

QUARTERLY REPORT

01/99



ENTERTAINMENT
AG KUNIGSHEIMSCHEIDT



THE IPO



Dear Shareholders,

The outstanding event of Intertainment AG's first quarter of 1999 was the completion of the Initial Public Offering. Intertainment's stock was first traded on the "Neuer Markt" in Frankfurt on February 8 of this year.

A shareholder who held stock at the issue price of 36 Euro quadrupled his or her capital by the end of the quarter, March 31, when the stock was traded on the exchange at 156 Euro. Intertainment AG's performance was well above the comparable performance of both the entire Neuer Markt and the average of the media stocks listed on the exchange.

Intertainment also completed the acquisition of the rights to a package of important films which will be completed and delivered in the next several years (and most will be released in the US by a Major studio). This acquisition of rights created a considerable boost to Intertainment's revenue potential in the coming years and is a significant step in the arena of pan-European licensing for the company.

Another noteworthy event of the first quarter was the execution of a long-term cooperation agreement with UNICEF, which enhances the ability of Intertainment to capitalize on its licensed rights, particularly in the area of merchandising.

We will continue in the future to conduct the business with the best interests of our shareholders and shareholder value in mind.

The Executive Board

CASH FLOW STATEMENTS

Q1 1999 Group funds statement according to IAS

	DM '000
Profit for the year (excl. IPO expense)	4,245
+ Depreciation of fixed assets	179
- Decrease in provisions	- 756
- Other non-cash income and expenses	- 23
- Profit on asset disposal	- 1
- Increase in inventories, trade receivables and other assets	- 1,647
- Decrease in trade accounts payable and other liabilities	- 3,395
Cash flow from current operations	- 1,398
Inflow from asset disposals	1
- Outflow for investments in fixed assets	- 34
Cash flow from investment activity	- 33
Inflow from capital increases	85,337
+ Inflow from the issue of bonds and loans	1,444
- IPO expenses	- 6,273
Cash flow from financing activity	80,508
Cash changes in financial resources	79,076
+ Financial resources at the beginning of the period	46,508
Financial resources at the end of the period	125,585

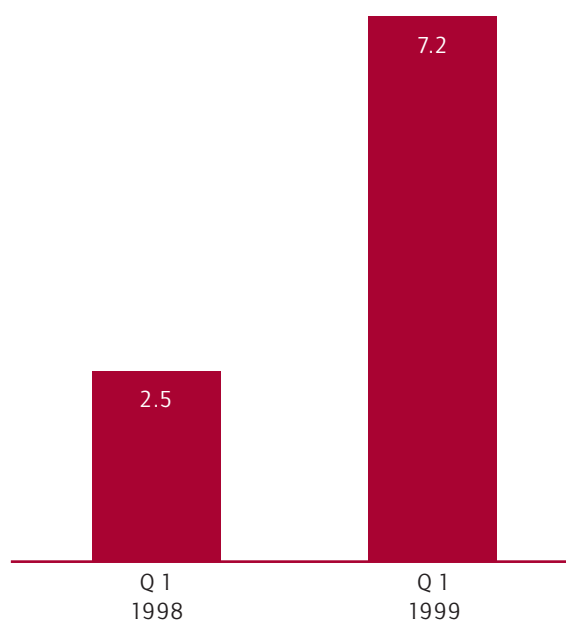
FIGURES FROM THE FIRST QUARTER

Income Statement in DM million

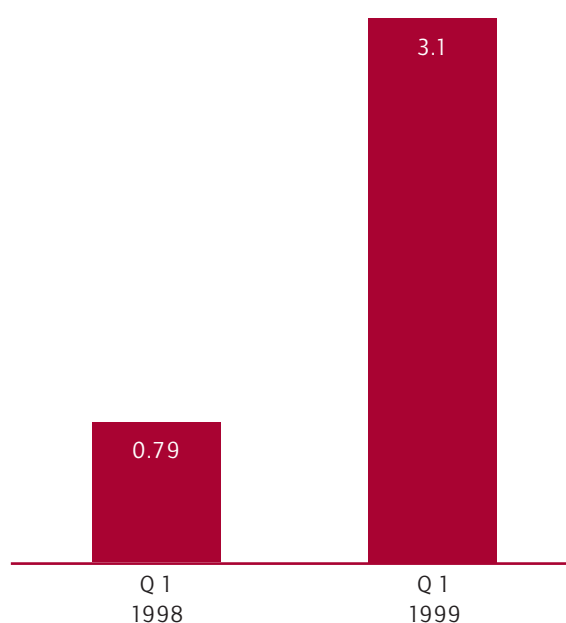
	Q 1/1998 DVFA	Q 1/1999 DVFA
Sales revenues	2.5	7.2
Other operating income	1.7	3.6
Gross performance	4.2	10.8
Cost of materials	1.4	3.0
Personnel expenses	0.25	0.46
Depreciation	0.02	0.18
Other operating expenses	0.69	4.3
Financial result	0.02	0.2
Result on ordinary activities (adjusted for exchange rate effects)	0.79	3.1
Exchange rate effects	1.06	- 0.1
Result on ordinary activities	1.85	3.0
Taxes	- 1.1	1.2
Profit for the year	0.79	4.2
IPO expenses	-	6.3
Group profit for the year	0.79*	- 2.0

