

GESCHÄFTSBERICHT
1998



INTERTAINMENT
AKTIENGESELLSCHAFT



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Intertainment im Überblick

	1996	1997	1998
Zahlen in Mio. DM			
Umsatzerlöse	13,15	22,07	29,31
Materialaufwand	9,98	12,95	15,97
Personalaufwand	0,42	1,02	2,53
Ergebnis der gewöhnlichen Geschäftstätigkeit	0,08	3,78	8,81
Ergebnis nach DVFA/SG	0,03	1,57	4,79
Mitarbeiter	4	8	10

ANNUAL REPORT

1998





EXPANS

INTERVIEW WITH RÜDIGER BAERES



Rüdiger Baeres,
Chairman of the Managing Board

???: Mr Baeres, Intertainment was floated on the stock exchange in early February. How do you feel?

Baeres: Personally, I feel very well. After the IPO, Intertainment is in a very good position and now has much better possibilities to build on the successful work of recent years.

???: What can you say about the flotation on Frankfurt's New Market?

Baeres: The stock market flotation was a great success, and we had prepared for it for a long time. At EUR 36, the issue price was at the upper end of the price spread, since the share was subscribed eightyfold. Share price performance since then has been impressive, which reflects both Intertainment's excellent prospects and investors' confidence. As such, I consider the months before and after the IPO to have been highly positive.

From right to left:
Rüdiger Baeres, David Williamson, Achim Gerlach



ION PLANS



???: ... and in what way will Interentertainment benefit from the IPO?

Baeres: Now you surely expect me to talk money. What is also very important, however, is the fact that we have been able to increase our awareness among program suppliers throughout Germany. The greater possibilities we now have also make us an even stronger partner to US producers, with whom we have maintained good relations for many years.

???: But the proceeds certainly were an important reason, too, weren't they?

Baeres: Absolutely. The IPO has considerably expanded our financial scope and clearly improved our standing. Also, the additional funds will enable us to expand our entire business.

???: What are your expansion plans after the IPO?

Baeres: Interentertainment will now bring its strengths to bear.

In our core business area, film rights trading, we realized our plans immediately after the IPO. Our strategic objective is to





DYNAMI FILE

INTERVIEW WITH RÜDIGER BAERES



Wesley Snipes

expand our marketing activities beyond the German-speaking world to the rest of Europe. In early March, we acquired a US-\$ 500 million film package, which also includes rights for France, the Benelux and all of Eastern Europe. The package comprises high-quality movies with a strong appeal starring top actors such as Bruce Willis, Wesley Snipes and Cameron Diaz. We will market the package across the entire exploitation chain from movie theaters to home video and TV.

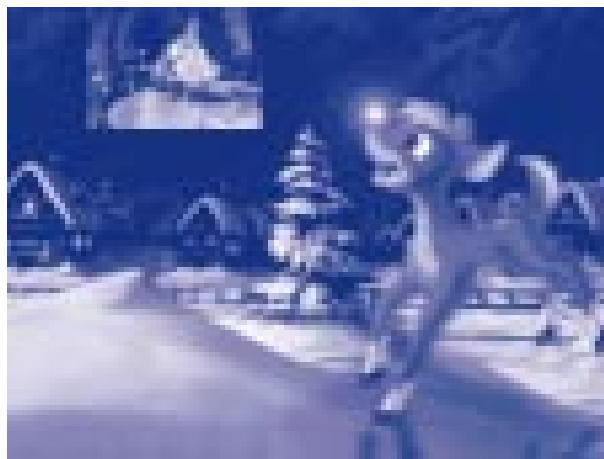
???: Do you have other growth plans?

Baeres: Yes, we want to build up another major business segment, namely our merchandising division. Immediately after the

IPO, we made a first step in this direction by signing a cooperation agreement with UNICEF Germany at the end of February. Under this agreement, UNICEF has obtained the merchandising rights in one of the world's best-known Christmas characters, "Rudolph - The Red-Nosed Reindeer". Alongside marketing in the theatrical and home video markets, a music CD and numerous other products will be launched. In the long term, we intend to market as many as 200 licensed products. The UNICEF deal marks the successful start-up of our merchandising business.

???: So Entertainment is clearly poised for expansion. But will there be sufficient demand?

Rudolph -
The Red-Nosed Reindeer



SM XIBILITY

Baeres: The market will continue to grow. Competition among TV channels will increase, especially if pay TV continues to penetrate the German market. Mainstream feature films like the ones in our portfolio are becoming increasingly popular. The kind of content Intertainment supplies is in high demand across all exploitation channels.

Future content delivery formats such as video-on-demand, the Internet or DVD will additionally boost demand for film licenses.

Our merchandising operations, which will

now be consistently expanded, will enable more extensive exploitation of our licensing rights.

By expanding our business throughout Europe, Intertainment will actively enlarge its sales market. As a film rights trader of European stature, we will be able to exploit opportunities even more effectively as they arise.

Intertainment's potential has become much larger. Building on our flexibility and dynamism, we have now embarked on the optimal course.



Cameron Diaz

MAJORS AND I

THE ACQUISITION MARKET



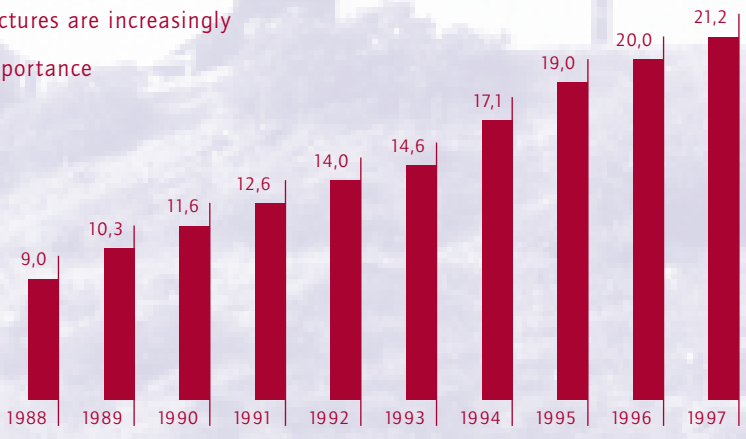
Two movies completed every day

Every day, about two movies suitable for commercial exploitation are completed worldwide. However, German TV alone is showing almost 50 feature films every day. The consequence: programming is dominated by reruns – new movies are few and far between and are becoming an increasingly coveted commodity. The more competition among the TV channels intensifies and the more pay TV and digital TV penetrate the

market, the more the demand for high-quality films will rise in future.

The USA is the No. 1 buying market. Roughly two in three commercial movies are produced in the mother country of the motion picture. The USA usually also produces the most attractive movies, since they are suitable for airtime which is particularly suitable for commercials. Accordingly, demand for US film licenses continues to grow steadily.

US motion pictures are increasingly gaining in importance



Worldwide revenues of US feature films, 1988-1997 (in US-\$ bn)

INDEPENDENTS



Majors and independents

The majors maintain their own distribution channels to exploit their own movie productions. They market the rights in the theatrical and home video markets and grant licenses to national TV channels. These widely known studios include Columbia Tristar, Disney, Dreamworks, MGM, Paramount, Twentieth Century Fox, Universal and Warner. These majors produce some 50% of all movies in the USA. The other half is accounted for by the independent studios.

The independents do not maintain their own distribution channels. They produce their movies independently and cooperate with

worldwide partners, granting film licenses for given territories. The right contacts to the independents are needed to obtain rights in marketable and promising films. International or national dealers sublicense the rights to national program providers.

In the future, the majors will increasingly rely on the independent market for production and acquire the rights for the US market for distribution, while the non-US rights will be marketed by international distributors. These international rights traders will thus have access to studio-comparable films, which is a critical competitive advantage for the future.

