Annual report
1999

RTV Family Entertainment AG

Key data

I. Key operating data

(in DM million)

	1999	1998
Sales	38.5	35.5
Expenses	29.6	30.1
Depreciation	6.4	0.2
Equity	62.9	1.1
Total assets	105.6	64.8
Earnings from ordinary operations	10.2	6.1
Net income	1.6	-

II. Key RTV stock data

(in DM million)

	1999	1998
DVFA/SG cash flow	8.1	14.7
Cash flow per share	0.78	1.96 *
DVFA earnings per share	0.52	0.30 *
Market capitalization (as of Dec. 31, 1999)	996.2	-
Return on total assets in %	9.8	8.8
Equity ratio in %	60	1.8
Return in equity	7.8	197
Stock price performance since IPO in %	491.6	-
Shares outstanding	2.925 million	-

* Assuming 7,5 million shares outstanding

III. Key earnings data

(in DM million)

	1999	1998
DVFA/SG	8.1	14.7
DVFA/SG earnings (in DM million)	4.9	2.3
EBIT (in DM million)	10.2	6.4
EBDIT (in DM million)	16.6	6.6
EBIT in % of sales	26.5	18.1
EBDIT in % of sales	43.2	18.6

Contents

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RTV Family Entertainment AG

Dear Shareholders,

the successful listing on June 8, 1999 of the shares of RTV Family Entertainment AG on the Neuer Markt (New Market) represented not only a milestone in the company's history but also established a foundation for future growth.

Just six months after listing, we signed a partnership agreement with Nelvana Limited, the world's largest independent producer of animated films. The firm, based in Toronto, Canada, provides RTV access to the important North American market and strengthens our overall international position.

In February 2000 we concluded a comprehensive partnership agreement with CLT-UFA and acquired 560 hours of animated and live film programming for children and families. The agreement bolstered our library resources by 40% to 5,016 program episodes. In addition, we contracted with Super RTL, the market leader in the 3- to 13-year-old age group, to provide programs over the next five years.

RTV also acquired a majority holding in Energee Entertainment Pty Limited, Australia's largest independently owned animation studio. As a result, we now have high-quality, in-house production facilities at our disposal. Moreover, our planned merger of the distribution business will, once implemented, strengthen our international market presence, especially in North America, Southern Europe and Australia-Asia.

Our goal is to make RTV a leading European television producer. Through co-productions, acquisitions, expansion of our global distribution network and new marketing tools such as the Internet, we are vigorously pursuing the international build-up of our core business — children's, youth and family programming. We are also buttressing our position in international markets by developing new businesses such as adult television series and films as well as feature films.

RTV is well-equipped for the future. The agreements with CLT-UFA, Energee, Nelvana and Super RTL significantly improved the company's already strong prospects. Additional deals now in the works will further enhance RTV's standing this year. We are on the threshold of dynamic growth, and much potential remains to be exploited.

With the prospect of long-term growth ahead of us, we appreciate the trust placed in us by our shareholders and we look forward to working together with you as business partners for a long time to come.

Sincerely,

f.l.t.r. Peter Hille, Wolfgang Heidrich, Dr. Arno Haselhorst

Dr. Arno Haselhorst | Peter Hille | Wolfgang Heidrich

Strategy

With 20 years experience, RTV is a proven, well-established developer, producer and marketer of children's and family programming. From rights acquisitions (co-production) to merchandising, we are currently one of the few companies worldwide that can supply the entire spectrum of required services. Moreover, we maintain a first-class international network of producers, television networks and licensing partners. Our strategy is to leverage these resources and capabilities – in particular our recent agreements with Nelvana, Energee and CLT-UFA – to continue building RTV into Europe's leading producer of children's and family television entertainment. To achieve this objective, we will implement the following steps:

