

9-Month Report 2001



Contact

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Financial key figures		
in DM million	Jan.-Sept. 2001	Jan.-Sept. 2000
Sales	87.0	65.6
EBITDA	46.1	37.2
EBIT	2.4	-15.0
Income (loss) from ordinary operations	-2.4	-19.7



Business trends

Market environment

In the current television market, mediocre programs are a tough sell given the glut of programming. Licensing sales for promising productions, however, continue to perform well. Once again, this market environment confirms RTV Family Entertainment AG's strategy of producing and distributing quality, high-value productions. The films produced by Off the Fence and Granada fit perfectly in RTV's product portfolio. We therefore believe that RTV's long-term sales outlook is very good. We also take other measures to secure sales, including joint efforts with networks (e.g. Super RTL) and program purchase commitments through production partners (e.g. Nelvana).

Sales

RTV Family Entertainment AG's nine-month sales (January 1 through September 30, 2001) increased by 33 % to DM 87.0 million, compared with DM 65.6 million the previous year. These sales broke down by business line as follows: production 44.5 %; distribution 49.2 %; merchandising 6.3 %. EBITDA rose by 24 % to DM 46.1 million, compared with DM 37.2 million, while EBIT rebounded from a loss of DM 15.0 million to a gain of DM 2.4 million. The EBIT of the corresponding period of the previous year was adjusted because of the implementation of exploitation-related depreciation of intangible assets effective to the end of 2000, and thus differs from the published figures for the previous year's period.

Investments

Off the Fence reached an agreement to acquire 100 hours of non-fiction programs from Granada International, including both new and library productions. The two companies also agreed to work together on the development and production of other non-fiction projects. The programming package covers the wildlife, science and history genres. Off the Fence markets these programs globally in regions where they have not already been presold.

Business Lines

Production

FICTION (ANIMATION, REAL FICTION)

In the third quarter, we completed work on the second installment of "Fix & Foxi" and the new production "Pecola". We also completed work on the German version of the animated series "Generation O!", which paves the way for the success of the Molly O! cartoon character in Germany. This co-production along with Sony/Sunbow has already been launched in the United States, where it is a big success. "Generation O!" will premiere on Super RTL, with the German lyrics to the band's hits for the first time. The broadcast premiere is expected to occur in the first quarter of 2002.

We also made further progress on the following productions: "Malo Korrigan" (a mix of 2- and 3D animation, with 26 episodes of 24 minutes), which is co-produced by the French production firm Futurikon; "Roboroach", a slapstick series with the Canadian partner Portfolio; and "Wilf, the witch's dog, 26 episodes of 11 minutes produced in conjunction with our partners Scryptonite, Jade and Cinecartoon.

We are nearing completion of the "Moorhuhn" spots, 26 episodes of 1 minute, co-produced with partners Phenomedia and Hahn Film. The spots will begin airing this year. We again teamed up with these partners to produce "Gnarfs" (26 episodes of 11 minutes). This cartoon series, which will air on Germany's Super RTL network, is based on Phenomedia's well-known Internet game heroes who resist all attempts at cultural education. At MIPCOM, the television trade show, the series was hugely popular among commercial, youth-oriented broadcasters. The second installments of "Marvellous Milly" (26 episodes of 5 minutes) and "Hoota & Snoz" (26 episodes of 1 minute), respectively, are currently in production and will be completed on schedule in the fourth quarter.

Dubbing work has begun on the animated series “Maggie and the Ferocious Beast” and “Tommy & Oscar”. The German premieres for both series are scheduled for early 2002 in the “Ravensburger TV” programming slot.

Our Energiee animation studio in Australia has agreed to work together with the Spanish production company Cromosoma on its “Juanito Jones” series (a mix of 2D and 3D, 52 episodes of 11 minutes), which should be completed in 2002. This production was nominated for the Pulcinella Award in the Special Mention category.

