

Quarterly Report

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Highlights

Majority stake in Energee Entertainment Pty Limited

In February, RTV acquired a 68% equity interest in Energee Entertainment, the renowned Australian animated production studio. This acquisition provides production capacity and strengthens RTV's position as an international producer of animated programs. Energee Entertainment also contributes a strong international sales network in Southeast Asia, Australia and Europe. As a result, RTV can take advantage of synergies in production and sales and improve its long-term competitive position.

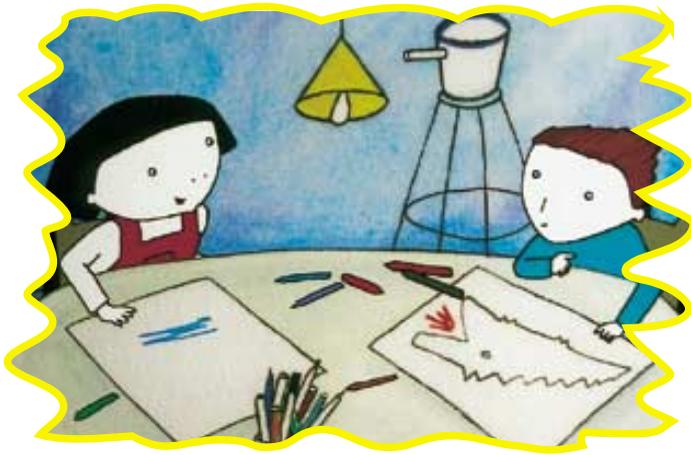
Strategic partnership with CLT-UFA

In February 2000, RTV and CLT-UFA entered into a long-term partnership. Under the agreement, RTV acquired more than 500 hours of quality, international children's and family programming. This new programming expands RTV's total library by 40% to nearly 1,970 hours. In exchange, CLT-UFA took a 3.7% equity interest in RTV Family Entertainment AG. This partnership has given RTV a headstart on further international expansion. With the wide range of newly acquired programs, RTV can scale up its international sales network considerably and becomes an even more attractive partner for international co-productions and licensees.

Commissioned production agreement

RTV and Super RTL, a family television network owned by CLT-UFA and Disney, have also agreed to co-produce at least one animated, 26-part series of half-hour segments over the next five years. The agreement calls for these productions to be aired during prime time hours between 6 and 8 p.m. and for Super RTL to commission at least three new productions per year from RTV. This long-term production agreement further enhances RTV's standing both in Germany and abroad.





Business Lines

Television

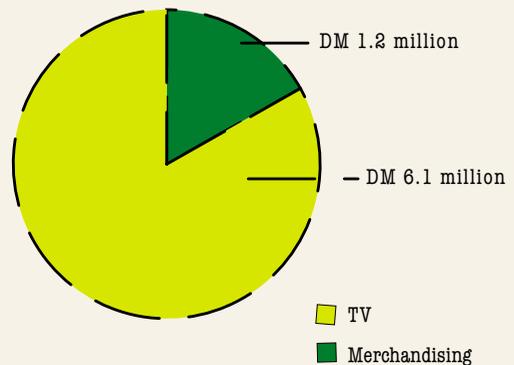
We will continue to produce the classic television show "Philipps Tierstunde" (Philipp's Animal Hour). RTV reached an agreement with Südwestrundfunk to continue the successful children's program, which is to be broadcast by the ARD and Kinderkanal networks.

The newly acquired programming enables us to step up our German and international sales activities considerably. Our program packages can be tailored to the individual needs of a given national market, increasing the marketing potential to television networks and rights agencies. From RTV's existing program library, for example, we can license program packages to television networks in the Czech Republic or the Netherlands.

Merchandising

RTV will continue to expand its ancillary rights business in the future. The character-based merchandising segment is particularly well-suited for development. In the first quarter of this year, RTV negotiated several licensing agreements on popular merchandising goods.

Sales by business line





Results

Sales and earning results

RTV's first quarter sales totaled DM 7.3 million. The company's DM 2.4 million loss on ordinary operations was affected by a number of one-time factors and was in line with expectations. Expenses related to RTV's agreements with Energie Entertainment, CLT-UFA and Super RTL were booked in the first quarter. RTV posted an operating loss (EBIT) of 2.1 million, and a net loss under DVFA/SG accounting principles of 2.4 million. RTV's sales and results were in line with expectations. The company typically books the bulk of its sales in the second half of the year. EBITDA for the first quarter was DM 6.5 million.

