.

In addition, we also began negotiations for several coproduction agreements. We are looking to work with the Berlin-based zeppelin manufacturer Cargolifter GmbH on a three-episode special (3 episodes of 60 minutes) about the CL160 zeppelin, the largest airship ever built. Animal Babies (13 episodes x 30 minutes) is a wildlife series about the first successful experiences of animal offspring in the wild. This series is also supposed to be produced with Talking Pictures. Yet another highlight is City Slickers, a one-hour, humorous special about a group of penguins that have gathered in Boulder, the well-known coastal resort in the vicinity of Cape Town, South Africa.



Advertising films

Golbach Productions, our 50.2%- owned subsidiary specialized in the production of advertising films, saw a 25% increase in the number of production inquiries during the first quarter. Bayer AG in Leverkusen is among the new clients, for which Golbach is producing two company films. One production has been completed while the other is still in the works.

Nestle AG, Frankfurt, is another new client, for whom Golbach Productions produced a television commercial in South Africa. A commercial for Ferrero Frankfurt was made in Los Angeles.

Distribution (Fiction/Non-Fiction)

In the distribution business, first-quarter sales from fiction and non-fiction totaled DM 4.7 million and DM 500,000, respectively. More than 20 countries around the world have ordered RTV programs, which confirms the success of our internationalization strategy and attests to our excellent reputation in the international market. Global distribution accounts for nearly 90% of overall distribution sales. Coproductions with Nelvana were especially successful, including the installments of *George Shrinks*, *Seven little monsters*, *Pelwick* and the first series of *Timothy goes to school*.

RTV is well positioned to satisfy the increased demand for live action films thanks to last year's acquisition of the CLT-Ufa program library. The Enid Blyton Secret Series was sold to RTBF, Belgium's largest French-language television network and to Dexin in Poland. The licensing rights to Air Bud I+II were acquired by VTM, Belgium's leading Flemish-language television network.

Merchandising

We entered into some 30 merchandising agreements with our traditional "Käpt'n Blaubär" (Capt'n Bluebear) character. We are negotiating with ARAL to license Käpt'n Blaubär for a third driver's manual. The Carlsen publishing company, which published the Harry Potter books, is developing a children's book series that uses the popular RTV character. Licensing sales of our "Moorhuhn" character also began 2001 in promising fashion, reaching DM 1.2 million. In early April, Moorhuhn made its entry into the Ravensburger Spieleland with three attractions.



Outlook

We are near completion on a wide-ranging coproduction agreement between Granada International and Off the Fence. This agreement would involve the joint development and production of more than 100 hours of non-fiction programming. These productions would cover all genres in which both companies have developed expertise and include a large number of new and promising projects.

As of June 3, 2001, RTV will provide content for a program block on Super RTL. "Ravensburger TV" will be broadcast Sundays through Fridays from 9 a.m. to 11 a.m. The programming will consist mainly of cartoons, but also some live action series. RTV and Super RTL are thus strengthening their cooperation. The programs will be broadcast under the Ravensburger brand. Our goal for "Ravensburger TV" is to develop our own characters, which we can then market exclusively. Super RTL is broadcasting 12 hours of RTV programs per week in this time slot, which adds up to 624 hours per year.

After reviewing our forecast for distribution sales, RTV now expects total sales of around DM 110 million (previously DM 140 million), EBITDA of DM 52 million (previously DM 70 million) and EBIT of DM 3 million (previously DM 17 million).

RTV is also reorganizing its Managing Board. Dr. Peter Duval, who since May 1 has been responsible for corporate finance, investor relations and merchandising, will also assume the responsibilities pertaining to the integration of our subsidiaries. RTV is also centralizing global distribution responsibilities in Munich under Peter Hille effective immediately. John Travers is leaving the Managing Board. Wolfgang Heidrich continues to oversee program development and production.



*Shares owned by executives
and directors (as of March 31, 2001)*

Managing Board	
Name	Number of shares
Peter Hille	26,250
Wolfgang Heidrich	10,500
John Travers	42,276

Supervisory Board	
Name	Number of shares
Dr. Detlev Lux	25,300
Prof. Dr. Johannes Kreile	4,200
Dr. Wolfram Freudenberg	250
Jochen Kröhne	15

Balance Sheet

as of March 31, 2001

	03/31/01 DM	03/31/00 DM 000
ASSETS		
FIXED ASSETS		
Intangible assets	253,471,261.55	71,181
Tangible fixed assets	2,261,078.77	296
Financial assets	83,000.00	32,799
	255,815,340.32	104,276
CURRENT ASSETS		
Inventory	15,960,631.46	0
Receivables and other assets	87,510,783.55	27,361
Cash and bank deposits	1,417,138.45	116
	104,888,553.47	27,477
Deferred taxes	11,555,739.22	0.00
	372,259,633.02	131,753
LIABILITIES		
Equity	206,485,336.50	60,149
Minority interests	2,168,141.80	0
Liabilities	161,203,675.55	71,604
Deferred income	2,402,479.17	0
	372,259,633.02	131,753



Income Statement

for January 1 through March 31, 2001

	1/1/ - 3/31/2001	1/1/ - 3/31/2000
	DM	DM 000
SALES	22,744,385.58	7,283
Other operating income	-136,041.39	132
	22,608,344.19	7,415
Cost of materials		
raw materials and supplies	-1,253,479.21	-110
costs of services	-8,382,165.08	-562
Personnel expenses		
wages and salaries	-2,894,199.04	-937
non-wage benefits and supports	-242,798.62	-119
retirement benefits	-8,000.00	-13
Depreciation of tangible and intangible assets	-5,832,025.61	-2,325
Other operating expenses	-3,214,283.04	-5,400
EBIT	781,393.59	-2,051
Other interest and similar income	6,026.58	12
Interest and similar expenses	-1,476,551.70	-348
PROFIT (LOSS) FROM ORDINARY OPERATIONS	-689,131.53	-2,387
Extraordinary expenses	0.00	-403
Corporate tax	-71,797.18	-3
Other tax	-3,839.20	-1
NET PROFIT (LOSS)	-764,767.91	-2,794
Minority interests	231,448.26	0
Loss carried forward (profit)	-14,202,746.12	0
PROFIT (LOSS) CARRIED FORWARD, GROUP SHARE	-14,736,065.77	-2,794

Cash flow Statement

for January 1 through March 31, 2001

	1/1/ - 3/31/2001	1/1/ - 3/31/2000
	DM 000	DM 000
Net income or loss	-534	-2,794
Depreciation of fixed assets	5,832	2,325
Changes in long-term reserves	8	27
CASH FLOW (CALCULATED ON DVFA/SG BASIS)	5,306	-442
Increase in inventory	-1,315	0
Increase in trade receivables and other assets	-2,861	-5,508
Decrease in other assets	6,877	0
Increase in trade payables and other liabilities	8,007	17,822
CASH FLOW FROM OPERATIONS	16,014	11,872
Payments for investments in assets	-14,627	-33,529
CASH FLOW FROM INVESTING ACTIVITIES	-14,627	-33,529
Proceeds from issuance of short-term liabilities	0	11,090
Loan redemption payments	-28	0
CASH FLOW FROM FINANCING ACTIVITIES	-28	11,090
Net cash flow	1,359	-10,567
Net cash at beginning of period	58	10,683
NET CASH AT END OF PERIOD	1,417	116
AVERAGED NUMBER OF EMPLOYEES	84	31

