

2002

QUARTERLY REPORT
III/2002



INTERTAINMENT

Aktiengesellschaft

Key figures (group)

	2 0 0 2		2 0 0 1	
Figures in million Euro	1.7.–30.9.	1.1.–30.9.	1.7.–30.9.	1.1.–30.9.
SALES REVENUES	2.3	13.8	4.9	19.7
EBIT	-2.2	-3.7*	5,7*	6,2*
OPERATING INCOME	-2.2	-4.8	-4.7	-7.0
RESULT BEFORE INCOME TAX	-2.3	-4.3	5.3	7.4
NET INCOME / LOSS	-0.4	-4.5	3.3	4.6
EARNINGS PER SHARE	-0.03	-0.38	0.28	0.39
AVERAGE NUMBER OF EMPLOYEES		24		27

* including the extraordinary result

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 30.9.2002	Rüdiger Baeres	52.86%
	Family Baeres	9.38%
	Management, Supervisory Board	0.20%
	Free float	37.56%
FINAL PRICE* AT 30.9.2002	2.12 Euro	
HIGHEST PRICE* 1 ST 9 MONTHS 2002 (3.1.2002)	3.05 Euro	
LOWEST PRICE* 1 ST 9 MONTHS 2002 (6.5.2002)	1.10 Euro	

* Xetra

Corporate Calender

2 ND QUARTERLY REPORT	August 29, 2002
DVFA-ANALYST CONFERENCE	Oktober 15, 2002
3 RD QUARTERLY REPORT	November 28, 2002

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Business Developments January-September 2002 and Outlook

During the first nine months of the financial year 2002, Intertainment concentrated on its core business of film license trading and film production, as well as the continuing legal dispute with Franchise Pictures.

In the third quarter of 2002, Intertainment attained sales revenues of Euro 2.3 million, bringing the sales figure for the first nine months of 2002 up to a total of Euro 13.8 million. Results before income tax for the first nine months were minus Euro 4.3 million, and the net loss was minus Euro 4.5 million. With Intertainment making substantial investments in film production during the third quarter of 2002, the working capital at the end of the period under review amounted to Euro 8.2 million.

The trial date in the lawsuit against Franchise Pictures for fraudulently inflated film budgets will not commence until the new financial year, because the court postponed the original trial date of November 19, 2002. A new date will be scheduled on December 16, 2002.

Rights-trade

Having managed in the first six months of 2002 to sell several film packages in Europe incorporating free-TV and all-rights, Intertainment recognized further proceeds from the on-going exploitation of video and pay-TV. In September 2002, Intertainment signed an exclusive basic distribution agreement with Beta Film GmbH, covering eleven film titles so far. The distribution agreement, initially reached for a term of three years, includes the distribution of cinema, video, TV and ancillary rights for European territories and for China. This agreement with Beta Film thus supplements the distribution agreements already signed with the two major studios, Warner Brothers and 20th Century Fox. Proceeds from the Beta Film agreement will be recognized in coming quarters.

Film Production

Principal Photography for “Blackout”, the first film made in cooperation with the producer Arnold Kopelson, was completed in the third quarter. This film starring Ashley Judd (“High Crimes”), Samuel L. Jackson (“Star Wars Trilogy”, “Changing Lanes”) and Andy Garcia (“Ocean’s Eleven”) has been developed under a first-look and co-financing agreement with Paramount Pictures. Intertainment is selling “Blackout” through Summit Entertainment. Initial territorial sales in the form of pre-sales have been closed.

Work on additional film projects is proceeding, and includes plans for a coproduction with Disney.

Lawsuit against Franchise Pictures

The lawsuit being conducted by Intertainment Licensing GmbH against Franchise Pictures that has been pending before the US District Court in Los Angeles since December 2000 will continue beyond the end of the current financial year. At a hearing held in November 2002, the court vacated the date for the trial originally scheduled for November 19. A new trial date is to be scheduled at the Pretrial Conference, which is set for December 16, 2002. At the last hearing, Franchise’s counsel informed the court about possible representation issues, and Franchise’s attorneys have since filed a motion to the US District Court to withdraw as counsel.