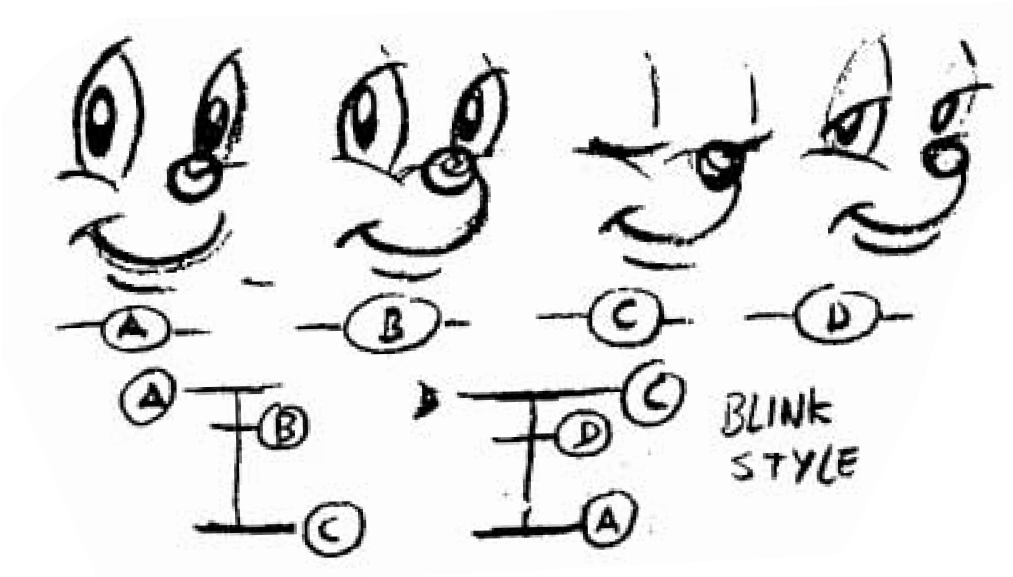
International expansion of children's, youth and family programming (core business)

Even after CLT-UFA's recent 4% equity participation, RTV still operates independently of any television network groups. We are therefore well positioned to provide children's and family programming to all state-owned and commercial television networks in Germany and abroad. Just as critical is our proven ability to recognize trends early and react quickly to changing television market trends. In order to grow beyond our present position as an independent, flexible producer of children's, youth and family entertainment, we intend to increase the number of annual co-productions and raise our equity exposure. In other words, we will retain a greater share of rights in productions, make acquisitions or form strategic alliances with international producers and secure attractive licensing opportunities by incorporating foreign/global distribution rights.

More co-productions and greater equity exposure

On December 31, 1999, RTV's licensed rights covered a total of 3,966 episodes consisting mostly of high-quality animated film programs suitable for international audiences and with long-term commercial potential. The program library is a key factor of our business success because of the robust demand for second and third reruns and other forms of marketing popular programs with strong viewer loyalty and merchandising potential.

For this reason, we want to enlarge our inventory of such programs by increasing the number of co-productions and licensed rights. Prior to our initial public offering, RTV developed an average 4 to 6 productions annually; we now project completing 10 to 15 per year and expect to raise our share of production rights from an average of 40% in 1999 to between 50% and 70%.
In this effort we want to step up our internationalization and broaden the focus of our appeal from children's and youth programming to target the adult market.



Acquisitions or strategic alliances with international producers

Over the past 20 years, RTV has established extensive contacts with German and international production and co-production companies such as the BBC, France 2 and 3, Cinar, France Animation, Alliance Atlantis and Sunbow Entertainment as well as licensing and ancillary rights agents and other television networks. Through these activities, we have been able to stay abreast of market trends, productions and customer demand. We use this information to acquire and produce attractive, marketable ideas and rights. In the future we plan to expand our vast network even more, in particular by acquiring international producers or establishing strategic alliances. Our selection criteria in this regard would be based on their strength in key markets, long-term co-production partnerships, good product quality, potential synergies and an attractive program library.

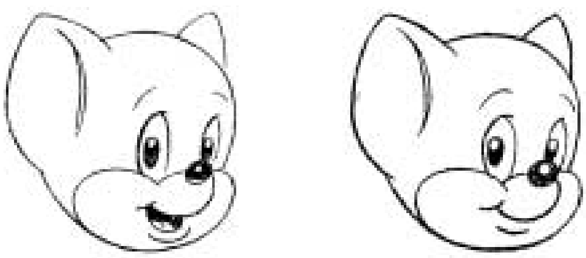
Securing attractive international licensing rights; internationalization of distribution organization

We intend to bolster RTV's international program library with our own productions and through the purchase of third-party rights. We also plan to expand our distribution channels significantly and integrate them with Energee's sales organization. With the added markets gained through the Energee acquisition, our restructured distribution network will achieve deeper penetration of international markets. The planned entry into DVD and Internet markets will mark yet another step forward into new sales channels.