THE SALES MARKET

MULT



From two public-service channels to a European multimedia landscape

At the beginning of the eighties, German TV viewers could choose from among two public-service channels, namely ARD and ZDF. Today, at the end of the nineties, there are more than 30 free TV channels as well as some 50 pay TV channels. In the coming years, the market will grow even more dynamically as video-on-demand, DVD and Internet applications offer program providers huge additional platforms.

Some 33 million TV households make Germany one of the most attractive markets in the world. This market needs an ever larger number of feature films to offer its audience attractive programs in the future. Competition between the channels is intensifying, and movies are becoming an increasingly scarce and sought-after commodity. Accordingly, prices for film rights will rise.



Sylvester Stallone

IMEDIA



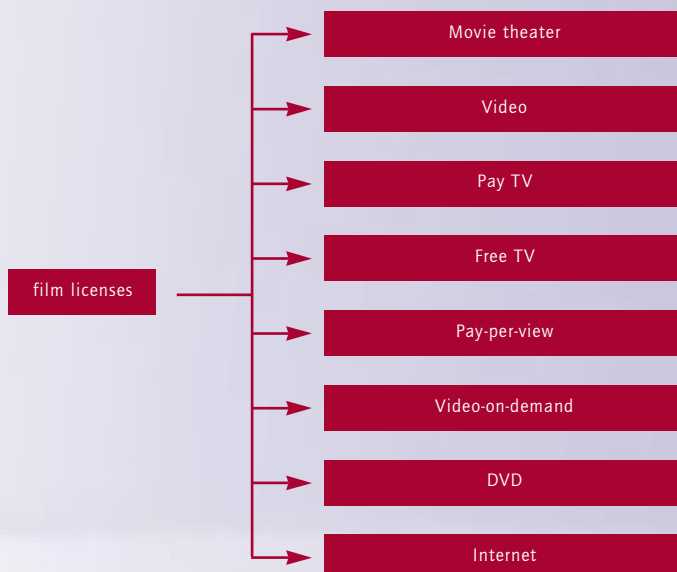
What's more, film rights allow for increasingly comprehensive and profitable exploitation in the merchandising, publishing and music markets.

An end to the boom in the sales market is not in sight.

Europe is the most important market for American-produced pictures, outside the USA. US movies were the most commercial-

ly successful pictures in Europe (in 1998, nine of the ten most successful motion pictures were american productions). At the beginning of 1999, there were more than 600 national and some 1,200 regional TV channels in Europe. In 1997, over 70% of all non-local fiction programs broadcast in the EU came from the USA. In the future, Intertainment will also operate in the growing European market.

Types of exploitation





Susan Sarandon

THE INDEP THE ENTERTAINMENT PHILOSOPHY



The independent player

Intertainment trades in licenses for commercially promising US motion pictures. The selection of these movies is based on a single criterion: the requirements of the market.

Ever since its founding in 1993, Intertainment has acquired the full rights in movies from independent US producers and then licensed those rights to the theatrical, home video and TV markets - up until 1997, exclusively in the German-speaking world, since 1998 increasingly on a European scale.

Intertainment does not maintain its own exploitation channels, avoiding high fixed costs and reducing exploitation risks. As a lean company, Intertainment thus stays true to its philosophy.



Ed Harris

INDEPENDENT PLAYER

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Intertainment focuses on mainstream products suitable for prime-time viewing. Each movie is selected individually and on the condition that it fulfils the market requirements. The success of this approach speaks for itself: each single film has been a revenue generator.

And since success sells, Intertainment is today one of the preferred partners to German-language TV channels and program providers. The IPO and the resulting improved standing will allow Intertainment to apply this success formula to the whole of Europe, making the company a sought-after partner in all European territories.

In early 1999, Intertainment acquired the European rights in motion pictures being distributed by major studios in the US market.



Bruce Willis

WILLIAMS

THE BUSINESS OF ENTERTAINMENT



Acquisition

The decisive criterion for the acquisition of a film license is the film's future commercial potential. Intertainment acquires these licenses even before the beginning of photography. Experience and know-how are therefore required to assess a movie's suitability for the market.

An important precondition for the success of a movie are top actors. Of the many film offers they get, however, marquee actors will consider only those whose financing has been guaranteed usually by a bank. And the banks, in turn, will guarantee financing only to those american independents who have signed pre-sales agreements with film rights traders such as Intertainment.

One of Intertainment's significant competitive edges lies in its ability to conclude bin-



CANNES LOS ANGELES

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ding pre-sales agreements with independent producers at short notice so that top actors can be attached to the production and an important precondition for the success of the movie be fulfilled.

What is more, Intertainment has the experience needed to assess the quality of a movie even before the start of shooting. The feel for the script, the director's track record and the attractiveness of the genre is another Intertainment strength.

Finally, the company's contacts with producers also guarantee successful deals.

Business relationships with american producers deep a knowledge of the market and the ability to take decisions quickly are key advantages of Intertainment when it comes to implementing its successful licensing policy.

Centres of the worldwide film rights business



Cannes



Milan



Los Angeles

VOX PRO SIEBEN ZDF THE BUSINESS OF ENTERTAINMENT

Distribution

Intertainment's customer list includes all the big names of the German-speaking TV scene: BMG, CLT-UFA, DSF, ORF, Premiere, Pro Sieben, RTL, RTL2, SRG, Starlight, Taurus, VCL, VOX, ZDF.

Intertainment usually acquires a film license for a period of 25 years, thus holding

the exclusive marketing rights for a given territory.

The company grants licenses under split-rights deals, which means that film distributors, video labels and TV channels are given the commercialization rights one after the other. These licenses are usually limited to a period of five to seven years, after which they revert back to Intertainment. This

Jack Nicholson



CLT-UFA RTL PREMIERE

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makes the film rights a valuable investment since Intertainment can exploit each movie several times.

The fact that Intertainment markets the acquired licenses not only on different levels but also for different exploitation periods means that the company is not in the business of making one-off deals but rather invests in a media cycle offering increasing scope for long-term exploitation.



John Travolta and Danny De Vito



Jessica Lange

THE LIBRARY MAINS

At the end of 1998, Intertainment held the rights in 120 films. The program library mainly comprises mainstream movies suitable for prime-time viewing and very popular with program providers on account of their high advertising potential. The attractive movie genres included in the Intertainment

portfolio are just the kind of content program providers need.

Due to the long-term marketing potential of the individual movies, the value of Intertainment's program library increases over time. Since Intertainment usually



TREAM



acquires the film rights for a period of 25 years but grants them for only five to seven years, the company generates additional revenues through repeat marketing.

The financial scope opened up by the IPO and the resulting improved standing will

enable Intertainment to acquire even more attractive material which is even better suited for theatrical exploitation and will thus further enhance the value of the program library.

INVEST

FISCAL YEAR 1998

Investments

In 1998, Intertainment acquired licenses of a total value of DM 52.2 million, doubling its investment volume from the previous year (DM 20.6 million). Intertainment has significantly expanded its portfolio and secured the long-term value of its program library.

MENTS



Balance sheet structure

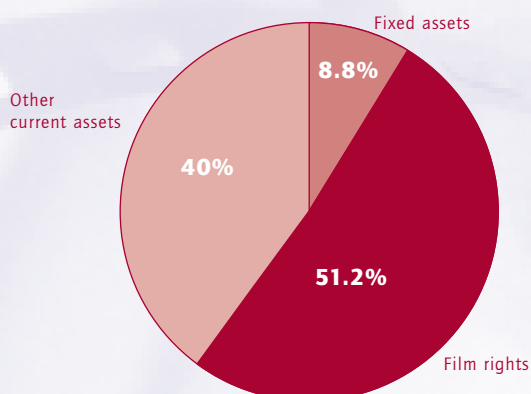
As per December 31, 1998, Intertainment's total assets amounted to DM 144.1 million. Equity stood at DM 18.9 million. This is equivalent to an equity ratio of roughly 13%, which will increase substantially as a result of the early 1999 IPO.