The Magistrate Judge at the Court has ruled that the protective order requested by Franchise for certain trial documents be unsealed at Intertainment’s initiative. On the basis of this ruling, Intertainment will now be able to report on some of the trial documents in greater detail. These include for example the deferments, namely conditional payment obligations which are commonly understood to be payments to talent out of gross profits.

Franchise fraudulently included these deferments in the budgets it provided to Intertainment, thus artificially inflating the budgets.

Elie Samaha, general manager of Franchise Pictures, has himself admitted that the deferments submitted during the discovery proceedings are fictitious. The Magistrate Judge unsealed the confidentiality order, saying that non-existent items cannot be protected as confidential.

For example, Franchise included fictional deferments up to an amount of approx. USD 18 million in the budget for the film “The Pledge”. These items included obligations to pay USD 4.55 million to the actor Jack Nicholson and USD 0.5 million to the director Sean Penn, which obligations are in fact non-existent. Further deferments listed, amounting to USD 1.5 million to be paid to actors in so-called “actor perks”, and totaling USD 2.45 to be paid to producers, were likewise purely fictitious. In the case of the film “The Pledge”, the topsheet of the budget containing the fictional deferments which made up about 1/3 of the budget submitted to Intertainment, had been signed by Franchise, and by employees at Comerica Bank (formerly Imperial Bank) and a bond company.

In the case of the film “3000 Miles to Graceland”, the bank and the bond company also signed fictional overages totaling USD 14.5 million. Over-ages for cast-SAG and co-stars SAG amounting in total to USD 8.8 and for other actors amounting to USD 0.5 million were all made up. Even the sum of USD 1.6 for set design was invented. The fictional costs given for the film “Crime is King” made up for about 1/4 of the budget submitted to Intertainment. The top sheet of the budget containing this fictional deferment items had likewise been signed by Franchise, and by employees at Comerica Bank and by a bond company before being submitted to Intertainment.

Fictional deferments totaling USD 15.5 million were also given for the film “Get Carter” with Sylvester Stallone: USD 8 million of this amount alone was allocated for Sylvester Stallone, USD 1 million was for the director Stephen Kay, and Franchise listed a further USD 6.5 million for producers. The non-existent deferments therefore made up about 1/4 of the film’s budget that had been approved by Franchise and the bond company Film Finances, Inc. before being submitted to Intertainment.

In view of their – in Intertainment’s view – fraudulent collaboration with Franchise, Intertainment has prepared to take legal action to sue Comerica Bank and certain bank employees, as well as the bond company Film Finances and certain employees working there. The action will be brought to court when Intertainment thinks the time is right.

The Magistrate Judge has not upheld the writ of attachment against some of Franchise’s assets as applied for by Intertainment. A writ of attachment constitutes a harsh remedy with respect to the defendant’s position, and without a full adjudication is rarely granted. However, the Magistrate’s decision will have no effect on the determination of the trial.

