

## Key figures (group)

	1.1.-31.3.2002	1.1.-31.3.2001
	million Euro	million Euro
SALES REVENUES	2.5	4.9
EBIT	-2.4	-0.4
OPERATING INCOME	-2.4	-0.4
RESULT BEFORE INCOME TAX	-2.6	0.04
NET INCOME	-3.7	0
EARINGS PER SHARE	-0.32	0
AVERAGE OF EMPLOYEES	25	24

## Key figures of the stock

SECURITIES IDENTIFICATION NUMBER / ISIN	WKN: 622 360 / ISIN: DE0006223605	
SHARE CAPITAL	15,005,155.09 Euro	
NUMBER OF SHARES	11,739,013	
OFFER PRICE 8.2.1999	36.00 Euro	
	after split (1:2)	18.00 Euro
SHAREHOLDER STRUCTURE AT 31.3.2002	Rüdiger Baeres	52.86%
	Family Baeres	9.38%
	Management, Supervisory Board	0.20%
	Free float	37.56%
FINAL PRICE AT 28.3.2002	1.85 Euro	
HIGHEST PRICE 1 <sup>ST</sup> QUARTER 2002 (3.1.2002)	3.05 Euro	
LOWEST PRICE 1 <sup>ST</sup> QUARTER 2002 (27.3.2002)	1.78 Euro	

## Corporate Calender

FINANCIAL STATEMENT PRESS CONFERENCE	May 6, 2002
ANALYST CONFERENCE	May 15, 2002 (Conference Call)
1 <sup>ST</sup> QUARTERLY REPORT	May 28, 2002
ANNUAL GENERAL MEETING	July 16, 2002
2 <sup>ND</sup> QUARTERLY REPORT	August 29, 2002
3 <sup>RD</sup> QUARTERLY REPORT	November 28, 2002

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## STATUS REPORT

# Status report for the first quarter of 2002

**I**ntertainment AG's 2002 fiscal year is characterized by its last year initiated transition from a motion picture rights distributor to a producer.

During the first quarter of 2002, Intertainment stepped up further development of its movie projects with Arnold Kopelson and Paramount Pictures. In addition to this, some important procedural motions were won during the first quarter in connection with the company's litigation against Franchise Pictures due to fraudulently inflated budgets – litigation which has been ongoing now since December 2000 and for which a decision is still pending. As in the past fiscal year, the sales and results for the first quarter of 2002 were impacted by the fact that, due to this litigation, Intertainment was not able to exploit the contested film rights during this period. Sales for the first quarter of 2002 amount to EUR 2.5 million and the operating income is minus EUR 2.4 million.

## Motion picture production

During the first quarter of 2002, Intertainment worked out further details for its joint movie projects with Kopelson Entertainment. Ashley Judd (in "Kiss the Girls", starring along with Morgan Freeman) committed to play the female lead in "Blackout", and Philip Kaufmann ("Rising Sun" with Sean Connery) will direct the movie. Shooting is scheduled to start in July of 2002. This film, which has a budget of between fifty and seventy million US dollars, is due to be released in American movie theaters in the spring of 2003 and will be released in Germany a short time after the U.S. release.

Other film projects still in the development stage include the thrillers "Decoy" and "Fast Forward", and "Window to Atlantis", a science fiction project, which are also part of the first-look and co-financing agreement between Intertainment and the American motion picture studio, Paramount Pictures.

## Litigation against Franchise Pictures

Intertainment has achieved successes in procedural motions heard before the court in its ongoing litigation against Franchise Pictures. The Federal District Court in Los Angeles ruled in Intertainment's favor some important motions, such as the motion to compel Franchise and Comerica (formerly Imperial Bank) to produce documents.

During the first quarter of 2002, Intertainment learned that certain films affected by the litigation had been relicensed to third parties. Accordingly, Intertainment's damages include attaching receivables resulting from the third-party licenses. To secure these claims, Intertainment has filed a summary application for a writ of attachment to Franchise Pictures' assets.

In a dispute with the National Bank of Canada concerning material and delivery problems connected with the film, "Caveman's Valentine", in February of 2002 the court confirmed an arbitration award in which Intertainment is obligated to accept the film and to pay the outstanding installment of approx. 6.5 million USD. Intertainment has filed an appeal against this ruling.