At DM 73.9 million, Intertainment AG's film rights are the most important asset. It

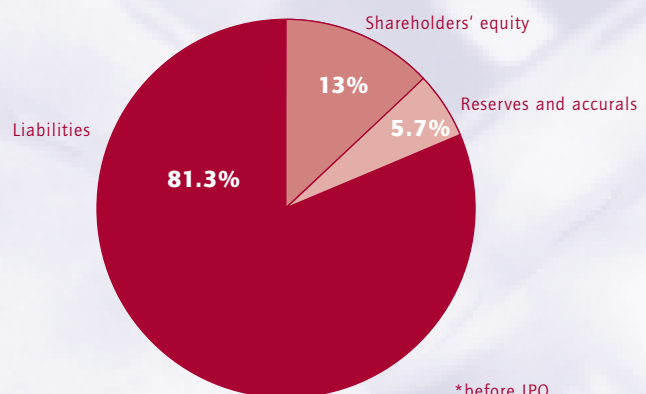
should be noted that some 80% of the licenses' value is written off as soon as they are marketed for the first time.

The company's liabilities totalled DM 116.8 million on the reporting date. However, some 60% of these are trade accounts payable, which refer to films not yet produced. They will become due once the films have been delivered and technically accepted.

Assets



Shareholders' equity and liabilities*



*before IPO

SALES

FISCAL YEAR 1998

PROFIT

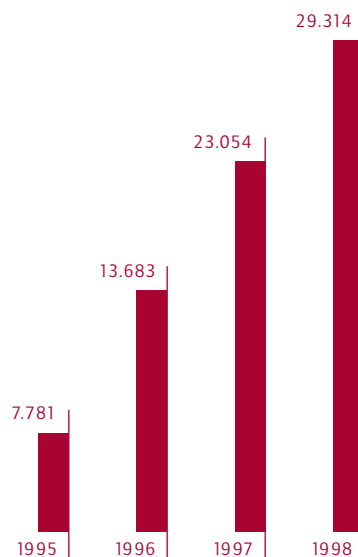
Revenues

Ever since the company's foundation, Intertainment's sales revenues have increased steadily at an above-average rate, rising from DM 7.8 million in 1995 to over DM 29 million

in FY 1998. The company expects total sales of roughly DM 45 million for 1999.

The IPO has now created the financial scope required to tap future growth potential.

The Intertainment success story



1995-1998 sales revenues (in DM million)

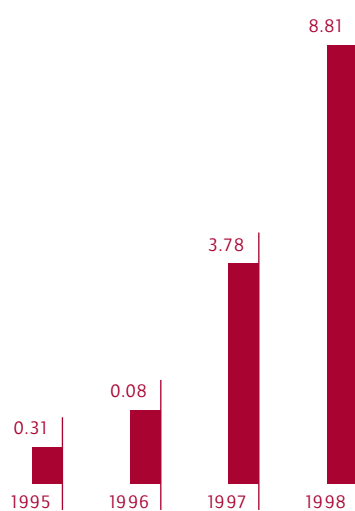
Earnings

Intertainment's earnings have developed just as favourably over the years. The result on ordinary activities rose from DM 0.309 million in 1995 to DM 8.8 million (IAS) in FY 1998, which represents an increase by approx. 133% over 1997. The Group net income after taxes more than doubled to DM 3.57 million.

The 1998 DVFA-/SG result also reached approx. DM 4.79 million.

At year-end 1998, Intertainment AG employed ten people. This small, effective team is characterized by great flexibility and autonomy. Personnel expenses represent only a small portion of overhead. Intertainment will continue its policy of maintaining a lean organizational structure in the future.

Result on ordinary activities



1995-1998 earnings figures (in DM million)



Danny De Vito



Leslie Nielsen

GOING FUTURE BUSINESS PROSPECTS INTERNET



IPO sets course for the future

In early 1999, Intertainment made an important move for the future by floating its shares on the stock exchange. Under the lead management of HypoVereinsbank, 1.2 million shares were placed on Frankfurt's New Market on February 8, 1999. The successful IPO has given the company the financial means needed for dynamic future growth.

From a national to an international rights trader

Intertainment will now expand its strong market position in the German-speaking world and invest more heavily in the other

PUBLIC NATIONAL

territories of Europe. Building on the new funds from the IPO and its further improved standing, the company has now firmly set its sight on Europe. Multi-territorial rights will enable the company to further expand its position.

The company scored a major success already in March 1999, acquiring the rights to a US-\$ 500 million film package at the world's major film fair, AFM in Los Angeles. The package consists of ten movies starring top actors such as Bruce Willis and Sylvester Stallone and is to be distributed by major studios in the USA.

Over the next 25 years, Intertainment will market these rights in the German-speaking area as well as in the remainder of Europe and China.

MERCHANDISING

FUTURE BUSINESS PROSPECTS



Merchandising: a strategic move

Merchandising will in future be Intertainment's second strategic business area, through which the company intends to exploit its film rights even more effectively.

The multi-year cooperation agreement signed with UNICEF Germany in February 1999 marks the start-up of this business area. The agreement provides for the exploitation of the "Rudolph - The Red-Nosed Reindeer" in the theatrical, home

Rudolph -
The Red-Nosed Reindeer



FUTURE



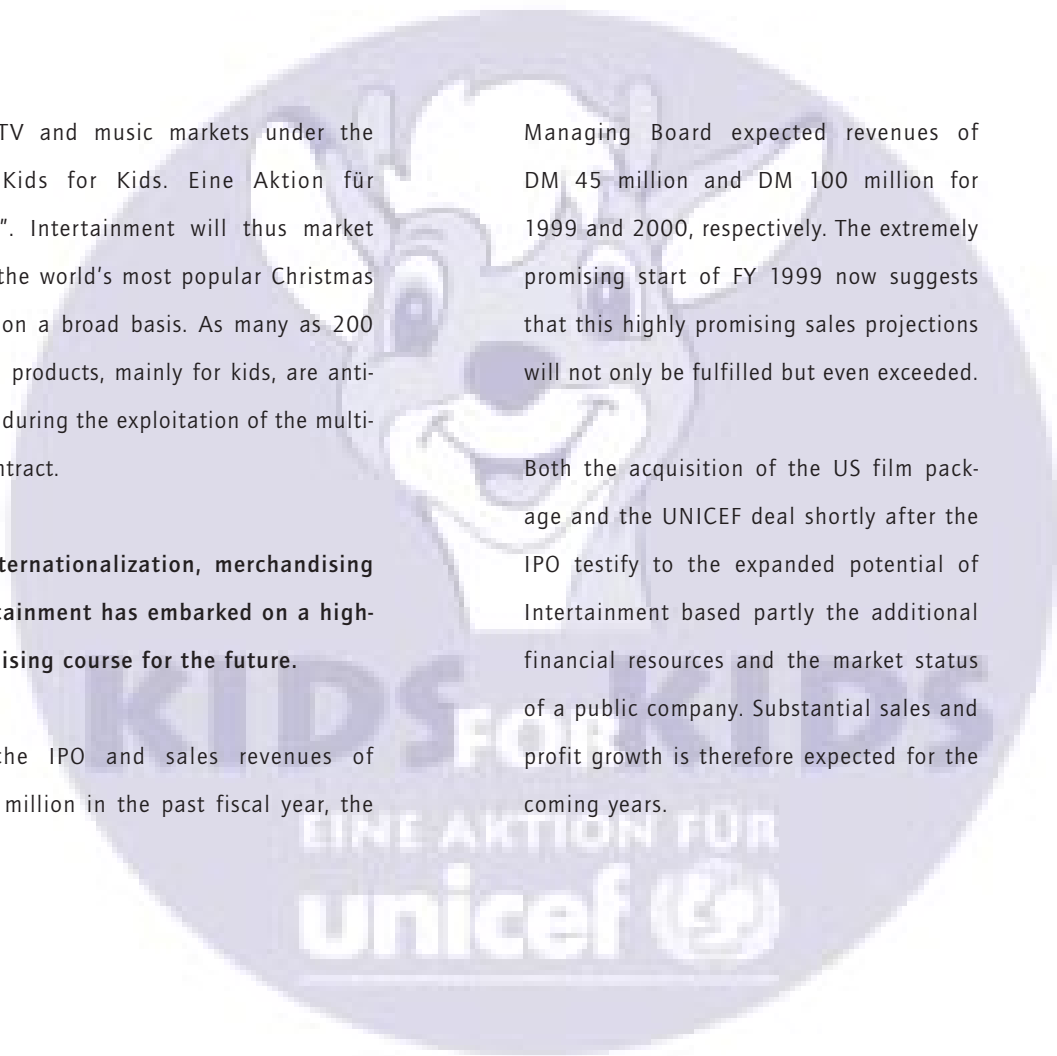
video, TV and music markets under the label "Kids for Kids. Eine Aktion für UNICEF". Intertainment will thus market one of the world's most popular Christmas figures on a broad basis. As many as 200 licensed products, mainly for kids, are anticipated during the exploitation of the multi-year contract.