Income Statement For the period January 1 - March 31/ 2000

	2000	1999
	DM	DM (000)
Sales	7,282,705.41	10,156
Other operating income	131,908.31	75
	7,414,613.72	10,231
Cost of materials		
Cost of raw materials and purchased materials	109,519.73	34
Cost of purchased services	562,313.33	560
	671,833.06	594
	6,742,780.66	9,637
Personnel expenses		
Salaries and wages	937,389.66	514
Social security	119,100.36	83
Pensions	12,500.00	5
	1,068,990.02	602
Depreciation of intangible and fixed assets	2,324,964.77	1,498
Other operating expenses	5,400,025.98	3,118
	8,793,980.77	5,218.00
EBIT	-2,051,200.11	4,419
Other interest and similar income	11,536.85	3
Interest and similar expenses	347,368.35	68
	-335,831.50	-65
Earnings or loss from ordinary operations	-2,387,031.61	4,354
Extraordinary expenses	403,182.80	1,000
Corporate tax	3,242.27	1,700
Other taxes	641.30	0
	3,883.57	1,700
Profit-transfer-related expenses	0.00	0
Net income or loss	-2,794,097.98	1,654
Profit carried forward	0.00	0
Net income or loss	-2,794,097.98	1,654

Employees

As of March 31, 2000, RTV had 31 employees, with 21 in Ravensburg and 10 in Mainz. Seven new employees joined the company, as it continues to expand. RTV will continue to grow rapidly in the future and add to its payroll. In early April, the company headquarters were relocated from Ravensburg to Munich in order to improve RTV's position for future growth and international expansion.



Cash flow statement for the period January 1 - March 31/2000

	2000 DM (000)	1999 DM (000)
Net income or loss for the quarter	-2,794	1,654
Depreciation	2,325	1,498
Changes in long-term reserves	27	1,406
Gross cash flow nach DVFA/SG	-442	4,558
Purchased inventory	0	2,198
Increase in accounts receivable and other assets	-5,508	-2,405
Increase in short-term reserves	89	2,629
Increase of decrease in accounts payable and other liabilities	17,733	-18,647
Cash provided by or used for operating activities	11,872	-11,667
Capital expenditures	-33,529	-2,112
Cash used for investing activities	-33,529	-2,112
Proceeds from capital increase	0	13,479
Loan proceeds	11,090	0
Cash provided by financing activities	11,090	13,479
Changes in cash and cash equivalents	-10,567	-300
+ Net cash and cash equivalents at beginning of year	10,683	2
Net cash and cash equivalents at end of year	116	-298
Breakdown of cash and cash equivalents		
cash	116	1
current bank liabilities	0	-299
	116	-298
Average number of employees	31	20

Strategy

The agreements with CLT-UFA, Super RTL and Energee Entertainment will enable us to implement our growth strategy quickly and successfully. In that context, our objectives consist primarily of adding to our program library and creating new programs, for which we will retain between 50% and 70% of the rights, up from 20% to 40% previously. RTV is well on its way toward becoming the leading European company for cartoon characters. This process involves developing the actual characters, then marketing them across the full spectrum of media: television, Internet, books, video/dvd, merchandising and the full range of CI marketing. RTV has already demonstrated its competence in this area with its Käpt'n Blaubär (Capt. Bluebear) character. We are currently developing the "Moorhuhn" (Mudhen) character.



Outlook

In April, RTV increased its capital stock to a total of 1,037,500 shares in order to finance the recent CLT-UFA program rights and Energee Entertainment acquisitions as well as future growth. Despite a difficult environment for equity market issues, the new RTV shares were successfully distributed, primarily to German and foreign institutional investors.

In order to provide further financing for CLT-UFA and Energee acquisitions, RTV will likely increase its capital by another 525,000 shares during the second quarter. Along with this new issue, RTV will use its own funds to increase the capital stock to EUR 23.875 million. Shareholders will receive one new share free for each existing share, in effect doubling the total number of shares outstanding. This stock split will enhance the share liquidity.

The first-quarter cooperation agreements with CLT-UFA and Super RTL and the Energee Entertainment acqui-

sition have laid the foundation for RTV's future growth. The expanded program library helped RTV negotiate several successful deals at the Cannes Film and Television trade show in April, including licensing and cooperation agreements in excess of DM 10 million. RTV is also close to finalizing several other licensing agreements and program package sales to international customers in Brazil, Europe, Canada and Asia, among other regions.

This year, we are devoting considerable attention to marketing our Mud hen character. In April, we successfully negotiated a wide-ranging licensing agreement for this cult character. We plan to build the cartoon character's strong popular appeal in order to develop a valuable source of recurring revenues over the long term.

For 2000, we project sales of DM 110 million, up 185% relative to 1999, and pretax income of around DM 25 million, a 145% increase. Operating income (EBIT) should total around DM 30 million. Thus the targets for 2000 announced at the time of the initial public offering - EBIT of DM 10 million and pretax income of DM 9 million - will likely be exceeded by a wide margin.

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