

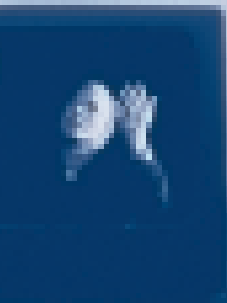
QUARTERLY REPORT

03/99



INTERENTAINMENT

Aktiengesellschaft



HIGHLIGHTS FROM THE THIRD QUARTER



To our Shareholders

Intertainment AG in the third quarter 1999 has continued its consistent strategy on its way to becoming a leading provider of commercially high-quality feature films in Europe.

After securing extensive film rights in the first six months and as first-class distributions channels are made available to us by Warner Brothers throughout Europe, we have taken the next important step in September:

With Twentieth Century Fox we were able to enter into a European-wide distribution and financing agreement with a second U.S. major for 10 years, which includes the co-production and co-financing of new feature films as well as the European-wide marketing and distribution of Intertainment films.

We now own a major portion of the limited range of high-quality commercial feature-film rights on offer over the next five to ten years. As a perfect complementary component, on the basis of the agreements with Warner and Fox, we market our feature films through two of the most efficient distribution channels in Europe.

Apart from the impressive revenue and profit potentials made available by the agreements entered into, we have secured another benefit in the first nine months: Intertainment now has a prominent and, even more important, almost untouchable market position throughout Europe.

Alone on the basis of the agreements signed before the public offering, the current fiscal year has shown significant positive development. Sales revenues in the first three quarters 1999 rose by 95 % over the corresponding prior year period to over Euro 17 million with a return on sales – before taxes and costs of the public offering – of approximately 30 per cent.

In 2001, when the co-production agreement with Fox will first affect revenue, we expect sales revenues of approximately Euro 290 million – nineteen times the annual sales revenues in 1998. In the years to follow we will – on our way from license trader to integrated media concern – continue to increase these figures on the basis of the agreements signed to-date alone.

We would be pleased to have you with us on this journey and thank you for the interest shown in Intertainment AG and, most of all, for your confidence.

The Board of Management

CASH FLOW STATEMENTS



Q3 1999 Group funds statement according to IAS

	Euro '000
Profit for the year (excl. IPO expenses)	3,446
+ Depreciation of fixed assets	276
+ Increase in provisions	3,179
- Profit on asset disposal	- 1
- Increase in inventories, trade receivables and other assets	- 7,130
- Decrease in trade accounts payable and other liabilities	- 2,979
Cash flow from current operations	- 3,209
+ Inflow from asset disposals	1
- Outflow for investments in fixed assets	- 107
Cash flow from investment activity	- 106
+ Inflow from capital increases	43,632
- Distribution to shareholders (dividends)	- 1,729
+ Inflow from the issue of bonds and loans	8,580
- IPO expenses	- 3,275
Cash flow from financing activity	47,208
Cash changes in financial resources	43,892
+ Financial resources at the beginning of the period	23,779
Financial resources at the end of the period	67,671

FIGURES FOR THE FIRST NINE MONTHS

Consolidated Profit and Loss Statement

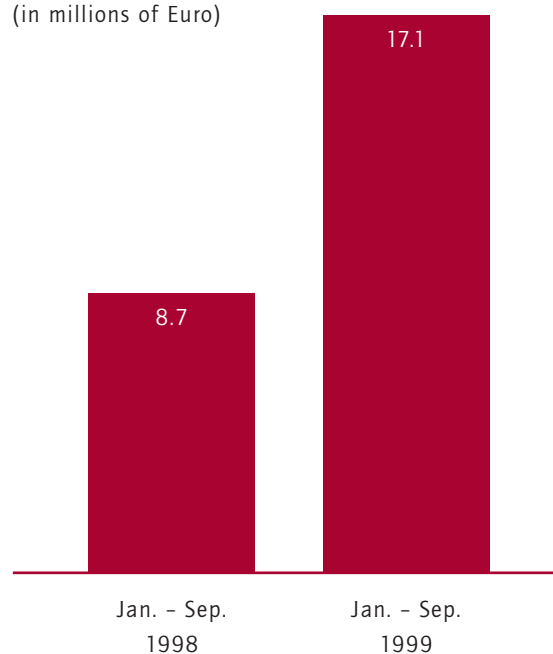
(in millions of Euro)