IPO, internationalization, merchandising - Intertainment has embarked on a highly promising course for the future.

After the IPO and sales revenues of DM 29 million in the past fiscal year, the

Managing Board expected revenues of DM 45 million and DM 100 million for 1999 and 2000, respectively. The extremely promising start of FY 1999 now suggests that this highly promising sales projections will not only be fulfilled but even exceeded.

Both the acquisition of the US film package and the UNICEF deal shortly after the IPO testify to the expanded potential of Intertainment based partly the additional financial resources and the market status of a public company. Substantial sales and profit growth is therefore expected for the coming years.



http://www. INVESTOR RELATIONS

interta

FY 1998 was marked by the preparations for the IPO.

Pursuing an intensive, open information policy, Intertainment portrayed a clear picture of the company and its objectives to its future shareholders prior to the IPO. The focus was on the company's good earnings position and its significant growth potential.

At EUR 36 (DM 70.41), the issue price was at the upper end of the price spread. By the end of the first quarter of 1999, the share price had quadrupled.

Intertainment remains committed to its shareholders subsequent to the IPO. Regular press releases, quarterly reports and meetings with professional analysts

ensure the company makes its strategy, plans and results transparent to its shareholders.

For up-to-date information visit

<http://www.intertainment-ag.de>

Our investor relations contacts:

Haubrok Investor Relations

Kaistrasse 20A

D-40221 Düsseldorf

Phone: +49 211 600 88 88

1999 calendar of events	date	venue
Annual accounts press conference	June 18, 1999	Munich
DVFA presentation	June 21, 1999	Frankfurt
Annual General Meeting	July 9, 1999	Munich
Interim report on the first half of 1999	August 1999	–
Report on the third quarter of 1999	November 1999	–

REPORT BY T

THE MANAGING BOARD AND THE SUPERVISORY BOARD

SUPERVI



Report by the Supervisory Board

The constituent assembly of the Supervisory Board was held on the occasion of the foundation of the company on September 10, 1998. At a Supervisory Board meeting on September 30, 1998, the Supervisory Board agreed, following detailed consultation and discussion, to a cash capital increase to improve the company's capitalization as well as to a capital contribution and transfer agreement under which Mr Ernst Rüdiger Baeres transferred 100% of the shares in Intertainment Licensing GmbH, Munich, to the company in exchange for stock. The contribution of Intertainment Licensing GmbH, Munich, which has successfully operated as a film license trader since 1993, was of major importance for the company. At the same meeting, the Managing Board provided the Supervisory Board with comprehensive information on the situation of Intertainment Licensing GmbH and on

the plans regarding the company's future development. On October 29, 1998, the Supervisory Board agreed to the foundation of Intertainment Animation & Merchandising GmbH, a subsidiary through which the company intends to expand its merchandising operations. At another Supervisory Board meeting held on December 23, 1998, the plans for 1999 were discussed extensively. Details of the company's IPO, which has meanwhile been completed successfully, as well as the strategic orientation and capitalization of Intertainment Animation & Merchandising GmbH were also discussed at this meeting.

During the period under review, the Supervisory Board performed its legal and statutory tasks and monitored the management of the company on an ongoing basis. The constituent assembly and the Supervisory Board meetings on September 30 and December 23, 1998 were complement-

THE SUPERVISORY BOARD



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ENTERTAINMENT
AKTIENGESELLSCHAFT

ed by regular contacts with the company's Managing Board at which important individual aspects were discussed.

The annual accounts for the short fiscal year from September 10 to December 31, 1998 and the statement of condition were audited by KPMG Deutsche Treuhandgesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Berlin and Frankfurt am Main, and received their unqualified audit opinion.

At the meeting held on April 29, 1999, the Supervisory Board discussed the report on the audit of the annual accounts and the statement of condition for the short fiscal year from September 10 to December 31, 1998 as well as the proposal for the appropriation of profits with the Managing Board in the presence of the auditor and approved the annual accounts and the statement of condition. Since no objections were raised,

the Supervisory Board approved the company's annual accounts. The Supervisory Board agreed to the Managing Board's proposal for the appropriation of profits.

The commitment shown by the Managing Board and the employees made an important contribution to the company's success in the short fiscal year under review. In recognition of this special dedication, the Supervisory Board would like to thank both the Managing Board and the employees of the company.

Munich, April 30, 1999

The Supervisory Board

Dr. Matthias Heisse
Chairman



PRO-FORMA GROUP ACCOUNTS AS PER DECEMBER 31, 1998

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PRO-FORMA GROUP ACCOUNTS AS PER DECEMBER 31, 1998 STATEMENT OF CONDITION

1. Business development

1998 saw several German media companies go public. These IPOs gave the companies the capital and financial strength they need to respond to the changed conditions in the buying market.

The major studios (such as Warner Bros., 20th Century Fox, etc.) are having an increasing share of their film projects produced by so-called satellites (such as FRANCHISE PICTURES for WARNER BROS.) in the independent market. They acquire only the US rights, while rights in the other territories are sold in advance to finance the projects.

As a result, movies benefiting from the reputation and the US marketing campaigns of the majors are available in the independent market, representing a unique opportunity for film rights traders. Provided they have the necessary capital, a good standing in the USA and the right contacts, they can acquire highly attractive products for exploitation across all channels in all territories. These film rights are the basis for their future success.

Intertainment has responded to the changing market conditions. The company was listed on the stock exchange in February 1999, and the great success of the IPO has proven the company right. Not least thanks to the IPO, Intertainment was able to acquire a large film package from FRANCHISE PICTURES in late March 1999. These films will be marketed by Warner Bros. in the USA.

While Intertainment will stick to its policy of not maintaining its own exploitation channels, the company grants licensing rights to all exploitation channels. The theatrical rights are marketed to film distributors (as regards the theatrical rights sold by the majors in the USA, these may be either independent distributors or majors), the home video rights to video labels and the TV rights to TV channels.



As a content provider, the company is in a position to select the most attractive partners in each segment, thus maximizing the exploitation potential of each individual movie.

2. Sales performance

In the year under review, sales revenues of the Intertainment Group increased by over 30 % to DM 29.3 million.

All revenues were generated by Intertainment Licensing GmbH. Intertainment Animation & Merchandising GmbH will start operations in 1999 and did not make any contribution to Group revenues in FY 1998.

3. Profitability

3.1. Income-to-equity ratio

$$\left(\frac{\text{Result on ordinary activities}}{\text{equity}} \right) * 100$$

In 1998, the Intertainment Group posted an income-to-equity ratio (before taxes) of 47 %.