*pro-forma Group profit for the year

Sales revenues in DM million



Result on ordinary activities (adjusted for exchange rate effects) in DM million



HIGHLIGHTS FROM THE FIRST QUARTER



The Market

The film-production market is adapting and renewing itself. The licensing and marketing activities of the Majors and Independents, previously distinguishable segments of the film business, have now become intertwined as independent producers increasingly participate in the production of studio-comparable films which in turn are distributed by the Majors only in the US market.

This strategy allows independent companies the opportunity to distribute in the international arena the same films the Majors are distributing in the United States. For companies such as Intertainment AG, that means a broader range of films, with bigger stars and budgets available for distribution on the international marketplace. The licensed rights to these films represent the most significant opportunity today in the international market for marketing, market share and growth.

The Strategy

Intertainment is participating in this new market development. In the first quarter, Intertainment acquired all rights for distribution of a major packet of films. The same films will be marketed and distributed in the United States by Warner Bros.

This packet of film licenses, with an especially significant marketing potential, was acquired by Intertainment not only for German-speaking Europe but selected countries in the European continent. This acquisition places Intertainment firmly in the business of international distribution.

Intertainment will continue its policy of maintaining a lean organizational structure and using established third-party platforms for exploitation of licensed rights. This policy minimizes risk and allows quick and flexible responses to expansion opportunities in both the national and international field.

Sales Revenues

First-quarter revenues almost tripled from a year earlier, climbing from 2.5 Million DM in 1998 to approximately 7.2 Million DM in 1999.

In addition to this significant revenue increase, it is important to keep in mind that the film rights acquired and discussed above will only start to have a fiscal impact in the year 2000.

Profitability

The profit from ordinary activities, based on DVFA/SG standards, was approximately 3 Million DM. Adjusted for the effect of exchange rates, the profit essentially quadrupled from the comparable period of 1998.

These figures do not represent the IPO expenses of approximately 6.3 Million DM.

Employees

The number of employees of Intertainment AG increased to 10, 2 more than in the previous year. Although employee growth is expected, the low number of employees remains a factor in the ability of Intertainment to be flexible. Consultants to Intertainment based in the United States are also available and retained as required.

Capital Outlays

In the first quarter, Intertainment invested USD 125 Million in license rights with the acquisition of the major film package discussed above. The production-budget volume of these film rights is approximately USD 500 Million. These licenses were secured in the first quarter for selected European territories (France, Benelux and Eastern Europe), as well as the German-speaking territories, to enhance Intertainment's position as an international license handler.

Outlook

Intertainment continues the strategies it has developed as part of the IPO and it on going business. In May, Intertainment acquired a second package of 10 films to be produced by David Kirkpatrick, former head of Paramount, for German-speaking Europe, France, Benelux and Eastern Europe. Intertainment also expanded the territories for the first film packet to include most of the remainder of Europe (Spain, Italy, United Kingdom, etc.) and China expanded the packet to include an output arrangement with the producer over the next 5 years, which should include approximately 60 films. (The first film from this agreement, starring Bruce Willis, is currently in principle photography.) Both of these agreements will significantly enhance the market potential and value of the original deal reached in the first quarter. The additional total investment will be approximately USD 0.8 Billion within the next 3 to 5 years.

Corporate Timetable

Financial Statements Press Conference

June 18, 1999

Analyst Presentation

June 21, 1999

Annual General Meeting

July 9, 1999

Quarterly Report II/99

August 13, 1999

Quarterly Report III/99

November 15, 1999



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