	Jan. – Sep. 1998	Jan. – Sep. 1999 IAS
Sales revenues	8.68	17.09
Other operating income	2.07	4.15
Gross performance	10.75	21.24
Cost of materials	4.57	8.23
Personnel expenses	0.42	1.48
Depreciation	0.03	0.28
Other operating expenses	2.24	6.97
Financial result	0.10	0.82
Result of ordinary activities	3.59	5.10
Taxes	2.12	1.14
Profit for the year	1.47	3.96
IPO expenses	-	3.28
Group profit for the year	1.47*	0.68

*pro-forma Group profit for the year

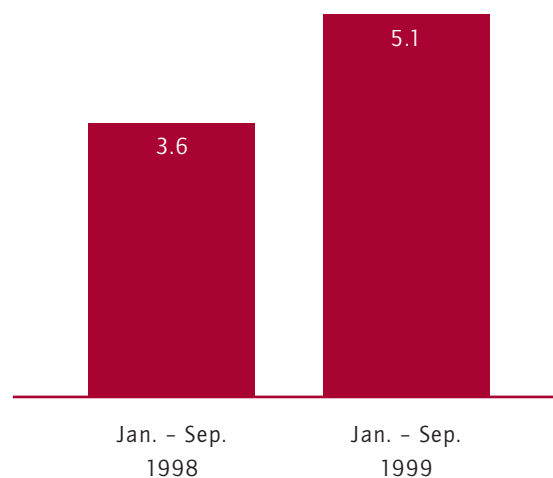
Sales Revenues

(in millions of Euro)



Result of Ordinary Activities

(in millions of Euro)



HIGHLIGHTS FROM THE THIRD QUARTER

Market

The tendency of U.S. production companies to produce their films with international finance, and independent of the major studios, continues to grow. In the non-U.S. market Intertainment, has an increasing opportunity to acquire high-quality film rights with brand-name stars for the whole of Europe.

Strategy

In the third quarter Intertainment has consistently pursued its strategy, in acquisition as well as in distribution, by closing an extensive agreement with Twentieth Century Fox.

With the co-production and co-financing agreement with Twentieth Century Fox (this is in addition to the marketing and distribution agreement), Intertainment has secured up to 20 first-class feature films within the next ten years, thereby further expanding its film library with high-quality brand-name feature films.

With the signature of this agreement, Intertainment is also able to make use of the cinema and video distribution channels of another Major as well as of their existing output deals with pay-TV broadcasting enterprises throughout Europe, achieving a maximum market penetration of its films.

Sales Revenues

In the first three quarters 1999 Intertainment increased its sales revenues to Euro 17.1 million, a rise of 95 % compared to the prior year figure of Euro 8.7 million. The return on sales is approximately 30 per cent.

Earnings Situation

Intertainment AG was able to increase the result of ordinary activities in the first nine months of the current fiscal year to Euro 5.1 million, a growth – before taxes and IPO expenses – of 42 per cent after Euro 3.6 million in the corresponding prior year period.

Capital Expenditures

Intertainment, in the agreements entered into in the first nine months, invested in first-class film rights for many years. The corresponding cash flow effect will be triggered only after delivery and acceptance of a film. Thus, the overall capital expenditures for the first three quarters of approximately Euro 1.4 billion are spread over a period of about ten years.

Employees

Intertainment will, despite increasing activities and corresponding hiring, retain its lean profile thanks to its flexible structure and the concentration on its core business. In the third quarter the average number of employees was 20.

Outlook

Following three excellent quarters the whole fiscal year 1999 should develop above expectations.

The transactions of the last nine months secure a dramatic growth in revenues and earnings for future years. Intertainment, as a matter of principle, relies on conservative calculation models and, in particular, developing business divisions such as merchandising, are valued conservatively.

Intertainment AG has positioned itself as a European player since the public offering. The majority of license rights on the purchasing side for the whole European region have been acquired. The agreements with Warner Brothers and Twentieth Century Fox allow Intertainment access to extensive European marketing and distribution channels.

Intertainment AG will continue, further expanding in the European environment.

MOTION PICTURE HIGHLIGHTS

Intertainment Theatrical Releases

In the year 2000, the initial U.S. top feature films of Intertainment, under the agreements entered into during the current year, will be released in the European cinemas. Intertainment will generate significant revenues from the box-office as well as increase the value of the rights for video, pay and free TV and, in the future, also for the Internet.