The high income-to-equity ratio is attributable to the extremely positive performance of Intertainment Licensing GmbH. Intertainment Animation & Merchandising GmbH will start operations in 1999 and did not make a positive profit contribution in FY 1998.

The net income for the year (including the share included in first consolidation) amounted to DM 3.572 million (IAS), which is equivalent to an income-to-equity ratio after taxes of 19 %. It is to be noted that trade earnings tax was imposed twice within the Group, which was a non-recurring extraordinary factor.

3.2. Equity ratio

$$\left(\frac{\text{Equity}}{\text{total assets}}\right) * 100$$

The Intertainment Group's equity ratio stood at 13% and will increase noticeably as a result of the IPO.

3.3. Debt structure

An analysis of the debt structure reveals the particularities of Intertainment's balance sheet:

	DM '000	%
A. Equity	18,946	13.1 %
A.1. Equity		
<i>excl. goodwill</i>	6,319	4.4 %
A.2. Goodwill	12,627	8.7 %
B. Provisions	8,412	5.8 %
C. Liabilities	116,530	80.8 %
C.1. Due to banks	43,110	29.9 %
C.2. Prepayments	2,830	2.0 %
C.3. Trade accounts payable	67,347	46.7 %
C.4. Other liabilities	3,243	2.2 %
D. Accruals and deferrals	343	0.2 %
	<u>144,232</u>	<u>100.0 %</u>

Trade accounts payable represent 58% of total liabilities. Most of them refer to rights in films not yet produced and will become due only upon delivery of the films. The film rights are the corresponding item on the assets side.

Liabilities to banks are DM liabilities, which are offset by US-\$ credit balances on the assets side of the balance sheet.

3.4. Financial leverage

As per December 31, 1998, Intertainment's liabilities to banks amounted to DM 43.1 million. They are offset by bank balances of DM 46.5 million.

3.5. Return on capital

$$\left(\frac{\text{Equity} + \text{interest-bearing net debt}}{\text{result on ordinary activities}}\right) * 100$$

RoC (before taxes) stood at 47% in FY 1998. It is equivalent to the income-to-equity ratio. Intertainment has no interest-bearing net debt.

4. Report on exchange risks

Intertainment pays all film rights in US-\$ and receives DM/EUR from its customers, which means that an exchange risk basically exists. Intertainment uses exchange futures and financial hedging to hedge against this risk. The amounts and terms of the exchange futures are equivalent to those of the underlying business.

5. Outlook

5.1. Intertainment Licensing GmbH

In spring 1999, Intertainment Licensing GmbH signed an agreement with FRANCHISE PICTURES, an independent producer for Warner Bros., which will be of major importance for the future business development. This transaction has not only enabled the company to upgrade its sales projections for 2000 and 2001 but has also laid the foundations for a long-term cooperation. The Managing Board is very optimistic about the company's future performance.

5.2. Intertainment

Animation & Merchandising GmbH

Intertainment Animation & Merchandising GmbH started operations at the beginning of the year. Preparations for the start of "Rudolph - The Red-Nosed Reindeer", a highly promising product, are running at full steam. This licensed product is the object of a long-term agreement concluded with UNICEF. Marketing will start in autumn of this year and be supported by a large-scale advertising and promotion campaign.

**PRO-FORMA CONSOLIDATED
BALANCE SHEET
AS PER DECEMBER 31,
1998**

	DM	DM
ASSETS		
A. Fixed assets		
I. Goodwill		12,521,310.32
II. Tangible assets		
Other equipment and office furniture and fixtures		129,629.00
B. Current assets		
I. Inventories		
1. Film rights	73,823,784.80	
2. Paid-up accounts	84,300.00	73,908,084.80
II. Receivables and other assets		
1. Trade accounts receivables	9,247,735.98	
2. Other assets	1,788,225.50	11,035,961.48
III. Cash in hand, deposits with commercial banks		46,508,455.78
C. Prepaid expenses		22,534.41
		144,125,975.79

LIABILITIES AND SHAREHOLDER'S EQUITY**A. Shareholder's equity**

I. Subscribed capital

18,181,000.00

II. Earnings reserves (legal reserves)

178,395.00

III. Balance sheet profit

345,272.34

B. Accruals

1. Tax accruals

7,446,135.20

2. Other accruals

817,090.00

8,263,225.20

C. Liabilities

1. Payables due to

commercial banks

43,110,000.00

2. Advance payments received

2,830,000.00

3. Trade accounts payables

67,631,509.99

4. Other liabilities

3,243,491.41

116,815,001.40

D. Deferred income

343,081.85

144,125,975.79



**PRO-FORMA CONSOLIDATED
PROFIT AND LOSS STATEMENT
FOR THE PERIOD SEPTEMBER 10
THROUGH DECEMBER 31,
1998**

	DM	DM
1. Sales proceeds		29,313,563.00
2. Other operating income		2,303,341.03
3. Total operating income		31,616,904.03
4. Material costs		
a. Costs of film rights and other directly connected services	15,028,782.06	
b. Costs of acquired services	943,446.49	15,972,228.55
5. Personnel costs		
a. Wages and salaries	2,448,214.55	
b. Social security and expenses for old age pensions and supports	79,230.59	2,527,445.14
6. Depreciation for intangible fixed assets and tangible assets		291,416.53
7. Other operating expenses		4,912,893.22
8. Other interest and similar income		2,394,183.05
9. Interest and similar expenses		2,136,546.80
10. Results from ordinary business operations		8,170,556.84
11. Extraordinary income		248,999.00
12. Taxes from income and revenue		5,087,084.00
13. Other taxes		2,950.00
14. Annual surplus including the portion included in the initial consolidation		3,329,521.84
15. Portion of annual surplus included in the initial consolidation		- 2,805,854.50
16. Consolidated annual surplus		523,667.34
17. Allocation to the earnings reserves		- 178,395.00
18. Consolidated balance sheet profit		345,272.34

PRO-FORMA GROUP ACCOUNTS AS PER DECEMBER 31, 1998 NOTES TO THE GROUP ACCOUNTS

General information on the Group accounts

The present Group accounts for the stub fiscal year from September 10 to December 31, 1998 have been prepared in accordance with the accounting provisions of the German Commercial Code (HGB) and the pertinent provisions of the German Stock Corporation Law (Aktiengesetz).

Since the company applied for admission to the New Market segment of the Frankfurt stock exchange only in 1999, it may, for the last time, make use of certain exemptions regarding the preparation of Group accounts. The Group accounts therefore need not be audited in accordance with § 316 sub-paragraph 2 of the German Commercial Code.

Previous-year figures are not given since the 1998 accounts are the first Group accounts prepared by the company. The total cost procedure has been chosen for the income statement.

Companies included in the Group accounts

The Group accounts include Intertainment Aktiengesellschaft as well as all directly and indirectly owned domestic subsidiaries.

Exhibit 1 contains a list of all investment holdings of Intertainment Aktiengesellschaft.

The Group accounts are based on the annual accounts prepared by Intertainment Aktiengesellschaft and the domestic sub-

sidiaries included in the Group accounts as per December 31, 1998 (exhibit 1).

Capital consolidation was effected according to the book value method pursuant to § 301 sub-paragraph 1 sentence 2 No. 1 of the German Commercial Code; the book value of the shares was netted with the pro-rata equity of the subsidiaries included in the Group accounts at the time of their acquisition, foundation or initial consolidation.

Where capital consolidation resulted in differences not allocable over the Group balance sheet items, they are shown as goodwill under intangible assets on the assets side of the balance sheet. The goodwill is the difference between the original cost of the shares held in the subsidiaries and the equity at the time of initial consolidation.

