

III/2001

QUARTERLY REPORT



ENTERTAINMENT

Aktiengesellschaft

Key figures (holding)

	30.09.2001		30.09.2000		Change
	DM mill	Euro mill	DM mill	Euro mill	
Sales revenues	38.5	19.7	145.3	74.3	-73.5%
EBIT*	12.2	6.2	63.4	32.4	-80.8%
Operating income	-13.7	-7.0	63.4	32.4	-121.6%
Result before income tax*	14.6	7.4	51.4	26.3	-71.6%
Net income	9.0	4.6	24.3	12.4	-63.0%
Earnings per share	0.8	0.4	2.1	1.1	-61.9%
Average of employees	27		23		

* including the extraordinary result

Key figures of the stock

SECURITIES IDENTIFICATION NUMBER	622 360
SHARE CAPITAL	15,005,155.09 Euro
NUMBER OF SHARES	11,739,013
OFFER PRICE 08.02.1999	36.00 Euro after split (1:2) 18.00 Euro
PRICE AT YEAR END 29.12.2000	5.10 Euro
FINAL PRICE AT 28.09.2001	2.40 Euro
HIGHEST PRICE 1 ST 9 MONTH 2001 (18.01.2001)	19.53 Euro
LOWEST PRICE 1 ST 9 MONTH 2001 (28.09.2001)	2.40 Euro
SHAREHOLDER STRUCTURE AT 30.09.2001	
	Rüdiger Baeres 52.86%
	Management, Supervisory Board 0.20%
	Free float 46.94%

Dear shareholders



Our cooperation with the American producer Arnold Kopelson has now taken on a definite shape, in the form of two joint projects – “Window To Atlantis” and “Decoy”, on which we have started work. We intend to release these at the end of 2002. So that the close collaboration between Arnold Kopelson and Intertainment can progress as swiftly and smoothly as possible, Kopelson Entertainment and our US subsidiary in Hollywood have moved into shared offices. Despite the ongoing legal dispute with Franchise Pictures, we are not standing still and business continues to develop as planned.

We continue to believe that the decision to launch a suit against Franchise Pictures is absolutely correct. In the meantime, several other companies have followed our example and starting legal proceedings against Franchise’s business practices.

The exploitation of the films concerned in the legal dispute has been taken over by the major American studio Warner Brothers. By now, all the films, apart from “Heist” with Gene Hackman, Danny de Vito and Delroy Lindo in the lead roles, have reached the cinema screens. Whether Intertainment will obtain the rights to these films at the actual budgets, or whether the advance payments are repaid, will be clarified by a legal settlement or an out-of-court agreement.

In the first nine months we achieved a surplus of DM 9 million/4,6 million € on turnover of DM 38,5 million/19,7 million €. The results are, as was the case in the second quarter, affected by exceptional factors relating to a bad debt write-off by a credit institution.

We face the future in very good shape. The first projects with Arnold Kopelson are being realised. We have successfully made the transition from simply trading in rights to being a film production company and a supplier. We are in intensive discussions with licencees and are looking forward to seeing the results.

We thank you for your confidence in our company.

Yours truly,
Rüdiger Baeres
Chairman of the Board of Intertainment AG



USA-Intertainment, Inc. in 8560 Sunset Boulevard, West Hollywood

The Team in Hollywood

USA Intertainment, Inc. moved into new offices on Sunset Boulevard in Hollywood in October. The company is headed by Stephen Brown, member of the board for business development and chief deputy officer. The new office consists of three floors, with USA Intertainment providing two floors for Kopelson Entertainment, which has an exclusive international deal with USA Intertainment to provide their prolific producing services. The close proximity of the offices provides easy interaction between Kopelson and Intertainment employees, and centralizes creative affairs for both companies. A combined team of 24 employees works for USA Intertainment and Kopelson Entertainment to develop new and existing projects.

In this new creative center, USA Intertainment develops film properties long before the principal photography stage. The development process starts with the submission of scripts, book manuscripts, comic books, magazine articles, and other media properties. Each week, USA Intertainment receives roughly 50 projects from a variety of sources, e.g. production companies, agents, and managers. The team reads each submission, and writes a comprehensive review and analysis of the material. Obviously, not every script is good enough to be turned into a feature film. The most important criteria USA Intertainment looks for in determining the viability of a script are the strength and originality of the story, and how well the project will play to both a domestic and international audience. Other factors such as interesting characters are also important, in order to ensure that the script will be of the highest quality so as to attract A-list stars and directors.