Through our cooperative venture with Nelvana, the Energee acquisition and the strategic partnership with CLT-UFA, all of our core businesses have already scored notable successes in implementing the growth strategy.

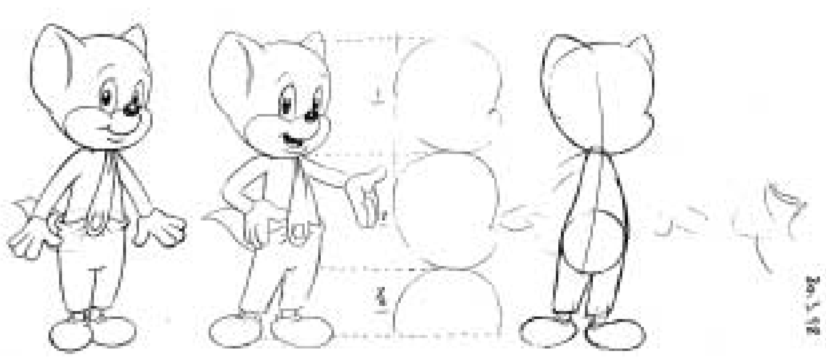
Strengthening our position as an international producer of television and film projects (new business lines)

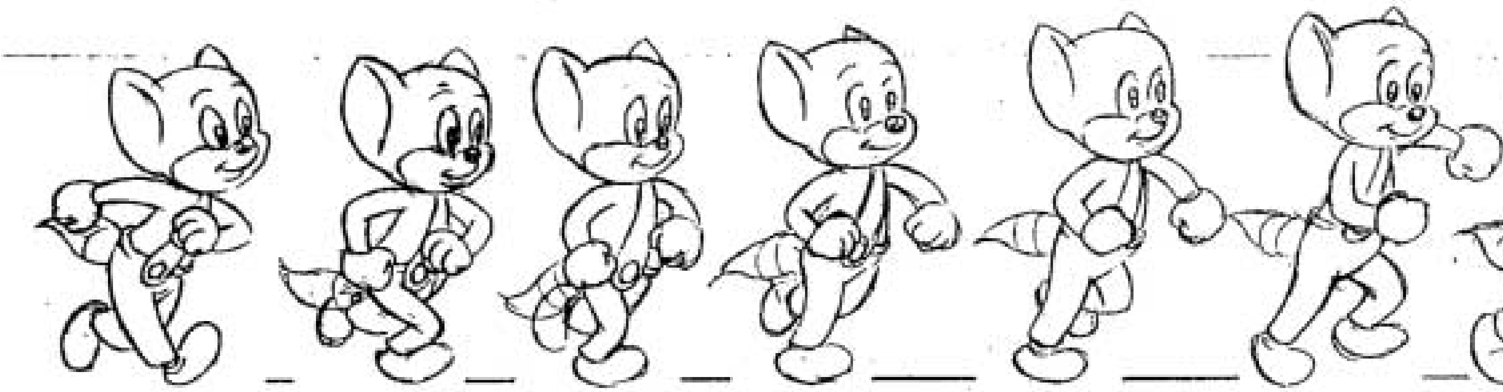
To complement RTV's core businesses - documentary and animated films as well as children's television series - we intend to expand selectively into new fields such as prime-time television movies and series as well as feature films. To achieve this diversification, we will rely on the resources of our Hamburg-based production company, acquire technical know-how and content and negotiate additional cooperative agreements. RTV will then be positioned to expand into larger, more international markets. With Energee we also have gained the option to use its existing EKIDZ Internet platform. We are now examining potential applications for this facility throughout the company.