## SightSound technologies

To Intertainment, its 24.4% share in the American company, SightSound Technologies, is an investment in the future. In February of 2002, SightSound (which holds the American patents for digital audio and video downloading via telecommunication lines in the USA) won an important battle in court for the defense of its patents. In the so-called "Markman Hearing" against the Bertelsmann subsidiaries, CDNow and N2K, the court ruled that these patents also extend to the Internet. The confirmation that the patents also apply to the Internet has strengthened SightSound's position as a potential partner for music labels and film studios in digital on-demand marketing.

## Outlook

Despite the difficult market environment in the Free-TV market in Europe, in May of 2002, Intertainment managed to license Free-TV rights for the UK and Eastern Europe territories.

An important step within the litigation against Franchise was achieved successfully. On May 21, 2002, a Federal District Court judge in Los Angeles issued a ruling upholding the pleading of two of the three RICO claims brought by Intertainment Licensing GmbH against Franchise Pictures and its principals, Elie Samaha and Andrew Stevens. The so-called "RICO claims" ("Racketeer Influenced and Corrupt Organizations Act") are special statutory claims for damages in the case of organized crime, which provide the plaintiff to claim for treble damages plus lawyers' fees. Intertainment having asserted a claim for damages amounting to at least 75 million USD on the grounds of Franchise fraudulently inflating the budgets of over ten films, Franchise and its management are now faced with claims amounting to 225 million USD.

In addition to the claim for damages against Franchise, Samaha and Stevens on grounds of organized crime, the court has also admitted the complaints against Franchise regarding the allegation of a criminal enterprise involving Imperial Bank (now Comerica Bank) and WorldWide Film Corporation Inc.

– The Management Board –

**Consolidated Balance Sheet as at March 31, 2002  
in Accordance with the International Accounting Standards (IAS)**

*INTERENTAINMENT GROUP*

**ASSETS**

	31.3.2002	31.3.2001
	€	€
<b>A. Fixed assets</b>		
<b>I. Intangible fixed assets</b>		
1. Franchises, trademarks and similar rights and assets, as well as licences to similar rights and assets	246,839.46	317,416.19
2. Down payments made	7,382,147.60	0.00
	<u>7,628,987.06</u>	<u>317,416.19</u>
<b>II. Property, plant and equipment</b>		
Other fixed assets fixtures, fittings and equipment	2,887,600.44	541,231.26
<b>III. Financial assets</b>		
Investments	15,036,272.25	20,048,363.00
	<u>25,552,859.75</u>	<u>20,907,010.45</u>
<b>B. Current assets</b>		
<b>I. Inventories</b>		
1. Film rights	27,700,378.53	62,179,275.90
2. Merchandise	177,431.39	0,00
3. Down payments made	24,569,986.34	19,651,351.13
	<u>52,447,796.26</u>	<u>81,830,627.04</u>
<b>II. Accounts receivable and other assets</b>		
1. Trade accounts receivable	50,601,416.59	90,764,497.35
2. Other assets	10,482,189.76	11,384,333.83
	<u>61,083,606.35</u>	<u>102,148,831.18</u>
<b>III. Cash on hand and in bank balances</b>	10,263,379.78	72,053,321.26
	<u>123,794,782.39</u>	<u>256,032,779.47</u>
<b>C. Prepaid expenses</b>	698,510.74	83,436.88
<b>D. Deferred taxes</b>	5,165,746.66	1,393,623.08
	<u>155,211,899.54</u>	<u>278,416,849.88</u>

**Consolidated Balance Sheet as at March 31, 2002  
in Accordance with the International Accounting Standards (IAS)**

*INTERENTAINMENT GROUP*

**LIABILITIES**

	31.3.2002	31.3.2001
	€	€
<b>A. Shareholder's equity</b>		
<b>I. Subscribed capital</b>	15,005,155.09	15,005,155.09
<b>II. Capital reserves</b>	149,466,282.85	149,472,318.79
<b>III. Retained earnings</b>		
Statutory reserve	115,806.59	115,806.59
<b>IV. Profit carried forward</b>	-74,495,554.85	12,311,232.50
<b>V. Loss for the year</b>	-3,714,979.95	1,959.32
	<u>86,376,709.73</u>	<u>176,906,472.28</u>
<b>B. Provisions</b>		
1. Provisions for taxation	855,000.00	8,361,285.97
2. Other provisions	11,828,358.63	20,105,783.24
	<u>12,683,358.63</u>	<u>28,467,069.21</u>
<b>C. Liabilities</b>		
1. Liabilities due to banks	21,411,097.90	44,126,415.28
2. Down payments received on orders	3,265,691.80	163,613.40
3. Trade accounts payable	26,621,023.03	22,598,898.66
4. Other liabilities	1,540,714.92	4,373,078.03
	<u>52,838,527.65</u>	<u>71,262,005.37</u>
<b>D. Deferred tax liabilities</b>	3,313,303.53	1,781,303.02
	<u>155,211,899.54</u>	<u>278,416,849.88</u>