The Group income statement was prepared according to the fair and true view principle, which means that expenses incurred and income generated by the Group companies in FY 1998 before the time of initial consolidation have been included to provide a more clearly presentation of the group activities. While the share of the net income for the year earned by the Group subsidiaries prior to the initial consolidation which is to be included in initial consolidation was generated within the Group, it does not form part of the Group result. This amount is therefore deducted from the net income separately to obtain the Group result since the establishment of the Group.

Claims, provisions, liabilities as well as accruals and deferrals between the companies included in the Group accounts have been eliminated.

Since uniform accounting and valuation principles were applied throughout the Group and consolidation measures were effected, no tax accruals and deferrals were required.

Accounting and valuation principles

Uniform accounting and valuation principles were applied to the annual accounts of the parent company and the domestic subsidiaries.

The following accounting and valuation principles were applied to the Group accounts:

Intangible assets acquired are capitalised at their original cost and, insofar as they are subject to depreciation, written off according to the straight-line method of depreciation in accordance with their service life.

Tangible fixed assets are subject to regular depreciation in accordance with their anticipated service life on the basis of the Afa tax-rate tables. The simplification rule of R 44 sub-paragraph 2 of the Income Tax Regulations (EStR) was applied to determine depreciation. Low-value assets are written off in full in the year of acquisition and shown as disposals in the fixed asset grid.

	1.1.1998	Additions	Disposals	Original cost 31.12.1998
	DM	DM	DM	DM
Intangible assets				
1. Goodwill	0.00	12,733,535.92	0.00	12,733,535.92
Tangible fixed assets				
1. Other fixtures and fittings, tools and equipment	379,695.88	100,998.93	207,027.41	273,667.40
	379,695.88	12,834,534.85	207,027.41	13,007,203.32

The film rights and licenses to be shown under *inventories* are valued at their original cost including incidental acquisition cost. Sub-rights of the individual film rights which are sold remain capitalised in inventories at 20% of their original cost, which is the rate typical of the industry.

Value adjustments were made to cover discernible individual risks related to *receivables and other assets*. A general bad-debt provision was formed to cover the general credit risk.

Other provisions cover all discernible risks and contingent liabilities.

Liabilities are shown at the amount repayable.

Prepayments and accrued income include those expenses incurred before the balance sheet date which refer to a period after the balance sheet date. Accruals and deferred income include income generated before the balance sheet date which refers to a period after the balance sheet date.

All *currency receivables* are shown at the exchange rate applicable at the time the receivable was formed or at the lower rate prevailing on the balance sheet date. Unless hedged by exchange futures, all *currency liabilities* are shown at the exchange rate applicable on the day the invoice was received or at the higher rate prevailing on the balance sheet date.

Information on the Group balance sheet:

Fixed assets grid

1.1.1998	Additions	Accumulated depreciation		Net book values	
		Disposals	31.12.1998	31.12.1998	31.12.1997
DM	DM	DM	DM	DM	DM
0.00	212,225.60	0.00	212,225.60	12,521.310.32	0.00
162,868.88	79,190.93	98,021.41	144,038.40	129,629.00	216,827.00
162,868.88	291,416.53	98,021.41	356,264.00	12,650,939.32	216,827.00

INFORMATION ON THE GROUP BALANCE SHEET

Intangible assets

Intangible assets include the goodwill resulting from the capital consolidation. The goodwill refers to Intertainment Licensing GmbH, the subsidiary included in the Group accounts.

The development of the individual fixed asset items and the depreciation in the fiscal year are shown in the fixed assets grid.

Inventories

Film rights are shown at their original cost. Incidental acquisition costs have been capitalised as well. Capitalization was effected in the year the agreement was signed. The strict principle of the lower of cost or market was applied. Any sub-rights to be capitalised were calculated on the basis of the revenue-to-total-acquisition-cost ratio.

Receivables and other assets

Receivables and other assets are shown at their nominal value. Long-term non-interest-bearing receivables are discounted at a rate of 5.5%. A general bad-debt provision of 3% was formed to cover the general credit risk. Bills of a total amount of DM 599,200 were accepted.

Except for trade receivables totaling DM 2,352,216.69 all receivables will be maturing within one year.

Bank balances

Foreign exchange balances have been valued at the rate prevailing on the balance sheet date.

Shareholder's equity

Subscribed capital	DM	18,181,000.00
Earnings reserve		
(legal reserve)	DM	178,395.00
Balance sheet profit	DM	345,272.34
	DM	18,704,667.34

In accordance with a resolution by the general meeting of October 1, 1998, the subscribed capital was increased to DM 18,181,000 through contributions in cash and in kind.

Tax accruals

Taxes for the fiscal year were calculated in accordance with the Board's proposal to pay out a dividend of DM 0.93 per share (totaling DM 3,381,666).



Other accruals

Other accruals mainly refer to guarantees for films not yet completed as well as legal fees and charges and consulting expenses.

Liabilities

Liabilities from the supply of licensing rights are recorded on the day the underlying agreement is signed. Unless hedged by exchange futures, all currency liabilities are shown at the exchange rate applicable on the day the invoice was received or at the higher rate prevailing on the balance sheet date.

Except for the trade accounts payable, all liabilities will be maturing within one year. There are no liabilities with a remaining maturity of more than five years. Of the trade accounts payable totaling DM 67,631,509.99 DM 39,702,955 have a remaining maturity of more than one year, while DM 27,928,554.99 will be maturing within one year.

Special collateral is provided only for liabilities to banks. Assignment of the exploitation rights, transfer of the material by way of security and assignment of the receivables from sales agreements have been agreed as collateral.

Deferred income

Deferred income refer to the interest on long-term non-interest-bearing receivables (discounted at a rate of 5.5 %).

Information on the income statement

The expenditure type of presentation was applied to the income statement. Sales revenues for all sub-rights sales are realised upon delivery and acceptance of the finished films.

Other operating income

This item mainly comprises exchange gains as well as income from asset disposals.

Cost of materials

The cost of materials reflects the original cost of the sub-rights in the film rights sold as well as post-editing costs.

Other operating expenses

This item mainly includes exchange losses, transfers to the reserve for warranties as well as selling and administrative expense.

Extraordinary income

This item refers to the income from the merger of Intertainment Filmverleih GmbH, Munich, with Intertainment Licensing GmbH with effect from January 1, 1998.

Miscellaneous

Other financial obligations

Obligations under rental and leasing agreements DM 187,397.16 p. a.

Organs of the company

In the stub fiscal year 1998, the Managing Board consisted of:

Ernst Rüdiger Baeres, Munich,
Chairman
David Charles Williamson, Munich,
Vice Chairman
Hans-Joachim Gerlach, Munich

The Supervisory Board consisted of:

Dr. Matthias Heisse, Munich,
Chairman
Dr. Andreas Bohn, Munich
Dr. Dirk von dem Knesebeck, Munich,
until September 29, 1998
Martin Schürmann, Brentwood/USA,
since September 30, 1998

Total remuneration paid to the Managing Board and the Supervisory Board

The Managing Board received a total of DM 412,535.10 for the fulfilment of its tasks.

No remuneration was paid to the Supervisory Board.

Employees

The companies included in the Group accounts employed an average of 10 people in the fiscal year.