If the team decides to pursue a project that has been submitted to them, there are two main ways to proceed. Intertainment may option a project, which means that, for an agreed upon fee, the company will have the exclusive right to develop the project with a writer or director for a set period of time. Alternatively, Intertainment may purchase a project outright, giving the company full rights to the script indefinitely.

Working in conjunction with Intertainment, Kopelson Entertainment has numerous projects in active development, e.g. "Decoy". In this thriller an aspiring actress working as a decoy in order to ensnare unfaithful husbands finds herself enlisted by the police to catch a sex killer, but soon realizes that the police have their own ulterior motives. In the science-fiction project "Window to Atlantis" a young girl disappears at sea during a "close encounter". Her obsessed father uncovers a conspiracy to hide an alien civilization under the sea that could be the key to finding his daughter. Both of these projects are part of Intertainment's first-look deal with Paramount.

Rudolph the Red-Nosed Reindeer



Rudolph the Red-Nosed Reindeer is making his debut in the Christmas business this year, with more than 150 licensing products. Marketing the reindeer star has developed into an attractive field of business for Intertainment. Via Intertainment Animation & Merchandising GmbH – a 100%-owned subsidiary of Intertainment AG – the media company holds all the commercial rights to Rudolph for all the German-speaking territories in Europe.

A networked marketing strategy, a successful cooperation with UNICEF and optimal integration of licensing and commercial partners have helped to establish Rudolph and secure his success, over the longer term, with young and old alike.

In 2001, as in previous years, Rudolph is one of the major Christmas themes in German-speaking Europe. As in Advent 2000, Rudolph will be back in all the major retail chains in Germany, Austria and Switzerland. The innovative Rudolph product range has been expanded again this year, for instance with "Dancing Rudolph", the "Rudolph & Friends" hit CD, and more radio plays based on Rudolph.

The success of Rudolph and his friends is always also a success for UNICEF – the United Nations' children's charity. The "Kids for Kids" campaign, initiated by Intertainment, supports the world's disadvantaged children, via UNICEF. All the red-nosed reindeer's friends, large and small, can look forward to next year already. In the Autumn of 2002 the sequel to the Rudolph video will be on the market. Once again, Rudolph and his friends have to survive a whole series of adventures, to save Christmas.

The progress of the litigation

18 December 2000	Negotiations with Andrew Stevens, President and COO of Franchise Pictures, concerning an amicable settlement break down
21 December 2000	Intertainment takes legal action against Franchise Pictures before the Federal District Court of Los Angeles Franchise Pictures reacts by taking legal action before the California State Court
20 February 2001	Intertainment also takes legal action against Imperial Bank
18 April 2001	Judge decides that the general case is to be suspended and that priority should be given to the arbitration proceedings against Imperial Bank
31 May 2001	Intertainment withdraws the law suit against Imperial Bank in order to further pursue the legal proceedings against Franchise Pictures
13 June 2001	The judge rescinds the temporary suspension of the lawsuit against Franchise Pictures
17 August 2001	Intertainment files the third version (update) of the statement of claim against Franchise Pictures
27 August 2001	The date of the hearing is fixed for 10 September 2002. Completion of the discovery stage is scheduled for 27 May 2002
20 September 2001	The court orders Franchise Pictures to respond to the questionnaires presented by Intertainment on the budgets of the films in dispute The court also grants a petition from Intertainment that obliges the Imperial Bank to release documents
25 September 2001	The court rejects a petition from Imperial Bank filed because the bank wanted to refuse to release documents to Intertainment for reasons of "confidentiality"