The progress of the litigation

12/2000	<p>Negotiations with Andrew Stevens, President and COO of Franchise Pictures, concerning an amicable settlement break down</p> <p>Intertainment takes legal action against Franchise Pictures before the Federal District Court of Los Angeles</p> <p>Franchise Pictures reacts by taking legal action against Intertainment</p>
02/2001	<p>Intertainment also takes action against Imperial Bank (now Comerica Bank)</p>
04/2001	<p>The Judge decides that the general case is to be suspended and that priority should be given to the arbitration proceedings against Imperial Bank (now Comerica Bank)</p>
05/2001	<p>Intertainment withdraws the lawsuit against Imperial Bank (now Comerica Bank) in order to further pursue the legal proceedings against Franchise Pictures</p>
06/2001	<p>The Judge rescinds the temporary suspension of the lawsuit against Franchise Pictures</p>
08/2001	<p>Intertainment files the third version (update) of the statement of claim against Franchise Pictures</p> <p>The date of the hearing is fixed for September 10, 2002. Completion of the discovery stage is scheduled for May 27, 2002</p>
09/2001	<p>The Court orders Franchise Pictures to respond to the interrogatories presented by Intertainment on the budgets of the films in dispute</p> <p>The Court also grants a petition from Intertainment that obliges the Imperial Bank (now Comerica Bank) to release discovery documents</p> <p>The Court rejects a petition from Imperial Bank (now Comerica Bank) filed because the bank wanted to refuse to release documents to Intertainment for reasons of "confidentiality"</p>
10/2001	<p>The Court orders that Film Finances Canada has to submit documents and answer questions on the budgets</p> <p>The case is assigned to a new Judge meaning that there are delays in the court dates</p>
12/2001	<p>The Judge sets June 3, 2002 as the final date for the discovery proceedings and sets November 19, 2002 as the date for proceedings (ten days for a jury trial)</p>
01/2002	<p>The Court orders that Franchise Pictures has to surrender budget documents and imposes monetary sanctions and that Franchise Pictures cannot assert "confidentiality"</p> <p>The Court orders monetary sanctions against Franchise Pictures again because they did not answer all questions in connection with the film budget</p>
02/2002	<p>The Court orders monetary sanctions against Comerica Bank (formerly Imperial Bank) because it disregarded Court orders</p>
04/2002	<p>Intertainment filed a motion for "writ of attachment" against Franchise amounting to 24 million Dollars, in order to secure access to at least a portion of the claims against Franchise</p>
05/2002	<p>The Federal District Court in Los Angeles upheld the pleading of two of three RICO claims against Franchise and its principals, Samaha and Stevens. With this claim, victims of organized crime are entitled to triple compensation and to the refund of attorneys' fees</p> <p>Further, the Court upheld the allegation of a criminal enterprise involving Comerica Bank (formerly Imperial Bank) and WorldWide Film Completion, Inc.</p>
08/2002	<p>Intertainment filed a motion for summary adjudication with respect to some of Franchise defenses</p>
11/2002	<p>The Judge vacated the trial date set for November 19, 2002. A new trial date is to be set at a new Pretrial Conference on December 16, 2002</p> <p>The Magistrate Judge did not uphold the application by Intertainment for a writ of attachment over some of the assets of Franchise. This order will have no effect on the trial</p> <p>The protective order applied for by Franchise regarding confidentiality of the trial documents was revoked in part by the Magistrate Judge as applied for at the initiative of Intertainment</p> <p>Franchise's attorneys filed a motion with the US District Court to withdraw as counsel</p>

Merchandising

In the third quarter of the year, the subsidiary Intertainment Animation & Merchandising focused on preparing to launch the new video of "Rudolph – The Red-Nosed Reindeer". In the new adventure "Rudolph 2 – Rudolph And The Island of Misfit Toys", the courageous hero again has to rescue Christmas along with his companions. In the German version of the cartoon film, the voices of famous personages can be heard, including Michael Schanze, Katja Riemann, Wolfgang Völz, Ralf Bauer and the well-known VIVA presenter Milka Loff Fernandes. After the video was released on October 21, 2002 Rudolph immediately climbed the video charts, and within less than two weeks of coming on to the market he had worked his way up to No. 2. The first video-film about Rudolph is also selling well during this year's Christmas season, and even before the beginning of Advent it has already reached No. 8 in the video charts. Both videos are again of course being accompanied by numerous merchandising articles, including radio plays, soundtracks and soft toys.

In connection with its marketing strategy for the new Rudolph video, Intertainment Animation & Merchandising has entered into cooperation agreements with media businesses including BILD and SAT 1.