**Consolidated Income Statement for January 1, to March 31, 2002  
in Accordance with the International Accounting Standards (IAS)**

*INTERENTAINMENT GROUP*

	1.1.-31.3.2002	1.1.-31.3.2001
	€	€
1. Sales	2,533,976.46	4,882,351.32
2. Other operating income	1,425,584.17	3,923,017.04
	<u>3,959,560.63</u>	<u>8,805,368.36</u>
3. Cost of materials		
a) Cost of film rights and accompanying services	-765,165.42	-1,727,173.47
b) Cost of purchased merchandise and services rendered	-51,362.08	-31,141.34
	<u>-816,527.50</u>	<u>-1,758,314.81</u>
4. Personnel expenses		
a) Wages and salaries	-813,402.55	-1,015,609.64
b) Social security contributions	-32,428.59	-41,890.16
	<u>-845,831.14</u>	<u>-1,057,499.80</u>
5. Depreciation on intangible assets and property, plant and equipment	-135,451.95	-44,712.03
6. Other operating expenses	-4,561,976.66	-6,386,007.80
	<u>-2,400,226.62</u>	<u>-441,166.07</u>
<b>7. Operating income</b>	<b>-2,400,226.62</b>	<b>-441,166.07</b>
8. Interest income/expense	-187,790.08	485,337.58
	<u>-2,588,016.70</u>	<u>44,171.51</u>
<b>9. Result before tax</b>	<b>-2,588,016.70</b>	<b>44,171.51</b>
10. Taxes on income	-1,126,963.25	-41,482.07
11. Other taxes	0,00	-730.12
	<u>-3,714,979.95</u>	<u>1,959.32</u>
<b>12. Group net loss (pr. year net income)</b>	<b>-3,714,979.95</b>	<b>1,959.32</b>
Basic earnings per share	-0.32	0.00
Diluted earnings per share	-0.32	0.00

**Consolidated Statement of Cash Flows for January 1, to March 31, 2002  
in Accordance with the International Accounting Standards (IAS)**

*INTERENTAINMENT GROUP*

	31.3.2002	31.3.2001
	T€	T€
Net income before extraordinary items	-3,715	2
Depreciation of fixed assets	136	45
Depreciation of financial assets	0	0
Change in provisions	535	78
Gain from the retirement of fixed asset items	0	0
Change in inventories	0	-10,415
Change in trade receivables	3,641	-5,317
Change in other assets	1,240	683
Change in trade accounts payable and other liabilities	-959	-2,812
	<u>878</u>	<u>-17,736</u>
Extraordinary items not affecting cash flows	0	0
Extraordinary items affecting cash flows	0	0
<b>Cash used for current operations</b>	<b>878</b>	<b>-17,736</b>
Proceeds from asset sales	0	0
Payments made for investments in property, plant and equipment	-2,973	-57
<b>Cash used for investing activities</b>	<b>-2,973</b>	<b>-57</b>
Payments received from capital increases	0	0
Capital increase expenses	0	0
Change in liabilities due to banks	-1,816	17,030
<b>Cash used for financing activities</b>	<b>-1,816</b>	<b>17,030</b>
<b>Changes in cash and cash equivalents affecting income</b>	<b>-3,911</b>	<b>-763</b>
Changes in cash and cash equivalents caused by exchange rates and other factors	-57	-35
Cash and cash equivalents at the beginning of the period	14,231	72,851
	<u>10,263</u>	<u>72,053</u>
<b>Cash and cash equivalents at the end of the period</b>	<b>10,263</b>	<b>72,053</b>

**Development of the Group-Shareholders' Equity as at March 31, 2002  
in Accordance with the International Accounting Standards (IAS)**