**Group Balance Sheet as of 30 September 2001
in accordance with the International Accounting Standards (IAS)**

INTERENTAINMENT GROUP

ASSETS

	3 0 . 9 . 2 0 0 1		3 1 . 1 2 . 2 0 0 0	
	KDM	K€	KDM	K€
A. Fixed assets				
1. Intangible assets	548	280	654	335
2. Property, plant and equipment	1,411	721	1,034	529
3. Financial assets	39,211	20,048	39,211	20,048
	41,170	21,049	40,899	20,912
B. Current assets				
I. Inventories				
1. Film rights	114,030	58,303	125,189	64,008
2. Goods	1,668	853	986	504
3. Down payments made	136,898	69,995	13,503	6,904
	252,596	129,151	139,678	71,416
II. Accounts receivable and other assets				
1. Trade accounts receivable	155,416	79,462	167,121	85,448
2. Other assets	6,890	3,525	25,226	12,898
	162,306	82,987	192,347	98,346
III. Cash and cash equivalents	29,609	15,139	142,485	72,851
C. Deffered tax asset	1,284	656	1,264	646
	486,965	248,982	516,673	264,171

**Group Balance Sheet as of 30 September 2001
in accordance with the International Accounting Standards (IAS)**

INTERENTAINMENT GROUP

LIABILITIES AND SHAREHOLDERS' EQUITY

	3 0 . 9 . 2 0 0 1		3 1 . 1 2 . 2 0 0 0	
	KDM	K€	KDM	K€
A. Shareholders' equity				
I. Share capital	29,348	15,005	29,348	15,005
II. Capital surplus	292,598	149,603	292,445	149,525
III. Earnings reserves	226	116	226	116
IV. Group retained earnings	33,111	16,929	24,079	12,311
	355,283	181,653	346,098	176,957
B. Provisions				
I. Tax provisions	5,108	2,612	16,669	8,523
II. Other provisions	37,841	19,348	38,854	19,866
	42,949	21,960	55,523	28,389
C. Liabilities				
I. Liabilities due to banks	52,261	26,721	52,997	27,097
II. Down payments received on orders	6,137	3,138	7,762	3,969
III. Trade accounts payable	21,604	11,046	45,803	23,418
IV. Other liabilities	4,751	2,429	6,510	3,329
	84,753	43,334	113,072	57,813
D. Deferred tax liabilities	3,980	2,035	1,980	1,012
	486,965	248,982	516,673	264,171

**Group Income Statement for 1 July to 30 September 2001
in accordance with the International Accounting Standards (IAS)**

INTERENTAINMENT GROUP

	1.7.-30.9.2001		1.7.-30.9.2000	
	KDM	K€	KDM	K€
1. Sales	9,626	4,922	10,895	5,571
2. Other operating income	-1,901	-972	8,270	4,228
	7,725	3,950	19,165	9,799
3. Cost of materials				
a) Cost of film rights	-6,547	-3,347	-6,544	-3,346
b) Cost of purchased merchandise and services received	-348	-178	-227	-116
	-6,895	-3,525	-6,771	-3,462
4. Personnel expenses				
a) Wages and salaries	-2,541	-1,299	-1,877	-960
b) Social security contributions	-80	-41	-264	-135
	-2,621	-1,340	-2,141	-1,095
5. Depreciation	-100	-51	-179	-91
6. Other operating expenses	-7,297	-3,732	-10,504	-5,371
7. Operating income	-9,188	-4,698	-430	-220
8. Interest income	565	298	1,690	864
9. Interest expense	-1,306	-668	-1,290	-659
10. Interest income	-741	-379	400	205
11. Extraordinary earnings	42,122	21,537	0	0
12. Extraordinary expenditure	-21,750	-11,121	0	0
13. Extraordinary results	20,372	10,416	0	0
14. Result before income tax	10,443	5,339	-30	-15
15. Taxes on income	-4,007	-2,048	605	309
16. Other taxes	-1	-1	0	0
17. Group net income	6,435	3,290	575	294
EBIT*	11,184	5,718	-430	-220

* including the extraordinary result

**Group Income Statement for 1 January to 30 September 2001
in accordance with the International Accounting Standards (IAS)**