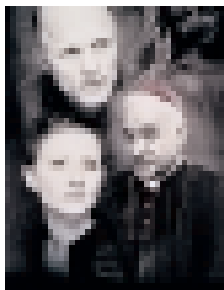
The release of the relevant films in the U.S., normally three to six months in advance of Europe, will allow Intertainment to see their results in a relevant market and to improve the revenue potential of the individual films in Germany and all over Europe.

As early as in spring 2000 the enthralling action comedy "The Whole Nine Yards" starring Bruce Willis will be launched in the U.S. and is expected to run in the European cinemas in summer.



The film "Third Miracle" starring Ed Harris, Anne Heche and Armin Müller-Stahl, which is already completed, has been invited to the Berlinale in February next year. This mystery thriller with award-winning stars will be released in our cinemas next year.

"Art of War" and "Get Carter" are in production at the moment. The U.S. release of the first-class action thriller "Art of War" starring Wesley Snipes will be in autumn next year. The action thriller "Get Carter" starring Sylvester Stallone will also be released next year.



At the Toronto film festival in September this year, two films from Intertainment were presented. These were "Big Kahuna" a satirical comedy starring Danny de Vito and Kevin Spacey as well as "Things you can tell just by looking at her", a moving film with Cameron Diaz. Both films will be released next year as well.

A special highlight is the acquisition of the next Jack Nicholson production "The Pledge". Jack Nicholson only stars in a film at the most every year, the last time in "As Good As It Gets" (1997), which generated non-US box-offices of USD 132 million.

Go to the cinema! Watch "your own" film!

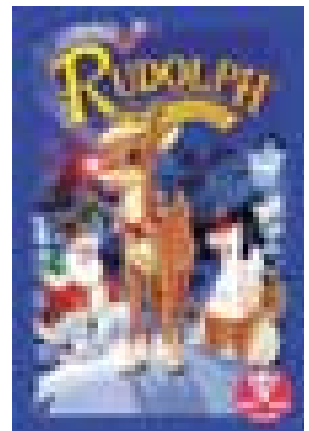
MERCHANDISING HIGHLIGHT

Intertainment Animation & Merchandising GmbH present: Rudolph the Red-Nosed Reindeer – as famous as Father Christmas



Two months before Christmas "Rudolph – das Rentier mit der roten Nase" is on his way into the hearts of German-speaking children. In the U.S. Rudolph the Red-Nosed Reindeer has been as popular as Father Christmas in Germany for many years. Now, Rudolph, the first merchandising character of Intertainment Animation & Merchandising GmbH, a whollyowned subsidiary of Intertainment AG, will also be introduced in Germany, Austria and German-speaking Switzerland.

Within the framework of an extensive marketing campaign, "Rudolph – das Rentier mit der roten Nase" will be present wherever there are children and their parents. The numerous marketing activities at the launch of the Rudolph video, as well as a range of further merchandising products, will create an excellent start for Intertainment in the strategic merchandising business division.



A vital component of the campaign is the participation of UNICEF, with Rudolph as a symbol and speaker for the "Kids for Kids" promotion. Also launched by Intertainment are a number of cinema charity campaigns on weekends, for the benefit of UNICEF. In addition, Rudolph will appear in a variety of children's programmes and be promoted in TV and radio spots and print advertisements.

Intertainment was able to attract well-known partners for the marketing campaign, including CinemaxX, SAT.1, ORF and Weltbild Verlag as well as Karstadt, Kaufhof, Media Markt and many others.

The highlight of the Christmas season will, of course, be the video film. Songs by Academy Award-winning Al Kasha, famous German voices such as Michael Schanze, Nina Hagen, Cosma Shiva Hagen and Thomas Fritsch and finally a breathtaking mix of classic 2D and modern 3D animation will help Rudolph find his way into the hearts of children.

Corporate Timetable

Annual Report 1999

May 25, 2000

Quarterly Report I/2000

May 25, 2000

Financial Statements Press Conference

May 25, 2000

Analysts Conference

May 26, 2000

General Meeting

June 29, 2000

Quarterly Report II/2000

August 18, 2000

Quarterly Report III/2000

November 17, 2000



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