*INTERENTAINMENT GROUP*

	Share capital	Capital reserve	Statutory reserve	Distributable profit	Total
	T€	T€	T€	T€	T€
<b>Balance 31.12.1998 (HGB code)</b>	<b>9,296</b>		<b>91</b>	<b>177</b>	<b>9,564</b>
<b>IAS reconciliation</b>					
Adjusting item for legal reorganisation		-7,951		1,549	-6,402
Foreign currency valuation				63	63
Deferred taxation				6	6
<b>Balance 31.12.1998 (IAS)</b>	<b>9,296</b>	<b>-7,951</b>	<b>91</b>	<b>1,795</b>	<b>3,231</b>
Net income 1999				6,701	6,701
IPO	3,098	40,534			43,632
IPO expenses		-1,812			-1,812
Dividend				-1,729	-1,729
Appropriated to revenue reserves			25	-25	0
<b>Balance 31.12.1999</b>	<b>12,394</b>	<b>30,771</b>	<b>116</b>	<b>6,742</b>	<b>50,023</b>
Net income 2000				5,569	5,569
Differences on exchange		44			44
Share exchange	246	19,802			20,048
Capital increase	2,365	101,485			103,850
Capital increase expenses		-2,577			-2,577
<b>Balance 31.12.2000</b>	<b>15,005</b>	<b>149,525</b>	<b>116</b>	<b>12,311</b>	<b>176,957</b>
Net loss 2001				-86,807	-86,807
Differences on exchange		-2			-2
<b>Balance 31.12.2001</b>	<b>15,005</b>	<b>149,523</b>	<b>116</b>	<b>-74,496</b>	<b>90,148</b>
Net loss 31.3.202				-3,715	-3,715
Differences on exchange		-56			-56
<b>Balance 31.3.2002</b>	<b>15,005</b>	<b>149,467</b>	<b>116</b>	<b>-78,211</b>	<b>86,377</b>

**Notes to the Consolidated Financial Statements as at March 31, 2002  
in Accordance with the International Accounting Standards (IAS)**

*INTERENTAINMENT GROUP*

**(I) Accounting and valuation methods**

In its interim report Intertainment uses the same accounting, valuation and consolidation methods as in its consolidated financial statements for 2001. There is no separate explanation of these principles in the interim report.

**(II) Notes on the balance sheet**

**1. Fixed assets**

The payments on account for intangible assets particularly concern advance payments to the sum of TEUR 5,911 for producers' remuneration and of TEUR 1,373 for the costs of film projects.

The increase in tangible assets is mainly due to the extension of the offices of USA- Intertainment Inc. and the resulting investments in furnishings and fittings.

The financial assets consist of the equity holding in SightSound Technologies Inc., in which Intertainment AG holds a share of approx. 24.4%. In 2001 this equity holding was written down at 25% due to higher deductions for entrepreneurial risks and risks in the industry.

**2. Film rights**

There has been no change in the film assets since 31 December 2001 as Intertainment already carried out depreciation for ongoing exploitations at the start of exploitation. As regards the valuation differences in comparison with 31 March 2001 we refer to the business report of 31 December 2001.

The payments on account to the sum of TEUR 24,570 (TEUR 19,651 in the previous year) largely consist of payments of the first instalment for film rights from Franchise Pictures in direct connection with the pending litigation. Depreciation was made on these payments on account as at 31 December 2001 in order to take account of possible exploitation losses in respect of the contentious film rights. On the other hand provision was made for further risks in the continuing litigation against Franchise Pictures.

**Notes to the Consolidated Financial Statements as at March 31, 2002  
in Accordance with the International Accounting Standards (IAS)**

*INTERENTAINMENT GROUP*

**3. Trade accounts receivable**

Accounts receivable from trade debtors have fallen by TEUR 40,163 to TEUR 50,601 since March 2001. This change is largely due to the setting off of the marketing costs from film rights which were reported as reserves in the previous year. In addition to this accounts receivable were abandoned in 2001 due to the reversal of licence agreements as a result of the pending litigation against Franchise Pictures.

**4. Other assets**

The other assets mainly concern claims to the reimbursement of corporation tax and trade tax for 2001.

**5. Liquid funds and liabilities due to banks**

As at 31 March 2002 Intertainment reported liquid funds of TEUR 10,263 and loans from banks to the sum of TEUR 21,411.