Munich, April 1999



Intertainment Aktiengesellschaft

LIST OF INVESTMENT HOLDINGS AS PER DECEMBER 31, 1998

(Exhibit 1)

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Companies included in the Group accounts	Registered office	Share capital DM '000	Result DM '000	Direct and indirect capital stake
Intertainment Licensing GmbH	Munich	1,850	4,768	100%
Intertainment Animation & Merchandising GmbH	Munich	700	- 24	100%

**PRO-FORMA CONSOLIDATED
BALANCE SHEET
AS PER DECEMBER 31,
1998**

RECONCILIATION HGB TO IAS	HGB		IAS
	DM	DM	DM
ASSETS			
A. Fixed assets			
I. Goodwill	12,521,310.32	106,112.00	12,627,422.32
II. Tangible assets			
Other equipment and office furniture and fixtures	129,629.00		129,629.00
B. Current assets			
I. Inventories			
1. Film rights	73,823,784.80		73,823,784.80
2. Paid-up accounts	84,300.00		84,300.00
II. Receivables and other assets			
1. Trade accounts receivables	9,247,735.98		9,247,735.98
2. Other assets	1,788,225.50		1,788,225.50
III. Cash in hand, deposits with commercial banks	46,508,455.78		46,508,455.78
C. Prepaid expenses	22,534.41		22,534.41
	144,125,975.79	106,112.00	144,232,087.79

HGB = German Commercial Code

LIABILITIES AND SHAREHOLDER'S EQUITY	HGB		IAS
	DM	DM	DM
A. Shareholder's equity			
I. Subscribed capital	18,181,000.00		18,181,000.00
II. Earnings reserves (legal reserves)	178,395.00		178,395.00
III. Balance sheet profit	345,272.34	242,142.00	587,414.34
B. Accruals			
1. Tax accruals	7,446,135.20	148,743.00	7,594,878.20
2. Other accruals	817,090.00		817,090.00
C. Liabilities			
1. Payables due to commercial banks	43,110,000.00		43,110,000.00
2. Advance payments received	2,830,000.00		2,830,000.00
3. Trade accounts payables	67,631,509.99	- 284,773.00	67,346,736.99
4. Other liabilities	3,243,491.41		3,243,491.41
D. Deferred income	343,081.85		343,081.85
	144,125,975.79	106,112.00	144,232,087.79

HGB = German Commercial Code

**PRO-FORMA CONSOLIDATED
PROFIT AND LOSS STATEMENT
FOR THE PERIOD SEPTEMBER 10
THROUGH DECEMBER 31,
1998**

Reconciliation HGB to IAS	HGB		IAS
	DM		DM
1. Sales proceeds	29,313,563.00		29,313,563.00
2. Other operating income	2,303,341.03	533,772.00	2,837,113.03
	31,616,904.03	533,772.00	32,150,676.03
3. Material costs			
a. Costs of film rights and other directly connected services	15,028,782.06		15,028,782.06
b. Costs of acquired services	943,446.49		943,446.49
	15,972,228.55	0.00	15,972,228.55
4. Personnel costs			
a. Wages and salaries	2,448,214.55		2,448,214.55
b. Social security and expenses for old age pensions and support	79,230.59		79,230.59
	2,527,445.14	0.00	2,527,445.14
5. Depreciation for intangible fixed assets and tangible assets	291,416.53	- 106,112.00	185,304.53
6. Other operating expenses	4,912,893.22		4,912,893.22
7. Other interest and similar income	2,394,183.05		2,394,183.05
8. Interest and similar expenses	2,136,546.80		2,136,546.80
9. Results from ordinary business operations	8,170,556.84	639,884.00	8,810,440.84
10. Extraordinary income	248,999.00	- 248,999.00	0,00
11. Taxes from income and revenue	5,087,084.00	148,743.00	5,235,827.00
12. Other taxes	2,950.00		2,950.00
13. Annual surplus including the portion included in the initial consolidation	3,329,521.84	242,142.00	3,571,663.84
14. Portion of annual surplus included in the initial consolidation	- 2,805,854.50		- 2,805,854.50
15. Consolidated annual surplus	523,667.34	242,142.00	765,809.34
16. Allocation to the earnings reserves	- 178,395.00		- 178,395.00
17. Consolidated balance sheet profit	345,272.34	242,142.00	587,414.34

HGB = German Commercial Code

EXPLANATION REGARDING THE RECONCILIATION HGB TO IAS



1. Revaluation of US-\$-payables

According to IAS 21 unrealised exchange gains are also to be recognised. The US-\$-payables have been reported using the closing rate.

2. Deferred taxes

The revaluation of US-\$-payables as well as the loss carryforward of the subsidiary Entertainment Animation & Merchandising GmbH to be used in future periods lead to a tax burden or relief for the consolidated group of companies in the following periods. The tax implications have been recorded according to IAS 12.

3. Amortisation of goodwill

The goodwill arising on acquisition is amortised over a period of 20 years according to IAS 22 para. 44-46. This is based on the consideration, that the film rights are recorded at the fair market values in the financial statement of the consolidated entity and that the difference arising on acquisition is only goodwill. In line with IAS 22 para. 45 the goodwill is amortised over the useful life period of the film rights, however not exceeding 20 years.

4. Reclassification of extraordinary income

The merger gain as extraordinary income is a result of the write off of receivables owed by the merged entity in prior periods. These expenses were part of the results from ordinary business operations. Showing the income as an extraordinary item would alter the results from ordinary business operations in a misleading way when several periods are analysed. In order to show a true and fair view a reclassification has to be done.

WÜRTTEMBERG BEAUFORDERTE
BÜRO FÜR
RECHNUNGSPRÜFUNG & BERATUNG

Titelblatt

AN DEN INTERESSIERTEN KREISEN
(BANKEN, ANLEHNER, GLÄUBIGER)

Executive Board of
Intertec AG
Wolfsgrabenstr. 49

82018 München

St. 08.1.008
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Pre Issues consolidated Financial Statements for 1998
Reconciliation of the pre Issues consolidated Financial Statements IFRS to IAS
Opinion

Dear Sirs,

Regarding the enclosed pre Issues consolidated financial statements for 1998 and the reconciliation IFRS to IAS the following opinion is expressed:

„My term dated April 26, 1999 I was appointed by the executive board of Intertec AG to review the enclosed pre Issues consolidated financial statements 1998 and the reconciliation IFRS to IAS regarding the appropriate application of the respective regulations. The preparation and the substance of the reviewed documents is lying in the responsibility of the executive board of Intertec AG. The assignment did not cover a full scope audit according paragraph 117 I.H.R.

The consolidated financial statements were prepared based on the audited and fully certified financial statements for 1998 of the single companies of the group of companies. The consolidated accounts comply with the regulations of the German Commercial Code (HGB). For further information reference is made to

the explanation in the notes to the pro forma consolidated financial statements. In order to present fairly the economic position of the group of companies the profit and loss statement of the subsidiary Interiminvest Learning GmbH was also included in the consolidated profit and loss statement as far as figures before the date of initial consolidation are concerned. The portion of the annual surplus allocated to the period before the initial consolidation is disclosed separately and submitted to reach at the consolidated annual surplus. In my opinion the pro forma consolidated financial statements represent fairly the economic and financial position as well as performance of the group of companies.

The reconciliation IFRS to IAS was reviewed regarding the identified deviations. In particular it is referred to the explanation regarding the reconciliation. No other deviations have been identified. According to my opinion the reconciliation to IAS conforms to the requirements of the IAS."