Strategie

Systematically strengthening our internal organization is another key component of our strategy. Our efforts will focus particularly on integrating acquisitions, launching new companies and consolidating existing and newly-acquired sales forces into a globe-spanning organization. We aim to improve the efficiency and transparency of all operations by rigorously integrating all value-added processes throughout the company - from idea creation to production to sales. At the same time we will intensify our marketing as a tool to coordinate ideas, production, sales and merchandising overall.

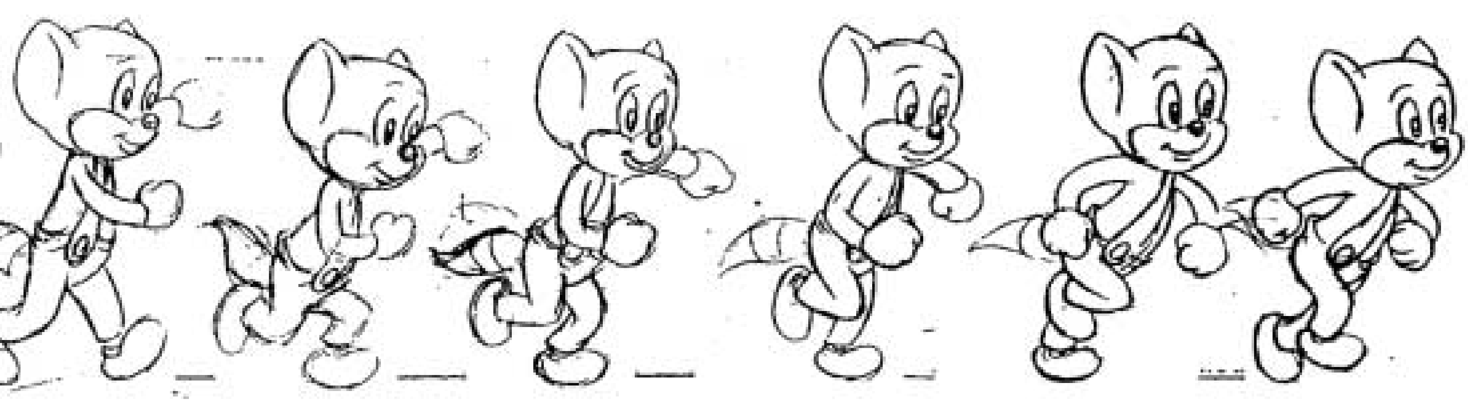




Investor affairs
Successful listing

The shares of RTV Family Entertainment AG were first listed on the Frankfurt Stock Exchange's Neuer Markt on June 8, 1999. At an offering price of EUR 8.3 per share, the stock was priced at the top of the bookbuilding range from EUR 7.0 to EUR 8.3. The offering led by Deutsche Bank was heavily oversubscribed. Both private and institutional investors showed equally strong interest. Altogether the German underwriting consortium, consisting of Deutsche Bank, Baden-Württembergische Bank and Commerzbank, marketed 2.5 million shares. Due to the strong demand, the underwriters authorized a greenshoe of 375,000 additional shares, which were also fully subscribed. At year-end, RTV's capital stock consisted of 10,375,000 bearer shares with a par value of EUR 1.

The DM 46 million in proceeds from the offering were used mainly to pay down bank debt (DM 30 million), while the remainder was allocated to production of new programs or deposited.



Investor relations

Investor relations plays a critically important role for publicly traded corporations, particularly those listed on the Neuer Markt. Investors are looking for more than just the legally-required minimum disclosure. The public interest in RTV AG attests to this fact. Our investor relations activities follow the basic corporate communications principles prescribed by the German Financial Analysts Association (DVFA). By dint of an open, direct dialogue with shareholders, analysts and potential investors, we enhance their trust and their ability to evaluate the stock properly.

To this end we have taken several initiatives:

- assigning responsibilities at the Managing Board level for finance and the staffing the investor relations department
- scheduling financial road show presentations and analysts and investors conferences
- adopting a comprehensive communications program.