“Philipps Tierstunde” continues to be broadcast live every Saturday on the KiKa network. In the area of commissioned productions, the first installment of the “Klugbeißer” series has begun airing. Since October 15, 2001, these short reports on eating and nutrition have aired daily around 12:45 p.m. on Super RTL. With an average 22 % market share, the productions far exceed their 15 % target audience rating. In September, we recorded episodes of the “Spielegalaxie” quiz and game show, which began airing on Super RTL on October 7. The show is broadcast every Sunday morning at 10:30 and then repeated on Fridays at the same time.

NON FICTION (DOKUMENTARIES)

We neared completion on “Gift of the Rains – Africa’s Great Rivers” (13 episodes of 30 minutes), a co-production with Animal Planet Europe and Wild Side / Aqua Vision. The documentary series looks at animals and plants in and around Africa’s greatest rivers. Along with our co-production partner Fresh Air Crew, we completed work on four additional 30-minute episodes of the “Fresh Air Challenge” series about extreme sports: “African B.A.S.E”, “Desert Friction”, “Orange Unplugged” and “Fresh Air Riders”. Two episodes, “San Valentín – High on Patagonia” and “Oceans of Fear”, were recently delivered. For this series, we are producing a total of 13 half-hour episodes.

In the fourth quarter, we expect to complete production of “Tracing Ché”, a one-hour documentary co-produced with Lawrence Elman Films. This film retraces the South American journey taken by Ernesto Guevara de la Serna on a motorcycle when he was only 21 years old, before he achieved fame as the legendary revolutionary figure “Ché Guevara”. We will also deliver “Whale Induna” (1x60’), “City Slickers” (1x60’) and “Cargolifter” (1x60’) in the fourth quarter.

Last quarter, “The Great Dance” won several prizes. At the 2001 Jackson Hole Festival, the documentary won in the following categories: Best Film in the People & Animal Category; Best Editing and Best Sound. At the Planet in Focus Festival in Toronto, “The Great Dance” received the Toronto Audience Choice Award. In Japan, it was named Best Environmental Film. With these most recent awards, “The Great Dance” has won more awards than any other wildlife film, this year.

Distribution

Despite decreased advertising revenues and budgets at the television networks, RTV recorded satisfactory sales of its programs. For example, “City Slickers” was recently presold to the following networks: Animal Planet US, ZDF, ORF (Austria), RTBF (Belgium), La Cinqième and France 3 (both in France), NHK (Japan) and RAI (Italy). Thus the production costs for this Off the Fence production were offset prior to its actual completion.

Our sale of video rights for “Störtebeker” to BMG was another highlight. We also sold a programming package to RAI that included “Gloria’s House” and “George Shrinks” I and II. We sold “Wicked” to Fox Kids Italy and sold “Marvellous Milly” to Euro TV (France). Cinar acquired the licensing rights to “Country Mouse & City Mouse” II.

RTV Family Entertainment AG sold a diverse programming package to B.TV, the Baden-Württemberg regional network based in Ludwigsburg/Stuttgart. Under the agreement, B.TV acquired 169 live-action episodes. This sale to a German federal state-owned network opens up a new customer base for RTV to complement our traditional customers, i.e. the German state-owned and private television networks. As a rapidly growing network, B.TV sees its mission as covering local issues and news as well as broadening its range of programming in order to attract a wider audience.

Off the Fence is looking to open up new distribution channels and will therefore format its programs for time slots in the future and offer live television productions. Off the Fence recently began distributing live television program

formats in the adventure/wildlife segment. Off the Fence is developing this format jointly with the creative team from Africam, the world’s largest wildlife web site, which receives 40 million hits per month. Off the Fence is now adding more value by distributing DVDs of productions such as “The Great Dance”, “Sharks” and the “Fit for the Wild”.