Liquid funds:

The decrease in the liquid funds in comparison with 31 March 2001 is largely due to investments and payments on account in respect of film rights, tax payments and the repayment of loans.

Liabilities due to banks:

In comparison with 31 March 2001 the loans from banks decreased significantly due to the bank waiver of 2001. The outstanding loans of TEUR 21,379 are due for repayment by 30 June 2004 at the latest. Existing receivables from the exploitation of films have been assigned as collateral for these items.

**6. Equity**

As at 31 March 2002 Intertainment had a nominal capital of TEUR 15,005 which is divided up among 11,739,013 no-par-value shares. The net loss amounts to TEUR -3,715.

**7. Reserves**

The reduction in the tax reserves results from the payment of tax owed for 2000.

The other reserves mainly comprise provisions for the sale of licences (TEUR 5,980), trial risks (TEUR 2,300) and outstanding invoices (TEUR 2,608).

**Notes to the Consolidated Financial Statements as at March 31, 2002  
in Accordance with the International Accounting Standards (IAS)**

*INTERENTAINMENT GROUP*

**8. Trade accounts payable**

The increase in the trade accounts payable can largely be accounted for by the purchase of various film rights.

**(II) Notes on the income statement**

**1. Sales**

Sales amounting to TEUR 2,534 and in the period under review particularly result from the video exploitation of "Art of War", "Whole Nine Yards" and "Battlefield Earth".

**2. Other operating income**

The other operating income is largely made up of price gains of TEUR 672 and payments for producer services to the sum of TEUR 572. The price gains are offset by price losses of TEUR 744 which are reported under "Other operating expenses".

**3. Cost of materials**

The cost for materials particularly concern marketing costs for the film rights reported under Sales Revenue, i.e. sales commission of TEUR 393 and print and advertising costs of TEUR 390.

**4. Other operating expenses**

The other operating expenses largely consist of provisions for the sale of licences (TEUR 1,730), price losses (TEUR 744) and the payment of administration expenses to film producers (TEUR 650).

**5. Interest result**

The interest result is made up of interest received (TEUR 337) and interest paid (TEUR 525).

*INTERENTAINMENT GROUP*

**(III) Other details**

**1. Earnings per share**

The earnings per share is ascertained by dividing the quarterly result by the weighted number of shares. As at 31 March 2002 the number of shares remained unchanged at 11,739,013. At the same time this represents the weighted number of shares. In the first quarter of 2002 there was a negative result per share of EUR 0.32, which also corresponds to the diluted result per share.

**2. Other financial commitments**

The group has other financial obligations in respect of payments to producers (TEUR 39,300) and in respect of liabilities due to leasing and rental agreements (TEUR 5,886). These liabilities of TEUR 10,128 are due before one year.

The financial obligations in respect of film rights that were reported in the previous year no longer exist as, due to the ongoing litigation, Intertainment has decided not to pay the second instalment for the film titles in question. If the banks which provide finance to Franchise Pictures instigate an arbitration proceedings for the payment of the second instalment in respect of the contentious film rights, the banks would be obliged to set off the income from the exploitation of these film rights against Intertainment's liabilities in the event of an award in their favour.

Irrespective of possible arbitration proceedings the film rights in the litigation will remain with Franchise Pictures. Only in these proceedings will a final decision be taken regarding the fraud with the inflated budget.

**3. Pending litigation**

As at 31 March 2002 the action against Franchise Pictures was still pending. The background to this action was already explained in the notes on the consolidated financial statements as at 31 December 2001. The risks and the probability that they will materialise remain unchanged.

**4. Number of employees**

In the first quarter 2002 Intertainment had an average of 25 staff.

*INTERENTAINMENT GROUP*

**5. Shares held by the members of the executive bodies and their option rights**

As at 31 March 2002 the members of the management board and the supervisory board had the following no-par-value shares and options:

	Shares	Options
<b><u>Management Board</u></b>		
Rüdiger Baeres	6,205,635	0
Achim Gerlach	10,000	100,000
Stephen Brown	0	50,000
<b><u>Supervisory Board</u></b>		
Dr. Matthias Heisse	12,980	0
Dr. Ernst Pechtl	0	0
Dr. Wilhelm Bahner	0	0

As at 31 March 2002 the company did not own any of its own shares.

Intertainment AG, 28 May 2002

– The Management Board –