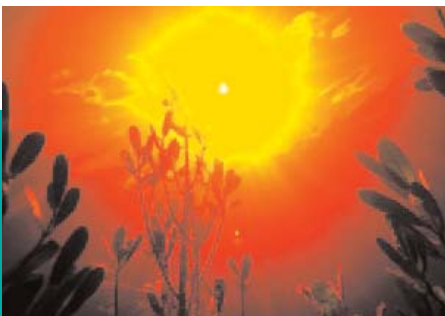


# Half Year Report 2001



# Contact

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<b>Financial key figures</b>		
<b>in DM million</b>	<b>Jan.-June 2001</b>	<b>Jan.-June 2000</b>
Sales	57.3	43.8
EBITDA	29.9	21.1
EBIT	2.4	-3.8
Income (loss) from ordinary operations	-0.7	-7.3

## Business Lines

### First-half results

RTV Family Entertainment AG has increased its turnover by 31 % to DM 57.3 million (DM 43.8 million) in the period January 1 to June 30, 2001. The EBITDA advanced by 42 % to DM 29.9 million (DM 21.1 million). The EBIT was improved by DM 6.2 million from DM -3.8 million to DM 2.4 million, thus already reaching 80% of the year's forecast of DM 3.0 million. The first-half net income amounted to DM -0.7 million following DM -12.9 million last year. Both the EBIT and the loss for the prior-year period were adjusted on the basis of the exploitation-related depreciation of intangible assets introduced at the end of last year, and therefore deviate from the figures published in the half-yearly report for 2000.

As of June 30 RTV had cash in hand of DM 12.3 million and free credit lines totalling DM 6 million. Sales broke down as follows among the respective business lines: Production: 46.5 %; Distribution: 47.2 %; Merchandising: 6.3 %.

#### Fiction (Animation, Real Fiction)

In the second quarter of 2001, Energee's in-house-produced animation series "Gloria's House" (26 episodes x 24 minutes) was completed and delivered to the ARD network. The series premiere in Germany is scheduled for November 8, 2001 on the KiKa network. In addition, "Gloria's House" has already been sold to TF1 (France), LUK (Spain), Channel 7 and Optus (Australia).

Production work on "Wicked!" (26 episodes x 24 minutes) was also completed and the series is now being broadcast on Fox Kids (UK) and Optus. The show is scheduled to begin airing on Canal J (France) in September. This series has also been pre-sold to the BBC, LUK and Channel 7 and, through Nelvana, it was sold to Teletoon and Treehouse (Canada, U.S.).

We made further progress on the elaborate animation action series "Malo Korrigan" (mix of 2D and 3D-animation; 26 episodes x 24 minutes), which is being jointly with the French produced firm Futurikon. Other coproductions under way include "RoboRoach & Reg" with our Canadian partner Portfolio as well as the preschool animation series "Wilf" (26 episodes x 11 minutes) with partners Scryptonite, Jade and Cinecartoon. We have also expanded our joint production work with Phenomedia AG and Hahn-Film. With these two partners we are also producing the series "Gnarfs" (26 episodes x 11 minutes) and the "Moorhuhn" spots (26 episodes x 1 minute).