Merchandising

On September 12 and 13, RTV presented its new licensing themes for 2002 at the Licensing Europe trade show in Munich: “Maggie and the Ferocious Beast”, “Tommy & Oscar” and “Gnarfs”. We held very promising discussions with leading players in the licensee business. RTV’s licensing sales leader remains “Moorhuhn”. During the most recent quarter, our Merchandising business entered into several new deals while extending existing ones. In the future “Moorhuhn” will appear on disposable lighters, metal cases for glasses, cigarettes, business cards and credit cards (Auth) as well as cell phone cases (SSB). Sybex published the “Moorhuhn 3” guidebook and the Ogilvy & Mather advertising agency used the cult character in an ad for IBM.

In the future, “Moorhuhn” will also capture new European markets. Active negotiations are currently under way in that direction.



Events following the reporting deadline

MIPCOM 2001, the international television trade show in Cannes, provided a major boost for international sales. For the first time, "RTV International" brought together RTV Family Entertainment AG, Off the Fence and Energiee under one roof at the Cannes show.

The market launch of "Juanito Jones" was extremely popular, as the mix of 2D and 3D animation combined with lovable details made this series one of the trade show's most popular.

In the documentary segment, MIPCOM was an important venue for strengthening Off the Fence's positioning as a provider of international non-fiction programming. For the first time, Off the Fence programs were offered together with the Granada productions and they were especially well received by industry buyers.

Effective October 4, 2001, Oliver Kreuter was named the new Head of Global Distribution. Previously, he had worked in the Kirch Group's international distribution business since 1993. He now provides RTV with a well-known and recognized leader who has wide-ranging industry and market knowledge.

At 10:25 on the morning of October 7, 2001, "Spielegalaxie" made its premiere broadcast during the "Ravensburger TV" programming window. Super RTL is broadcasting the initial 13 episodes of the quiz and game show on Sundays, with a repeat airing on Fridays. "Spielegalaxie" is produced by RTV Family Entertainment AG along with Hurricane GmbH & Co. KG. The new show's

premiere broadcast was a big success, with the market share of 17 % and 33.8 % for the first repeat. In light of this success, the game show may be renewed for additional episodes.

"Ravensburger TV" has seen continued audience share growth. Currently, approximately 38 % of the target audience watches this programming time slot.

RTV has secured the long-term financing for its operating business and reduced bank debt to DM 60 million. As of June 30, 2001, bank debt totaled DM 97 million. RTV sold DM 32 million in rights and receivables to programs from the CLT-Ufa program library to its main shareholder Ravensburger AG and used DM 22 million of the proceeds to pay down bank debt. The remaining DM 10 million went toward strengthening our core animation business. At the same time, we reached an agreement with Deutsche Bank and Baden-Württembergische Bank to extend a syndicated loan until December 2005.

Other Items

On July 27, 2001, Peter Duval was named Chief Executive Officer (CEO). Since May 1, 2001, he already had functional responsibility for Finance, Investor Relations, Merchandising and the integration of the subsidiaries.

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

Managing Board		
Name	Number of Options	Number of shares
Dr. Peter Duval	40,000	5,000
Peter Hille	120,000	26,250
Wolfgang Heidrich	120,000	10,500

Supervisory Board		
Name	Number of Options	Number of shares
Dr. Detlev Lux	-	0
Prof. Dr. Johannes Kreile	-	4,200
Dr. Wolfram Freudenberg	-	250
Jochen Kröhne	-	15