Ismaning, November 28th, 2002

– The Management Board –

**Consolidated Balance Sheet as at September 30, 2002
in Accordance with the International Accounting Standards (IAS)**

INTERENTAINMENT GROUP

ASSETS

	30.9.2002	31.12.2001
	T€	T€
A. Fixed assets		
I. Intangible fixed assets		
1. Franchises, trademarks and similar rights and assets, as well as licences to similar rights and assets	676	263
2. Down payments made	9,989	4,861
	<u>10,665</u>	<u>5,124</u>
II. Property, plant and equipment		
Other fixed assets fixtures, fittings and equipment	2,374	2,555
III. Financial assets		
Investments	15,378	15,036
	<u>28,417</u>	<u>22,715</u>
B. Current assets		
I. Inventories		
1. Film rights	23,001	27,700
2. Merchandise	437	177
3. Down payments made	24,570	24,570
	<u>48,008</u>	<u>52,447</u>
II. Accounts receivable and other assets		
1. Trade accounts receivable	40,340	54,243
2. Other assets	10,930	12,373
	<u>51,270</u>	<u>66,616</u>
III. Cash on hand and in bank balances	8,165	14,231
	<u>107,443</u>	<u>133,294</u>
C. Prepaid expenses	622	0
D. Deferred taxes	5,141	5,214
	<u>141,623</u>	<u>161,223</u>

**Consolidated Balance Sheet as at September 30, 2002
in Accordance with the International Accounting Standards (IAS)**

INTERENTAINMENT GROUP

LIABILITIES

	30.9.2002	31.12.2001
	T€	T€
A. Shareholder's equity		
I. Subscribed capital	15,005	15,005
II. Capital reserves	149,548	149,523
III. Retained earnings		
Statutory reserve	116	116
IV. Profit carried forward	-74,496	12,311
V. Loss for the year	-4,488	-86,807
	<u>85,685</u>	<u>90,148</u>
B. Provisions		
1. Provisions for taxation	872	924
2. Other provisions	4,024	11,224
	<u>4,896</u>	<u>12,148</u>
C. Liabilities		
1. Liabilities due to banks	18,782	23,227
2. Down payments received on orders	0	3,266
3. Trade accounts payable	26,362	26,302
4. Other liabilities	3,450	3,896
	<u>48,594</u>	<u>56,691</u>
D. Prepaid expenses	170	0
E. Deferred tax liabilities	2,278	2,236
	<u>141,623</u>	<u>161,223</u>

**Consolidated Income Statement for July 1, to September 30, 2002
in Accordance with the International Accounting Standards (IAS)**

INTERENTAINMENT GROUP

	1.7.– 30.9.2002	1.7.– 30.9.2001
	T€	T€
1. Sales	2,324	4,922
2. Other operating income	1,719	-972
	4,043	3,950
3. Cost of materials		
a) Cost of film rights and accompanying services	-1,568	-3,348
b) Cost of purchased merchandise and services rendered	-506	-178
	-2,074	-3,526
4. Personnel expenses		
a) Wages and salaries	-754	-1,300
b) Social security contributions	-33	-41
	-787	-1,341
5. Depreciation on intangible assets and property, plant and equipment	-153	-51
6. Other operating expenses	-3,182	-3,731
7. Operating income	-2,153	-4,699
8. Interest income/expense	-166	-378
9. Extraordinary earnings	0	21,537
10. Extraordinary expenses	0	-11,120
11. Extraordinary results	0	10,417
12. Result before tax	-2,319	5,340
13. Taxes on income	1,965	-2,049
14. Other taxes	-1	-1
15. Group net loss (pr. year net income)	-355	3,290

**Consolidated Income Statement for January 1, to September 30, 2002
in Accordance with the International Accounting Standards (IAS)**

INTERENTAINMENT GROUP

	1.1.– 30.9.2002	1.1.– 30.9.2001
	T€	T€
1. Sales	13,801	19,672
2. Other operating income	5,520	8,414
	19,321	28,086
3. Cost of materials		
a) Cost of film rights and accompanying services	-8,271	-13,242
b) Cost of purchased merchandise and services rendered	-726	-278
	-8,997	-13,520
4. Personnel expenses		
a) Wages and salaries	-2,442	-3,258
b) Social security contributions	-99	-120
	-2,541	-3,378
5. Depreciation on intangible assets and property, plant and equipment	-415	-167
6. Other operating expenses	-12,169	-18,049
7. Operating income	-4,801	-7,028
8. Interest income/expense	-563	1,212
9. Extraordinary earnings	1,060	46,363
10. Extraordinary expenses	0	-33,106
11. Extraordinary results	1,060	13,257
12. Result before tax	-4,304	7,441
13. Taxes on income	-183	-2,822
14. Other taxes	-1	-1
15. Group net loss (pr. year net income)	-4,488	4,618
Basic earnings per share	-0.38	0.39
Diluted earnings per share	-0.38	0.39