The second installments of the animation series “Marvellous Milly” and “Albert fragt” are under production. The first installment of “Marvellous Milly” (13 episodes x 5 minutes) was successfully broadcast as part of SWR’s “Sendung mit der Maus”. The infotainment series “Albert fragt” was produced in conjunction with JEP, ZDF and Neurones. The preproduction phase of “Hoota & Snoz” (26 episodes x 1 minute), computer-generated comic-book figures, was recently completed on the second installment. In the area of commissioned productions, the broadcast premiere of the infotainment series “KlugBeißer” (200 episodes x 3 minutes) is scheduled for September on Super RTL. These short feature reports are to be broadcast five times per week. The series, which focuses on eating and nutrition, was created jointly with the Munich-based production company H5B5. “Philipps Tierstunde”, the 60-minute broadcast based on the character Philipp, will be continuously produced on Saturdays in the SWR studios in Baden Baden and broadcast live on KiKa. Europabuch AG (Switzerland) has been brought in as a coproduction and cofinancing partner on “Fix & Foxi 2”. In addition, we have entered into an agreement with VIDEAL to coproduce and cofinance five new programs, including “Malo Korrigan”, “Robo-Roach & Reg” and “Gnarfs”. We also broadened our cooperation with our longstanding North American partner Nelvana for the joint production of eight additional animation children’s series. These series include “Rolie Polie Olie 4+5”, “Pecola”, “George Shrinks 2” and “Seven Little Monsters 2” to be completed and delivered this year, while “Maggie 3”, “Timothy goes to School 2” and “Pelswick 2”, are slated for completion in 2002.

In the distribution of licensed programs, we found strong interest in Eastern European markets for series coproduced with Nelvana. The expansion of our program library made it possible to sell wide-ranging program packages to existing clients as well as new clients such as LUK, Minimax (Romania) and several Israeli broadcasters. Top programs such as “Air Bud” from the CLT-UFA program library and the RTV production “Marvellous Milly”, along with “Gloria’s House” and “Papyrus 2”, which was acquired by ORF, were among the leading sellers in the first half.

#### **Non-fiction (documentaries)**

Our wholly owned non-fiction subsidiary Off the Fence won 19 prizes at seven international festivals in the second quarter. These awards attest to the excellence of its productions. “The Great Dance” won the prize for best film at the prestigious Telluride Independent Film Festival (U.S.). The film was also selected for the Rick Lomba Award, the most significant natural history award in Africa. “The Great Dance” also received the Special Jury Gold Award at the Houston Film Festival, which was even more remarkable since the film was presented as a feature film instead of as a documentary. This illustrates Off the Fence’s philosophy of concentrating on the “story” in its productions, which helps to draw a larger audience and to create an emotional attachment. “Ochre & Water” won the National Geographic Earthwatch Award from the Smithsonian Museum in Washington, D.C. In Johannesburg, the production “Circle of Ice” won the Avanti Award for best documentary in South Africa. “Few of a kind” (13 episodes x 30 minutes) was completed in the second quarter



and delivered. International sales of Off the Fence titles are very satisfactory. Thus eight 1-hour specials of "The Whole Story" were sold to RAI 3 (Italy). Following agreements with Canal Plus (France), YLE (Finland), SVT (Sweden), National Geographic Worldwide, NRK (Norway) and KRO (Holland), Off the Fence has marketed "The Great Dance" in all its distribution regions. "City Slickers"

is currently in production and has been exceptionally well received in the premarketing phase. Six well-established networks, including ZDF, ORF, France 3 and Animal Planet USA have joined in on the production. Two other series, "Animal Babies" (13 episodes x 30 minutes) and "Cargolifter" (3 episodes x 60 minutes), have begun production.

Off the Fence has reached an agreement with David Fox, who will acquire promising projects as well as coproductions and library programs and market them in the U.S. and Latin America. David Fox is one of the most well-known international experts on documentary productions. He founded Fox Lorber, an independent distribution company that was acquired by the U.S. telecom company Winstar. Later he became the CEO of Unapix and took that company public.

A cooperation agreement has been reached with Telcast International GmbH, Munich, which covers both the distribution and coproduction of titles by Off the Fence. Since early July 2001, Telcast has been distributing nine Off the Fence programs in Europe's German-speaking countries and plans to invest in Off the Fence productions in the future. In the course of extending its production financing activities, Telcast plans to open a non-fiction fund. These funds should largely be aimed at productions by Off the Fence, which would mean that Telcast would assume up to 50 % of the budgets.