Balance Sheet

as of September 30, 2001

	09/30/2001 DM	12/31/2000 DM
Assets		
FIXED ASSETS		
Intangible assets		
Software, Film portfolio and similar rights	223,963,573.74	188,182,311.42
Goodwill	54,049,979.16	39,980,053.76
Prepayments	4,092,506.72	3,953,753.42
Tangible fixed assets		
Other Investments, office equipment and machinery	1,797,698.38	2,221,212.03
Financial assets		
Equity interests	80,000.00	85,840.00
Investments held as fixed assets	3,000.00	0.00
Deferred taxes	11,160,946.59	12,165,739.22
Other long-term receivables	0.00	24,308,318.37
	295,147,704.59	270,897,228.22
CURRENT ASSETS		
Inventory	2,576,160.82	13,073,479.59
Receivables and other assets		
Trade receivables	48,759,514.48	40,000,191.34
Receivables from affiliated companies	17,505,951.66	18,484,371.30
Other assets	6,442,233.89	6,268,573.05
Cash and bank deposits	744,421.04	58,374.52
	76,028,281.89	77,884,989.80
ASSETS	371,175,986.48	348,782,218.02



	09/30/2001	12/31/2000
	DM	DM
Liabilities		
EQUITY		
Capital stock	47,860,314.04	46,695,441.25
Paid-in capital	173,056,233.15	162,104,593.36
Retained earnings	1,603,298.10	1,603,298.09
Other equity	-839,600.56	-1,386,994.43
Net profit (loss) carried forward	-17,307,242.56	-14,202,746.12
Minority interests	1,111,408.04	2,309,707.48
	205,484,410.21	197,123,299.63
Loan made by a partner	400,000.00	0.00
LONG-TERM RESERVES AND DEBT		
Reserves		
Pension reserves	537,841.93	513,840.00
Other reserves	3,095,620.35	140,678.00
Deferred taxes	0.00	1,265,620.36
Debt		
Bank debt	80,000,000.00	80,513,920.00
Other liabilities	10,000,000.00	590,957.78
CURRENT RESERVES AND LIABILITIES		
Reserves		
Tax reserves	11,500.00	347,112.08
Other reserves	1,031,002.31	2,235,872.90
Liabilities		
Bank debt	21,887,387.85	13,340,378.01
Advances on orders	6,552,514.06	440,652.84
Trade payables	28,666,277.41	43,899,637.24
Liabilities to subsidiaries	3,517,989.77	220,720.45
Other liabilities and deferred income	9,991,442.59	8,149,528.73
LIABILITIES	371,175,986.48	348,782,218.02

Income Statement

	Quarter III/2001 07/01/- 09/30/2001	Quarter III/2000 07/01/- 09/30/2000	9-Month Report 01/01/- 09/30/2001	9-Month Report 01/01/- 09/30/2000
	DM	DM	DM	DM
SALES	29,744,492.53	21,806,321.72	87,013,221.18	65,594,321.72
Changes in inventories of finished goods and work in progress	-109,400.00	0.00	215,480.00	0.00
Other operating income	-235,117.80	290,564.24	719,047.97	783,564.24
Cost of materials/services				
raw materials and supplies	-2,846,628.45	-6,566.02	-2,852,417.69	-152,566.02
costs of services	-5,532,047.20	14,901.88	-22,951,332.27	-12,755,098.12
Personnel expenses				
wages and salaries	-1,771,387.07	-2,044,635.14	-7,283,542.13	-5,284,635.14
non-wage benefits and supports	-225,690.33	-186,128.68	-621,514.02	-488,128.68
retirement benefits	-74,955.19	-14,500.00	-90,955.19	-42,500.00
Depreciation of fixed assets	-16,115,186.02	-27,297,650.12	-43,666,590.70	-52,207,650.12
Other operating expenses	-2,784,534.35	-3,784,857.48	-8,072,364.75	10,470,857.48
EBIT	49,546.12	-11,222,549.60	2,409,032.40	-15,023,549.60
Other interest and similar income	72,305.25	-134,563.33	99,435.95	153,436.67
Interest and similar expenses	-1,897,091.84	-1,096,886.47	-4,952,330.56	-4,874,886.47
INCOME (LOSS) FROM ORDINARY OPERATIONS	-1,775,240.48	-12,453,999.40	-2,443,862.21	-19,744,999.40
Extraordinary expenses	0.00	-62,280.64	0.00	-5,556,280.64
Corporate tax	-246,424.82	1,770,538.50	-245,175.59	1,706,538.50
Other tax	-964,562.58	9,283,794.90	-1,011,494.84	9,282,794.90
NET PROFIT (LOSS)	-2,986,227.87	-1,461,946.64	-3,700,532.64	-14,311,946.64
Minority interests	376,862.16	674,037.63	596,036.20	-638,962.37
9-MONTH RESULT	-2,609,365.71	-787,909.01	-3,104,496.44	-14,950,909.01
EARNINGS PER SHARE (ACCORDING TO IAS 33)	-0.11	-0.03	-0.13	-0.66
AVERAGE NUMBER OF SHARES	24,470,590	23,875,000	24,205,883	22,716,667