INTERENTAINMENT GROUP

	1.1.-30.9.2001		1.1.-30.9.2000	
	KDM	K€	KDM	K€
1. Sales	38,475	19,672	145,298	74,289
2. Other operating income	16,455	8,413	22,235	11,369
	54,930	28,085	167,533	85,658
3. Cost of materials				
a) Cost of film rights	-25,898	-13,241	-78,275	-40,021
b) Cost of purchased merchandise and services received	-544	-278	-395	-202
	-26,442	-13,519	-78,670	-40,223
4. Personnel expenses				
a) Wages and salaries	-6,371	-3,258	-3,534	-1,807
b) Social security contributions	-235	-120	-380	-194
	-6,606	-3,378	-3,914	-2,001
5. Depreciation	-326	-167	-277	-142
6. Other operating expenses	-35,300	-18,048	-21,315	-10,898
7. Operating income	-13,744	-7,027	63,357	32,394
8. Interest income	5,434	2,778	5,861	2,997
9. Interest expense	-3,064	-1,566	-17,868	-9,136
10. Interest income	2,370	1,212	-12,007	-6,139
11. Extraordinary earnings	90,677	46,362	0	0
12. Extraordinary expenditure	-64,750	-33,106	0	0
13. Extraordinary results	25,927	13,256	0	0
14. Result before income tax	14,553	7,441	51,350	26,255
15. Taxes on income	-5,520	-2,822	-27,025	-13,818
16. Other taxes	-2	-1	-2	-1
17. Group net income	9,032	4,618	24,323	12,436
EBIT*	12,184	6,229	63,357	32,394
Earnings per share	0.77	0.39	2.07	1.06
Number of shares: 11,739,013				

**Consolidated Statement of Cash Flow from 1 January to 30 September 2001
in accordance with the International Accounting Standards (IAS)**

INTERENTAINMENT GROUP

	3 0 . 9 . 2 0 0 1		3 0 . 9 . 2 0 0 0	
	KDM	K€	KDM	K€
Net income	9,032	4,618	24,323	12,436
Depreciation of fixed assets	326	167	277	142
Cash Flow	9,358	4,785	24,600	12,578
Change in provisions	-12,574	-6,429	9,481	4,848
Gain/loss from the retirement of fixed asset items	0	0	-21	-11
Change in inventories, in trade accounts receivable and other assets	-82,898	-42,386	-224,957	-115,019
Change in liabilities from trading and other liabilities	-25,583	-13,080	26,428	13,512
Cash used for current operations	-111,697	-57,110	-164,469	-84,092
Payments received from disposal of fixed asset items	0	0	12	6
Payments made for investments in property, plan and equipment	-597	-305	-957	-489
Cash used for investment activities	-597	-305	-945	-483
+ Change of liabilities due to banks	-735	-376	16,988	8,686
Payments received from capital increase	0	0	203,112	103,849
Costs from capital increase	0	0	-5,041	-2,577
Cash used for financing activities	-735	-376	215,059	109,958
Change in cash and cash equivalents	-113,029	-57,791	49,645	25,383
Change in cash and cash equivalents caused by exchange rates and other factors	153	79	-197	-100
Cash and cash equivalents at the beginning of the period	142,485	72,851	105,535	53,959
Cash and cash equivalents at the end of the period	29,609	15,139	154,983	79,242

**Movements in Group Equity
in accordance with the International Accounting Standards (IAS)**

INTERENTAINMENT GROUP

IN THOUSAND DM	Share capital	Capital reserv.	Statutory reserv.	Retained earnings	Total
	KDM	KDM	KDM	KDM	KDM
Balance 31.12.1998	18,181	0	178	345	18,704
IAS reconciliation					
Difference on legal reorganisation		-15,550		3,029	-12,521
Foreign currency valuation				123	123
Deferred taxation				13	13
Balance 31.12.1998 (IAS)	18,181	-15,550	178	3,510	6,319
Net income 1999				13,107	13,107
Flotation	6,060	79,277			85,337
IPO expenses		-3,544			-3,544
Dividends				-3,382	-3,382
Appropriated to statutory			48	-48	0
Balance 31.12.1999 (IAS)	24,241	60,183	226	13,187	97,837
Net income 2000				10,892	10,892
Differences on exchange		86			86
Share exchange	482	38,730			39,212
Capital increase	4,625	198,487			203,112
Cost of capital increase		-5,041			-5,041
Balance 31.12.2000 (IAS)	29,348	292,445	226	24,079	346,098
Net income 30.09.2001				9,032	9,032
Differences on exchange		153			153
Balance 30.09.2001 (IAS)	29,348	292,598	226	33,111	355,283