### **Merchandising**

In the marketing of ancillary rights, RTV is bolstering sales of classic licensed characters through new, promising themes and through its Ravensburger TV programming window on Super RTL. The characters "Moorhuhn" and "Käpt'n Blaubär" currently account for around 90 % of merchandising sales. "Moorhuhn" is again among the six leading licensed characters in the German-speaking region (source: Licensing Markt Nr. 3/2001). Since early June 2001, Ravensburger TV has begun airing on Super RTL. This programming window, managed by RTV appears on Sunday through Friday between 9 a.m. and 11 a.m. On weekdays, the show has an average market share of more than 30 % in the desired target audience of children between the ages of 3 and 13. Previously, Super RTL had previously only a 15 % share in the same programming time slot. Thanks to Ravensburger TV, Super RTL is now the market leader in children's programming during this time slot. Especially popular are the animation series "Timothy goes to school" and "Rotten Ralph". The little raccoon Timothy and the mischievous red housecat Ralph draw market shares of up to 63 %.

Starting in October, the "Moorhuhn" spots (26 episodes x 1 minute) will be broadcast repeatedly in this programming window. Also in October, a Ravensburger game show will be broadcast on Sundays (13 episodes x 24 minutes). As of January 2002, "Maggie and the ferocious beast", one of the main merchandising characters for 2002, will also be broadcast during this time slot.

At the Licensing Europe trade show in Munich on September 12-13, 2001, RTV will present both its classic characters and new merchandising themes (notably those tied to the RTV programming window) to potential rights buyers.

## Strategy and Outlook

Effective June 22, 2001, as announced at the Shareholders' General Meeting of May 23, 2001, RTV took full strategic and operational control of the Australian animation production studio Energee. By Taking over the complete control of the studio we will be able to make more extensive use of expected synergies. Since June 22, 2001, Philip Bowman, 49, has served as the new Managing Director. He previously worked at ABC, Sydney, the largest Australian television network, as well as at the BBC in London and at ITV Networks and Grundy Organisation. Lastly, he developed and produced animation programs and dramas through his own company, Enjoy Entertainment. RTV has worked closely with him for more than 15 years.

On June 30, 2001, the 95 % -owned subsidiary Waterfront, Hamburg, was shut down. Waterfront was founded last year to produce adult-oriented leisure programming. A difficult market environment and a dearth of contracts from German networks made this market entry more difficult than expected. This closure will not only significantly reduce costs in the years ahead but is also consistent with a clearer focus on our two core businesses, fiction in the children's and family programming (RTV/Energee) and non-fiction (Off the Fence).

In the most recent quarter, RTV and its subsidiaries Off the Fence and Energee merged their distribution activities. The new distribution company is called RTV International and operates globally from its headquarters in Munich, Amsterdam and Sydney. A distribution office in London was closed.

Following the departure of John Travers from the Managing Board, RTV reorganized its Managing Board functions. Dr. Peter Duval, who has been responsible for finance, investor relations and merchandising since May 1, will also handle the integration of the subsidiaries. The global distribution functions were centralized in Munich and put under the tutelage of Peter Hille. Wolfgang Heidrich continues to oversee development and production.

Ravensburger AG, RTV's majority shareholder, demonstrated its confidence in the company through a financing agreement totaling DM 7.5 million that involves coproduction shares. These funds will be used to expand the core animation business. Ravensburger thus assumes some of the production risks and will in return receive a share of future proceeds from jointly produced animation series.

## Shares owned by executives and directors (as of June 30, 2001)

<b>Managing Board</b>	
Name	Number of shares
Peter Hille	26,250
Wolfgang Heidrich	10,500
Dr. Peter Duval	5,000
John Travers <sup>1)</sup>	42,276

<sup>1)</sup>left the board effective June 11, 2001

<b>Supervisory Board</b>	
Name	Number of shares
Dr. Detlev Lux	20,000
Prof. Dr. Johannes Kreile	4,200
Dr. Wolfram Freudenberg	250
Jochen Kröhne	15