Cash flow Statement

for January 1 through September 30, 2001

	9-Month Report 01/01/- 09/30/2001	9-Month Report 01/01/- 09/30/2000
	DM 000	DM 000
Net loss for the first nine months	-3,104	-14,951
Depreciation of fixed assets	43,667	52,207
Changes in long-term reserves	24	77
CASH FLOW (CALCULATED ON DVFA/SG BASIS)	40,587	37,333
Increase/decrease in inventory	12,070	13,073
Increase/decrease in trade receivables and other assets	12,702	4,997
Increase/decrease in receivables from subsidiaries	-761	
Increase/decrease in other assets	5,508	-6,780
Increase/decrease in trade payables	-10,239	9,156
Increase/decrease in other liabilities	9,426	-41,225
CASHFLOW FROM OPERATIONS	69,293	16,554
Payments for investments in assets	-79,118	-172,625
CASHFLOW FROM INVESTING ACTIVITIES	-79,188	-172,625
Proceeds from capital increase	0	100,031
Proceeds from issuance of long-term liabilities	10,000	69,317
Proceeds from issuance of short-term liabilities	0	0
Loan redemption payments	0	0
CASHFLOW FROM FINANCING ACTIVITIES	10,000	169,348
Currency translation differential amounts	511	0
Net cash flow	686	13,277
Net cash at beginning of period	58	10,683
NET CASH AT END OF PERIOD	744	23,960
AVERAGE NUMBER OF EMPLOYEES	78	37
NUMBER OF EMPLOYEES (AS OF SEPTEMBER 30, 2001)	76	41

Equity statement

Changes in equity between January 1 and September 30, 2001

	Capital stock	Paid-in earnings	Retained earnings	Other equity	Profit (loss) carried forward, group share	Equity, group share
	DM	DM	DM	DM	DM	DM
01/01/2001	46,695,441.25	162,104,593.36	1,603,298.09	-1,386,994.43	-14,202,746.12	194,813,592.15
In-kind capital increase (April 27, 2001)	1,164,872.79	10,951,639.80				12,116,512.59
Currency translation differential amounts				547,393.87		547,393.87
Net income (loss), group share					-3,104,496.44	-3,104,496.44
	47,860,314.04	173,056,233.16	1,603,298.09	-839,600.56	-17,307,242.56	204,373,002.17

The above-mentioned date corresponds to date of entry in company's register.

Results by business line and region

1. Results by business line (primary report format)

	Production DM	Distribution DM	Merchandising DM	Consolidated Group DM
Sales	38,694,492	42,830,000	5,488,728	87,013,220
Changes in inventory	215,480			215,480
Other operating income	323,572	352,334	43,143	719,049
Total production	39,233,544	43,182,334	5,531,871	87,947,749
Expenses by business line	39,133,511	37,837,300	8,567,906	85,538,717
Income by business line (= operating income)	100,033	5,345,034	-3,036,035	2,409,032

2. Results by geographic region (secondary report format)

	Germany DM	Europe DM	Rest of World DM	Consolidated Group DM
Sales	27,650,290	16,452,174	42,910,756	87,013,220