**Consolidated Statement of Cash Flows for January 1, to September 30, 2002
in Accordance with the International Accounting Standards (IAS)**

INTERENTAINMENT GROUP

	30.9.2002	30.9.2001
	T€	T€
Net income before extraordinary items	-5,548	4,618
Depreciation of fixed assets	415	167
Change in provisions	-7,252	-6,429
Change in inventories	4,440	57,736
Change in trade receivables	13,903	-5,985
Change in other assets	894	-9,365
Change in trade accounts payable and other liabilities	-3,440	-13,080
	3,412	27,662
Extraordinary items not affecting cash flows	1,060	0
Cash used for current operations	4,472	27,662
Payments made for investments in property, plant and equipment	-6,117	-305
Cash used for investing activities	-6,117	-305
Change in liabilities due to banks	-4,445	-376
Cash used for financing activities	-4,445	-376
Changes in cash and cash equivalents affecting income	-6,090	-57,791
Changes in cash and cash equivalents caused by exchange rates and other factors	24	79
Cash and cash equivalents at the beginning of the period	14,231	72,851
Cash and cash equivalents at the end of the period	8,165	15,139

**Development of the Group-Shareholders' Equity as at September 30, 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€
Balance 31.12.1998 (HGB code)	9,296		91	177	9,564
IAS reconciliation					0
Adjusting item for legal reorganization		-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
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
Balance 31.12.1999	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
Capital increase expenses		-2,577			-2,577
Balance 31.12.2000	15,005	149,525	116	12,311	176,957
Net loss 2001				-86,807	-86,807
Differences on exchange		-2			-2
Balance 31.12.2001	15,005	149,523	116	-74,496	90,148
Net loss 30.9.2002				-4,488	-4,488
Differences on exchange		25			25
Balance 30.9.2002	15,005	149,548	116	-78,984	85,685

INTERENTAINMENT GROUP

(I) Accounting- and Valuation-Methods

Intertainment uses the same accounting-, valuation- and consolidation methods for the Interim-Report as were applied for the Group Statement of the financial year 2001. Separate explanation of these principles is renounced in the context of the Interim-Report.

(II) Notes concerning the Balance Sheet

1. Fixed assets

Among others, the license for “Rudolph – the red-nosed Reindeer 2” is accounted for in the immaterial assets for the first time to September 30th, 2002 at a value amounting to TEUR 463 (December 31st, 2001: TEUR 0).

The down payments for intangible fixed assets amounting to TEUR 9,989 (December 31st, 2001: TEUR 4.861) concern payments for the film project “Blackout”, and advance payments for producer remunerations.

The financial fixed assets of TEUR 15,378 (December 31st, 2001: TEUR 15,036) contain the share of Intertainment AG in the company SightSound Technologies Inc. This participation was depreciated with 25% in the financial year 2001, due to increased risk discounts for enterprise- and industry-specific-risks. In the second quarter of 2002, Intertainment AG additionally granted SightSound Technologies Inc. an interest-bearing loan in the amount of TEUR 345, the repayment of which is planned for April 4th, 2003. Intertainment AG is entitled to convert the loan amount into partnership stock in SightSound Technologies Inc. at any time during the term of the loan.

2. Film rights

Up to September 30th, 2002, the stock of film rights amounts to TEUR 23,001 (December 31st, 2001: TEUR 27,701).

During the report period, the book values of the film rights have developed as follows:

	September 30th, 2002	December 31st, 2001
	T€	T€
Beginning inventory (book value)	27,701	64,008
Accruals	780	42,692
Scheduled depreciations	-5,481	-5,393
Unbudgeted depreciations	0	-62,221
Reductions	0	-11,385
End stock (book value)	23,001	27,701

INTERENTAINMENT GROUP

The down payments made in the amount of TEUR 24,570 (December 31st, 2001: TEUR 24,570) mostly consist of payments of the first rate for film rights of Franchise Pictures, which are directly connected to the pending law suit. Depreciations in the amount of TEUR 63,985 were carried out on these down payments to December 31st, 2001 in order to be able to take possible exploitation losses from the controversial film rights and further risks from the lawsuit into account. Secondly, precautions for further risks arising from the continuing legal disputes with Franchise Pictures were taken. These assessments are still correct to September 30th, 2002.