**Movements in Group Equity
in accordance with the International Accounting Standards (IAS)**

INTERENTAINMENT GROUP

IN THOUSAND €	Share capital	Capital reserv.	Statutory reserv.	Retained earnings	Total
	K€	K€	K€	K€	K€
Balance 31.12.1998	9,296	0	91	177	9,564
IAS reconciliation					
Difference on legal reorganisation		-7,951		1,549	-6,402
Foreign currency valuation				63	63
Deferred taxation				6	6
Balance 31.12.1998 (IAS)	9,296	-7,951	91	1,795	3,231
Net income 1999				6,701	6,701
Flotation	3,098	40,534			43,632
IPO expenses		-1,812			-1,812
Dividends				-1,729	-1,729
Appropriated to statutory			25	-25	0
Balance 31.12.1999 (IAS)	12,394	30,771	116	6,742	50,023
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
Cost of capital increase		-2,577			-2,577
Balance 31.12.2000 (IAS)	15,005	149,525	116	12,311	176,957
Net income 30.09.2001				4,618	4,618
Differences on exchange		78			78
Balance 30.09.2001 (IAS)	15,005	149,603	116	16,929	181,653

**Consolidated notes on the interim report as at 30 September 2001
in accordance with the International Accounting Standards (IAS)**

INTERENTAINMENT GROUP

(I) Reporting and valuation methods

In its interim report Intertainment has used the same reporting, valuation and consolidation methods as in the consolidated financial statements for 2000. There is no separate explanation of these principles in the interim report.

(II) Notes on the balance sheet

1. Film rights

The film rights developed as follows:

	30. September 2001		31. December 2000	
	KDM	K€	KDM	K€
Initial costs	228,054	116,603	231,955	118,597
Book values at 1 January	125,189	64,008	39,254	20,070
Additions	0	0	149,043	76,204
Retirements	3,901	1,994	0	0
Depreciation	7,258	3,711	63,108	32,266
Book values at the end of the period	114,030	58,303	125,189	64,008

The retirements result from subsequent reductions in price or film rights which were not supplied. In addition there was further depreciation for the video exploitations of "Battlefield Earth" and "Art of War".

2. Down payments on film rights

As at 30 September 2001 Intertainment had made down payments to the sum of KDM 179,898 (K€ 91,981), which corresponds to an increase of KDM 44,167 (K€ 22,582) in comparison with 30 June 2001.

The down payments were mainly for film rights acquired by Franchise Pictures LLC which offer potential for cinema exploitation. At the moment, due to the pending litigation, it is not clear who will be receiving these film rights. Intertainment is not willed to pay the excessive budgets in full and is therefore reporting these rights as down payments. In addition Franchise has acquired the film title "Green Dragon", which, although it has been paid for in full has not yet been supplied.

INTERENTAINMENT GROUP

Despite the current litigation Warner Brothers has assumed responsibility for the cinema exploitation of the contentious titles in order to exploit the film rights affected as soon as possible and with high returns, before the action between Intertainment and Franchise Pictures LLC has been decided. This exploitation is no indicator that Intertainment actually will accept and acquire the excessive budgets.

Due to this situation Intertainment faces the risk that the exploitation of the film titles (among other things) will result in losses due to the excessive budgets.

In this context there are two possible risk scenarios from Intertainment's point of view.

If Intertainment obtains the film rights at the excessive budgets there is a considerable risk that there will be no compensation for the losses of Franchise Pictures LLC.

If, on the other hand, Intertainment should not accept these film rights there is a risk that Franchise Pictures LLC will not repay the down payments in full to compensate for the losses.

For this reason Intertainment has decided to devalue the down payments by a total of KDM 43.000 (K€ 21,986).

The developments of the down payments:

	KDM	K€
As at 1 January 2001	13,503	6,904
Additions	166,395	85,077
Valuation adjustment	-43,000	-21,986
As at 30 September 2001	136,898	69,995

The additions in the calendar year are mainly due to the film rights originating from Franchise Pictures LLC, "Get Carter", "3000 Miles to Graceland", "The Pledge", "Angel Eyes", "Viva las Nowhere", "Driven" and "Heist". The down payments on Driven and Heist were made in the third quarter of 2001.

4. Accounts receivable (trade debtors)

In comparison with 31 December 2000 the accounts receivable from trade debtors have fallen by KDM 11,705 (K€ 5,986) to KDM 155,416 (K€ 79,462). This period mainly reflects the increase in accounts receivable due to the current video exploitation of "Battlefield Earth" and "Art of War". This increase is compensated for by setting off the print and advertising expenses which Intertainment reported under the "Other Provisions" as at 31 December 2000 because of a lack of settlement documents.