## Balance Sheet

as of June 30, 2001

	06/30/01 DM	06/30/00 DM 000
<b>Assets</b>		
<b>FIXED ASSETS</b>		
Intangible assets	280,693,104.80	230,777
Tangible fixed assets	1,996,760.23	2,060
Financial assets	83,000.00	86
	<b>282,772,865.03</b>	<b>232,923</b>
<b>CURRENT ASSETS</b>		
Inventory	8,541,877.59	5,862
Receivables and other assets	78,098,471.08	53,550
Cash and bank deposits	12,297,998.23	4,093
	<b>98,938,346.90</b>	<b>63,505</b>
Deferred taxes	12,165,739.22	0,00
	<b>393,876,951.15</b>	<b>296,428</b>
<b>Liabilities</b>		
Equity	206,928,158.65	199,396
Minority interests	2,008,693.98	0
Bank debts	97,291,079.58	41,785
Other liabilities	80,430,184.26	48,717
Reserves	4,663,573.58	6,530
Prepayments and deferred income	2,555,261.10	0
	<b>393,876,951.15</b>	<b>296,428</b>

The financial statements are setup in accordance with IAS.





## *Income Statement*

**for January 1 through June 30, 2001**

	1/1/ -06/30/2001 DM	1/1/ -06/30/2000 DM 000
<b>SALES</b>	<b>57,268,728.65</b>	<b>43,788</b>
Other operating income	1,279,045.77	493
	<b>58,547,774.42</b>	<b>44,281</b>
Cost of materials		
of raw materials and supplies	-5,789.24	-146
costs of services	-17,419,285.06	-12,770
Personnel expenses		
wages and salaries	-5,512,155.06	-3,240
non-wage benefits and supports	-395,823.69	-302
retirement benefits	-16,000.00	-28
Depreciation of fixed assets	-27,551,404.68	-24,910
Other operating expenses	-5,287,830.40	-6,686
<b>EBIT</b>	<b>2,359,486.29</b>	<b>-3,801</b>
Other interest and similar income	27,130.70	288
Interest and similar expenses	-3,055,238.72	-3,778
<b>PROFIT (LOSS) FROM ORDINARY OPERATIONS</b>	<b>-668,621.73</b>	<b>-7,291</b>
Extraordinary expenses	0,00	-5,494
Corporate tax	1,249.23	-64
Other tax	-46,932.26	-1
<b>NET PROFIT (LOSS)</b>	<b>-714,304.76</b>	<b>-12,850</b>

## Cash flow statement

for January 1 through June 30, 2001

	1/1/-6/30/2001	1/1/-6/30/2000
	DM 000	DM 000
Net loss for the first half	-494	-15,951
Depreciation of fixed assets	27,551	24,910
Changes in long-term reserves	16	62
<b>CASH FLOW (CALCULATED ON DVFA/SG BASIS)</b>	<b>27,073</b>	<b>9,021</b>
Increase/decrease in inventory	6,104	0
Increase/decrease in trade receivable and other assets	1,548	-30,000
Increase/decrease in receivables from subsidiaries	9,114	0
Increase/decrease in other assets	2,148	0
Increase/decrease in trade payable and other liabilities	15,755	41,051
<b>CASH FLOW FROM OPERATIONS</b>	<b>61,742</b>	<b>20,072</b>
Payments for investments in assets	-62,700	-178,001
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>	<b>-62,700</b>	<b>-178,001</b>
Proceeds from capital increase	0	150,917
Proceeds from related companies	10,000	0
Proceeds from issuance of short-term liabilities	3,437	422
Loan redemption payments	0	0
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>	<b>13,437</b>	<b>151,339</b>
Currency translation differential amounts	-239	0
Net cash flow	12,240	-6,590
Net cash at beginning of period	58	10,683
<b>NET CASH AT END OF PERIOD</b>	<b>12,298</b>	<b>4,093</b>
<b>AVERAGE NUMBER OF EMPLOYEES</b>	<b>74</b>	<b>72</b>