3. Trade accounts receivable

Until September 30th, 2002, the trade accounts receivable amount to TEUR 40,340 (December 31st, 2001: TEUR 54,243). The reduction is essentially due to the payment of the unpaid items, the offset of down payments received, and varying exchange rates.

Until September 30th, 2002, there are, among others, claims existing against 20th Century Fox and Warner Brothers in the amount of TEUR 9,472 (December 31st, 2001: TEUR 16,464). These claims have been seized because of the legal disputes between Intertainment Licensing GmbH and the National Bank of Canada in connection with the film title Caveman’s Valentine. For this reason, all payments from these claims must be directed to the American court until the legal disputes have been finally settled. Intertainment Licensing GmbH has resorted to the corresponding legal remedies, and has objected to these measures.

4. Other assets

The other assets amounting to TEUR 10,930 (December 31st, 2001: TEUR 12,373) are reduced particularly by tax refunds from the second quarter of 2002. This alteration is compensated by the increase of the film project costs to TEUR 8,005 (December 31st, 2001: TEUR 271).

5. Liquid funds and liabilities due to banks

Up to September 30th, 2002, Intertainment reported liquid funds of TEUR 8,165 (December 31st, 2001: TEUR 14,231), and liabilities due to banks amounting to TEUR 18,782 (December 31st, 2001: TEUR 23,227).

Liquid funds:

The decrease of the liquid funds is mainly based on payments for the film project “Blackout” and further remunerations disbursed to film producers.

**Notes to the Consolidated Financial Statements as at September 30, 2002
in Accordance with the International Accounting Standards (IAS)**

INTERENTAINMENT GROUP

Liabilities due to banks:

The liabilities towards banks are diminishing as planned. The outstanding liabilities amounting to TEUR 18,758 are due at the latest on June 30th, 2004. The transfer of the exploitation rights, the transfer of ownership of the film material as security on a debt, as well as the transfer of the claims from sales contracts were agreed with the credit institutions. We also refer to the details given with regard to the liability conditions (number IV 3).

6. Equity

To September 30th, 2002, Intertainment has an unaffected share capital of TEUR 15,005, which is dispersed to 11,739,013 no-par-value shares. The loss as shown in the balance sheet amounts to TEUR 78,984 (December 31st, 2001: TEUR 74,496), the annual deficit amounts to TEUR 4,488 (December 31st, 2001: TEUR 86,807).

7. Reserves

The reduction of the tax reserves results from the payment of the tax debts for the financial year 2000.

Until September 30th, 2002, the other reserves amount to TEUR 4,024 (December 31st, 2001: TEUR 11,224), and they contain, among other items:

	September 30th, 2002	December 31st, 2001
	T€	T€
Account receivables	1,582	2,788
Precautions for license sales	965	4,250
Precautions for risk of legal actions	400	3,068

8. Down payments received on purchase orders

The down payments received were offset completely in the third quarter of 2002, after a definite solution concerning the execution of the contract could be found with a licensee.

9. Trade accounts payable

The trade accounts payable mostly contain obligations from the acquisition of various film rights.

**Notes to the Consolidated Financial Statements as at September 30, 2002
in Accordance with the International Accounting Standards (IAS)**

INTERENTAINMENT GROUP

(III) Notes on the income statement

1. Sales

Up to September 30th, 2002, Intertainment achieved sales in the amount of TEUR 13,801 (September 30th, 2001: TEUR 19,672). Therefrom, TEUR 2,324 may be allotted to the third quarter of 2002 (September 30th, 2001: TEUR 4,922). The increase, compared with the second quarter of 2002, is due to the continued exploitation of the film titles "Art of War", "Whole Nine Yards" and "Battlefield Earth", and to the sales of merchandizing products.