Munich, den 07^{ten} tag of April 2009



Wolpert & Partner
Auditors

Enclosure



ANNUAL ACCOUNTS OF INTERENTAINMENT AG AS PER DECEMBER 31, 1998

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BALANCE SHEET AS PER DECEMBER 31, 1998

		31. 12. 1998
		DM
ASSETS		
A. Fixed assets		
Financial assets		
Shares in affiliated companies		18,100,000.00
B. Current assets		
I. Receivables and other assets		
1. Due from affiliated companies		3,511,912.50
- thereof with a remaining maturity of more than one year		
DM 0.00		
2. Other assets		1,774,962.43
- thereof with a remaining maturity of more than one year		
DM 0.00		5,286,874.93
II. Bank balances		26,461.18
		5,313,336.11
		23,413,336.11

		31. 12. 1998
	DM	DM
LIABILITIES		
A. Equity capital		
1. Subscribed capital	18,181,000.00	
2. Capital reserves		
Legal reserve	178,395.00	
3. Net income for the year	3,389,496.59	
		21,748,891.59
B. Provisions		
1. Provisions for taxation	1,266,528.00	
2. Other provisions	50,000.00	
		1,316,528.00
C. Liabilities		
1. Trade accounts payable	93,324.00	
- thereof with a remaining period of up to one year DM 93,324.00		
2. Due to affiliated companies	254,592.52	
- thereof with a remaining period of up to one year DM 254,592.52		
- thereof trade accounts payable DM 254,592.52		
- thereof due to shareholders DM 0.00		
		347,916.52
		23,413,336.11

INCOME STATEMENT
FOR THE SHORT FISCAL YEAR FROM
SEPTEMBER 10 TO DECEMBER 31,
1998

	Short fiscal year 1998
	DM
1. Other operating expenses	- 379,839.38
2. Income from investments	6,814,286.00
3. Other interest and similar income	2,826.67
- thereof from affiliated companies DM 0.00	
4. Interest and similar expenses	- 1,203.70
- thereof to affiliated companies DM 1,203.70	
5. Result on ordinary activities	6,436,069.59
6. Taxes on income	- 2,868,178.00
7. Surplus for the year	3,567,891.59
8. Transfer to earnings reserves (legal reserve)	- 178,395.00
9. Net income	3,389,496.59

NOTES TO THE ACCOUNTS FOR THE SHORT FISCAL YEAR FROM SEPTEMBER 10 TO DECEMBER 31, 1998

1. General information on accounting and valuation principles

General information

The annual accounts of Intertainment Aktiengesellschaft for the short fiscal year from September 10 to December 31, 1998 have been prepared in accordance with the provisions of the German Commercial Code (HGB) and the German Stock Corporation Law (Aktiengesetz). The expenditure type of presentation has been chosen for the income statement.

The company is a small corporation as defined in § 267 of the German Commercial Code.

The company was founded on September 10, 1998 and entered in the Commercial Register on September 29, 1998.

In FY 1998, Intertainment Aktiengesellschaft performed its business activities through Intertainment Licensing GmbH, Munich, of which it is the sole shareholder. According to the agreement signed between Intertainment Aktiengesellschaft and the sole shareholder of Intertainment Licensing GmbH on October 1, 1998, Intertainment Licensing GmbH was incorporated into Intertainment Aktiengesellschaft as a contribution in kind.

The profit posted by the company is largely the result of the same-period collection of the dividends paid by Intertainment Licensing GmbH as per December 31, 1998. The company did not generate any revenues in the short fiscal year.

Accounting and valuation principles

All *financial assets* are valued at their original cost. There was no non-scheduled depreciation in the short fiscal year. The shares in Intertainment Licensing GmbH, Munich, acquired through contributions in kind were valued at the going-concern value determined by an external expert opinion.

Receivables and other assets are shown at their nominal value.

Cash on hand and bank balances are shown at their nominal value.

Subject to due diligence, *provisions* are formed in the amount in which they are likely to be required.

Liabilities are shown at the amount repayable.

2. Information on the balance sheet

(1) Fixed assets

The development of the fixed asset items is shown below on the basis of the total costs of acquisition:

Development of fixed assets (gross) as per December 31, 1998

	Costs of acquisition or production			
	10.9.1998	Additions	Disposals	31.12.1998
	DM	DM	DM	DM
Financial assets				
Shares				
in affiliated companies	0.00	18,100,000.00	0.00	18,100,000.00

Financial assets comprise the company's 100 % stakes in Intertainment Licensing GmbH, Munich and in Intertainment Animation & Merchandising GmbH, Munich.

(2) Receivables and other assets

All receivables are due from Intertainment Licensing GmbH and result from the same-period collection of dividends of DM 4,770,000.00 in accordance with the appropriation of profits proposed by the management.

Other assets mainly comprise a tax claim resulting from the applicable corporate income tax and capital gains tax as well as the solidarity surcharge on the collection of the dividend paid by Intertainment Licensing GmbH, Munich.

(3) Subscribed capital

A contribution in cash of DM 100,000 was made at the time of the foundation. As part of the integration of Intertainment Licensing GmbH under the agreement of October 1, 1998, the company's share capital was increased by a contribution in kind of DM 17,400,000 and a contribution in cash of DM 681,000 to a total of DM 18,181,000 subject to a resolution by the general meeting of October 1, 1998.

(4) Provisions for taxation

The provision for taxation results from the trade earnings tax charge for the short fiscal year 1998. The tax charge was calculated in accordance with the Managing Board's proposal to pay out a dividend of DM 0.93 per share (altogether



		Accumulated depreciation		Residual book value
10.9.1998	Additions	Disposals	31.12.1998	31.12.1998
DM	DM	DM	DM	DM
0.00	0.00	0.00	0.00	18,100,000.00

DM 3,381,666). The resulting tax refund claim, which reflects existing tax credits, is shown under other assets.

(5) Provisions

Other provisions mainly refer to consulting and annual accounts expenses.

(6) Liabilities

All liabilities have a remaining maturity of up to one year.

(7) Contingencies and other financial obligations

Contingencies according to §§ 251, 268 sub-paragraph 7 HGB and other financial obligations (§ 285 No. 3 HGB) do not exist.

3. Information on the income statement

(8) Other operating expenses

Other operating expenses mainly comprise formation expense, expenses incurred in conjunction with the FY 1999 IPO as well as other legal fees and charges and consulting expenses.

(9) Income from investments

Income from investments refers to the same-period collection of the dividends paid out by Intertainment Licensing GmbH, Munich, as per December 31, 1998.

4. Other information

(10) Staff numbers

The company did not employ its own staff in the short fiscal year.

(11) Composition of the Boards

In the short fiscal year, the Managing Board consisted of Ernst Rüdiger Baeres (Chairman), David Charles Williamson, Munich (Vice Chairman) and Hans-Joachim Gerlach, Munich.

(13) Group accounts

The following shares in companies according to § 285 No. 11 AktG exist:

	Reg. office	Share (%)	Equity capital	Net income for the year/ Net loss for the year (-)
			DM	DM
Intertainment Licensing GmbH	Munich	100	6,628,285.74	4,767,676.16
Intertainment Animation & Merchandising GmbH	Munich	100	676,179.68	- 23,820.32

Munich, February 1999

Intertainment Aktiengesellschaft

The Supervisory Board consisted of:
Dr. Matthias Heisse, Munich (Chairman)
Dr. Andreas Bohn, Munich
Dr. Dirk von dem Knesebeck, Munich
(up to September 30, 1998)
Martin Schürmann, Brentwood/USA
(since September 30, 1998),

(12) Total remuneration paid to the Managing Board and the Supervisory Board

Subject to § 288 S. 1 HGB, no information pursuant to § 285 No. 9 lit. a, HGB is provided.

AUDIT OPINION

According to the final result of our audit, no objections as defined in § 322 HGB are made to the accounting records and the annual accounts. We therefore issue the following unqualified audit opinion for the annual accounts of Intertainment Aktiengesellschaft, Munich, for the short fiscal year from September 10 to December 31, 1998 as presented in exhibits 1, 2 and 3:

"Based on an audit performed in accordance with our professional duties, the accounting records and the annual accounts comply with the legal regulations. The annual accounts present, in compliance with required accounting principles, a true and fair view of the net worth, financial position and results of Intertainment Aktiengesellschaft."

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Munich, March 26, 1999

[signed]

[signed]

Kilgert
Wirtschaftsprüfer

Glaab
Wirtschaftsprüfer

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Konzept und Text:

Haubrok Investor Relations

Düsseldorf

Gestaltung:

Heinz C. Prah! Kommunikation

Düsseldorf

Unternehmenskalender

Bilanz-Pressekonferenz

18. Juni 1999

Analysten-Präsentation

21. Juni 1999

Hauptversammlung

9. Juli 1999

Quartalsbericht II/99

13. August 1999

Quartalsbericht III/99

15. November 1999



Intertainment Aktiengesellschaft

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