INTERENTAINMENT GROUP

5. Liquid funds and liabilities towards credit institutions

As at 30 September 2001 Intertainment had liquid funds of KDM 29,609 (K€ 15,139) and liabilities towards credit institutions totalling KDM 52,261 (K€ 26,721).

Liquid funds:

The decrease in the liquid funds in comparison with 31 December 2000 is mainly due to investments and down payments for film rights, tax payments and the repayment of loans. In comparison with 30 June 2001 the liquid funds increased by KDM 3,620 (K€ 1,851) Intertainment has received a tax refund.

Liabilities towards credit institutions:

As at 30 September 2001 Intertainment's liabilities towards credit institutions amounted to KDM 52,261 (K€ 26,721). To redeem these debts Intertainment has assigned its accounts receivable from the ongoing exploitation of films and sales of sub-licences to the credit institutions.

6. Equity

As at 30 September 2001 Intertainment had a nominal capital of K€ 15,005, divided up into 11,739,013 no-par-value shares.

In addition the company has an approved capital of K€ 3,203, an approved capital II of K€ 4,300, a authorised but unissued capital of K€ 511, an authorised but unissued capital II of K€ 383 and an authorised but unissued capital III of K€ 6,002.

8. Provisions

As at 30 September 2001 the "Other Provisions" mainly consist of provisions for the sale of licences amounting to KDM 34,100 (K€ 17,435), provision for the risk of litigation and the valuation of future exchange transactions.

INTERENTAINMENT GROUP

(III) Notes on the income statement

1. Sales revenue and cost of sales

On the cut-off date the sales revenue amounted to KDM 38,475 (K€ 19,672). The main part of this was accounted for by the ongoing exploitation of "Battlefield Earth" and "Art of War" in the video and pay-TV segment. In the third quarter of 2001 sales revenue thus increased by KDM 9,626 (K€ 4,922).

The cost of sales includes the cost of materials, sales commission and depreciation on the capitalised licence costs.

2. Other operating income

The other operating income mainly includes reimbursements of expenses amounting to KDM 5,956 (K€ 3,045) and price gains to the sum of KDM 8,929 (K€ 4,565). The decrease of KDM 1,901 (K€ 972) in comparison with 30 June 2001 results from the change in the price gains.

3. Other operating expenses

The other operating expenses include fees paid to film producers amounting to KDM 4,036 (K€ 2,064), price losses of KDM 10,766 (K€ 5,505) and legal fees of KDM 8,943 (K€ 4,572).

6. Extraordinary result

In the extraordinary result Intertainment has reported transactions in direct connection with the pending litigation against Franchise Pictures LLC. The outcome of the litigation will have a marked effect on the result.

Extraordinary income:

So far in the financial year 2001 Franchise Pictures LLC and the presenting bank have presented documents for the payment of letters of credit in respect of "Get Carter", "3000 Miles to Graceland", "The Pledge", "Angel Eyes", "Driven" and "Heist". Despite Intertainment's objection the bank decided to pay out the sums in question, then declaring that it was prepared to renounce a claim it had against Intertainment Licensing GmbH. This waiver of the claim has resulted in an extraordinary income to the sum of KDM 90,677 (K€ 46,362).

INTERENTAINMENT GROUP

As not all letters of credit in respect of the film rights affected had been paid out by 30 September 2001 and the waiver of the claim contains these items, Intertainment will have further extraordinary income when these amounts are paid out in the fourth quarter of 2001.

The extraordinary expenses of KDM 64,750 (K€ 33,106) result from the valuation adjustment for the down payments to the sum of KDM 43,000 (K€ 21,986) and the formation of provisions for the sale of licences to the sum of KDM 21,750 (K€ 11,120), in close connection with Franchise Pictures LLC.

(IV) Further details

1. Segment reporting

As in 2000 Intertainment has no segments which it is obliged to report.

2. Other financial obligations

The group has other financial obligations in respect of producers' fees to the sum of KUSD 26,000. These obligations extend to a period of four years.

There are no further financial obligations which are of significance for the evaluation of the group's financial situation.