2. Other operational income

The other operational income amounting to TEUR 5,520 (September 30th, 2001: TEUR 8,414) consists of, among other items:

	September 30th, 2002	September 30th, 2001
	T€	T€
Exchange profits	2,257	4,565
Remunerations for producer services	2,200	3,045

The exchange profits stand against losses on exchange in the amount of TEUR 2,434 (September 30th, 2001: TEUR 5,505), which are accounted for in the other operational expenditures.

3. Cost of materials

The cost of materials essentially consists of the scheduled depreciations for sold film rights in the amount of TEUR 5,480 (September 30th, 2001: TEUR 3,711).

4. Other operating expenses

The other operating expenses in the amount of TEUR 12,169 (September 30th, 2001: TEUR 18,049) contain, among other items:

	September 30th, 2002	September 30th, 2001
	T€	T€
Losses on exchange	2,434	5,505
Administrative costs of the film producers	2,856	2,064
Legal fees and costs for consultation	1,536	4,572
Losses of claims	1,417	218
Precautions for license sales	1,055	0

INTERENTAINMENT GROUP

5. Interest result

The interest result consists of interest received amounting to TEUR 1,063 (September 30th, 2001: TEUR 2,778), and interest paid in the amount of TEUR 1,626 (September 30th, 2001: TEUR 1,566).

6. Extraordinary result

The extraordinary result consists of extraordinary proceeds in the amount of TEUR 1,060 (September 30th, 2001: TEUR 46,363). These extraordinary proceeds originate from the dissolution of reserves, which had been created in the financial year 2001 in connection with the legal proceedings against Franchise Pictures, and which are accounted for in the extraordinary result.

7. Taxation on income and earnings

In the period covered by the report, the taxes on income and earnings contain a latent tax expenditure in the amount of TEUR 116 (September 30th, 2001: TEUR 1,980). The decrease of the latent taxes in the third quarter of 2002 can be, among other things, explained by the fact, that since the beginning of the production of the title Blackout, there have been no differences between tax legislation and the International Accounting standards with regard to the accounting principles applied for the film production costs

(IV) Further details

1. Earnings per share

The earnings per share are determined by dividing the quarterly result by the weighted number of shares. The number of shares to September 30th, 2002 amounts to 11,739,013, unchanged; this therefore also represents the weighted number. In the third quarter of 2002, a negative result per share in the amount of EUR 0.38 may be calculated, this also corresponds to the diluted result per share.

2. Other financial commitments

	Total	Less than 1 year	More than 1 year
	T€	T€	T€
Producer remunerations	30,104	7,570	22,534
Costs for projects	26,361	26,361	0
Obligations from leasing- or renting contracts	4,644	1,360	3,284

INTERENTAINMENT GROUP

The financial obligations for the purchase of film rights reported in the financial year 2000 no longer exist, because, due to the ongoing legal dispute, Intertainment has decided not to pay the second installment of the film titles concerned. In case the financing banks of Franchise Pictures should decide to instigate arbitral proceedings for the payment of the second installment with regard to the film titles concerned, and if an arbitral award would be given in their favor, the banks would be compelled to offset the revenue from the exploitation of these film rights with the financial obligation of Intertainment. Intertainment assumes, that the revenues from the exploitation are fundamentally higher than the financial obligation for the due second installment. Notwithstanding any possible arbitral procedure, the film rights, which are subject of the lawsuit remain with Franchise Pictures. A definite decision regarding the fraud with the inflationary budgets will be made in this procedure only.

The film project costs arising for the film "Blackout" in an amount of TEUR 26,361 (last year: 0) are included in the other financial obligations for the first time. Intertainment has reached an agreement with Paramount Pictures to purchase the film rights for all territories, except for the USA and Canada, against payment of 65% of the production budget.

3. Liability conditions

Due to the financing of the film rights by credit institutions, and the corresponding granting of credit lines, the film rights and the corresponding claims of Intertainment with regard to the exploitation of these rights were transferred to the banks to provide security coverage. In connection with this, claim transfers of Intertainment Licensing GmbH were made in favor of HypoVereinsbank AG amounting altogether to TEUR 16,002, and in favor of BHF Bank amounting to TEUR 16,625.

In addition, Intertainment AG undertook a guarantee in favor of HypoVereinsbank AG in the amount of TEUR 16,361 on June 25th, 2001, which serves to secure the loans to Intertainment Licensing GmbH, and which is due on June 30th, 2004.

Intertainment AG undertook a guarantee in the amount of TEUR 76 for the rental of the office facilities in Ismaning. Furthermore, a Letter of Credit in the amount of TUSD 667 has been issued to secure the obligations arising from renting the office facilities in Los Angeles.

4. Pending litigation

Up until September 30th, 2002, the proceedings against Franchise Pictures LLC are furthermore pending. The grounds for this lawsuit were already depicted in the Group Appendix of December 31st, 2001. The risks and probabilities of occurrence remain unchanged.

**Notes to the Consolidated Financial Statements as at September 30, 2002
in Accordance with the International Accounting Standards (IAS)**

INTERENTAINMENT GROUP

5. Number of employees

On an average, Intertainment employed a staff of 24 employees during the first three quarters of the year.

6. Share holding and option rights of the members of the executive bodies

Up until September 30th, 2002, the members of the management board and the supervisory board had the following no-par-value shares and options:

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

Up until September 30th, 2002, the corporation possesses no shares of its own.

7. Events after the balance sheet date

In the AFMA arbitration proceedings instigated by the National Bank of Canada against Intertainment Licensing GmbH with regard to the title Caveman's Valentine, the arbitrator has announced an arbitral award on December 11th, 2001, according to which, among other items, Intertainment Licensing GmbH was obliged to pay the second installment in the amount of USD 5,287,500 as per the Notice of Assignment relating to the film Caveman's Valentine. With the application of January 22nd, 2002, the National Bank of Canada filed a motion to confirm the arbitration award with the Superior Court of the State of California. Intertainment objected against this motion and requested correction and vacation of the arbitration award based on the claim, that the arbitrator had exceeded his jurisdiction by issuing an award to a case which had not been submitted. In this case, the Superior Court issued an order on February 27th, 2002, in which the arbitration award was confirmed. Intertainment appealed against this judgment within due time.

**Notes to the Consolidated Financial Statements as at September 30, 2002
in Accordance with the International Accounting Standards (IAS)**

INTERENTAINMENT GROUP

Induced by the appeal submitted by Intertainment Licensing GmbH, there had been a court hearing before the Court of Appeal of the State of California on September 26th, 2002. Until now, the Court of Appeal has not yet passed a decision.

A court hearing before the Supreme Court of Bavaria (Bayrisches Oberstes Landesgericht) took place in Munich on October 30th, 2002. Object of this procedure was the motion of the National Bank of Canada for a writ of execution for the arbitration award passed on December 11th, 2001. The court has granted this petition on November 22nd, 2002.

In the lawsuit against Franchise Pictures before the US District Court in California the Judge discussed during the Pretrial Conference in November 2002 the status with the parties, as well as the further continuation of the lawsuit. The judge had vacated the trial date set for November 19th, 2002. The new trial date is to be set at a new Pretrial Conference on December 16th, 2002. According to US legal procedure, the Pretrial Conference constitutes an appointment at which the parties inform the judge about the status of the lawsuit, and at which the exact proceedings of the main hearing are established, after the discovery.

The Magistrate Judge of the US Federal Court has passed two orders prior this conference. First, the order applied for by Franchise regarding confidentiality of the trial documents was revoked in part as applied for at the initiative of Intertainment. Intertainment will now be able to report in more detail on the evidence, particularly about the deferments contained in the budget, which lastly have never existed.

Secondly, the application by Intertainment for a writ of attachment over some of the assets of Franchise in order to secure claims enforced by Intertainment in the trial was not upheld. This order will have no effect on the trial.

On November 20th, 2002, the attorneys of Franchise filed a motion with the US District Court to withdraw as counsel.

Intertainment AG, November 28th, 2002

– The Management Board –