The financial obligations in respect of film rights reported as at 31 December 2000 and 31 March 2001 no longer exist as, due to the ongoing litigation, Intertainment has decided not to pay the second instalment for the film title in question. Because of the litigation it is still not clear who will obtain these rights. Intertainment is certainly not prepared to accept the rights on these conditions and might demand the repayment of the down payments already made.

In principle it is possible that Intertainment will acquire the contentious film rights and in this case there may be further payments.

3. Pending litigation

The legal action against Franchise Pictures LLC was still pending as at 30 September 2001. The main reasons for this action were already explained in the consolidated notes as at 31 December 2000. The risks and the probability of their occurrence remain unchanged.

INTERENTAINMENT GROUP

4. Ownership of shares and option rights

As at 30 September 2001 the members of the management board and the supervisory board had the following no-par-value shares and options:

<u>Management Board</u>	<u>Shares</u>	<u>Options</u>
Rüdiger Baeres	6,205,635	–
David C. Williamson (until 17.09.2001)	48,500	125,000
Achim Gerlach	10,000	100,000
Stephen Brown	–	50,000
 <u>Supervisory Board</u>		
Dr. Matthias Heisse	12,980	–
Dr. Wilhelm Bahner	–	–
Dr. Ernst Pechtl	–	–
 <u>Own company shares</u>	–	–

5. Changes in management

The Deputy CEO, David C. Williamson, retired from the management board on 17 September 2001. Stephen Brown, Member of Management Board responsible for Business Development and Head of the subsidiary in the USA has been appointed as his successor.

At the same time CEO Rüdiger Baeres has taken on responsibility for legal matters, which were formerly dealt with by David C. Williamson.

Intertainment AG, 22 November 2001
– The Management Board –

III/2001 Explanations

Outlook for the Intertainment Group

The last two quarters of the current financial year have been seen the realignment of the company and investment in future film projects. Collaboration with the exclusive contract partner Kopelson Entertainment is being intensified still further by the joint premises in Los Angeles, USA. The film projects for “Decoy”, a thriller, and science-fiction drama “Window to Atlantis”, which are scheduled to appear on cinema screens at the end of next year, have continued to take shape. Further projects are in the pipeline and discussions about distribution agreements with international distributors are already under way.

The current and future position of the company continues to be affected by the outcome of the pending legal dispute with Franchise Pictures LLC. The court proceedings are still in the discovery stage, and only after all necessary documentary evidence and statements have been obtained can a verdict be expected. At present, the company is anticipating a verdict in autumn 2002. The legal dispute is not having a prejudicial effect on the valuation of films, but its outcome will have an impact on turnover and results. However, we cannot rule out the possibility of an early settlement out of court.

The writing-off of a loan by a bank, agreed in the second quarter, will be fully effective until 31 December 2001. This write-off will have a positive impact on the financial year 2001 as a whole to the tune of up to DM 108m.

Because of the recently announced bankruptcy of the British media enterprise Filmgroup plc (formerly Redbus Filmgroup Ltd.), London, Intertainment Licensing GmbH will cancel the contract formed between the companies in April 2000 on the sale of film rights for British territory. This situation will not have any impact on results because all precautions had already been taken in 2000. The licensed rights will return to Intertainment and may be sold again.

This Christmas, the fully-owned subsidiary Intertainment Animation and Merchandising will achieve revenue from exploitation of the German-language licence to “Rudolph the Red-Nosed Reindeer”. The video of the Christmas classic and a further 150 licensed products are now in the third year of utilization. The sequel to the successful “Rudolph” video will appear in German in the Christmas season 2002.

Ismaning, 22 November 2001
– The Board of Directors –



INTERTAINMENT
Aktiengesellschaft

CORPORATE CALENDAR:

27 MARCH 2002 2001 ANNUAL ACCOUNTS

BEGINNING OF APRIL 2002 BALANCE SHEET PRESS CONFERENCE BEGINNING OF APRIL 2002 ANALYSTS' CONFERENCE

28 MAY 2002 PUBLICATION OF QUARTERLY REPORT I / 2002

JULY 2002 GENERAL ASSEMBLY

29 AUGUST 2002 PUBLICATION OF QUARTERLY REPORT II / 2002 28 NOVEMBER 2002 PUBLICATION OF QUARTERLY REPORT III / 2002

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