Last year, a record 166 German firms were newly listed on the German stock exchange. By year-end, shares of 201 firms were trading on the Neuer Markt alone. Of these, 20 (10%) were in the entertainment sector. RTV AG enjoyed one of the most successful debuts on the Neuer Markt in 1999. By year-end, the offering price of EUR 8.3 had multiplied by some 500%. Over the same period, from June 8 to December 31, 1999, the Neuer Markt index (Nemax All Share) rose by 43.6% to 4,572.18 points.

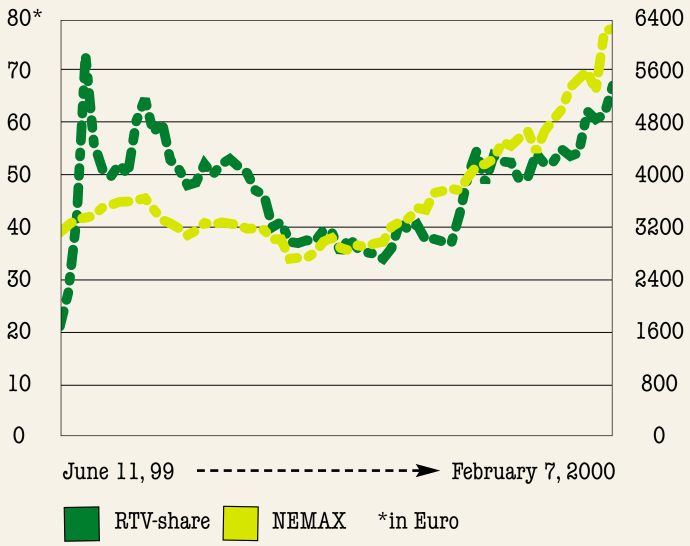
At EUR 24.9, the first trade of our shares exceeded the issue price by 200%. Shortly thereafter the stock vaulted to its record level for the year by closing at EUR 82.0. At year-end, the stock was quoted at EUR 49.1 (final quote on the floor of the Frankfurt exchange), or about 100% higher than on the first day of trading. In the first 147 days of trading, some 3.7 million RTV shares changed hands, accounting in aggregate for a sales volume of about EUR 192.4 million. The company's market capitalization at year end was EUR 509 million.

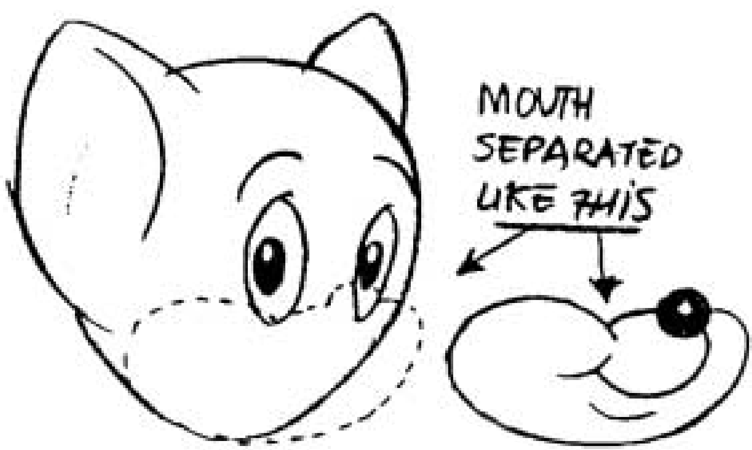
The stock responded very favorably to news of several RTV deals. The announcement in October of a cooperation agreement with Energee Entertainment Pty Limited (Australia) led to a 4.1% gain, and the December news of the Nelvana deal caused a 16.4% run-up.

Summary

Stock identification number	706 020
Offering price	EUR 8.30
1999 high (market close on 6/24/99)	EUR 82.00
1999 low (market close on 6/15/99)	EUR 20.50
DVFA earnings per share	EUR 0.52

Stock price trend





Business lines
Summary

In terms of the number of its co-productions RTV Family Entertainment AG is today one of the leading European producers and a foremost European distributor of children and family television programming. The company specializes in high-quality animated programs, live action productions, television magazines and quizzes.

RTV grew out of the business of Ravensburger AG which in the early 80ties started to move into what was called the “New Media.” At that time our parent company charted the course RTV was to take by developing new business opportunities in children and family entertainment.

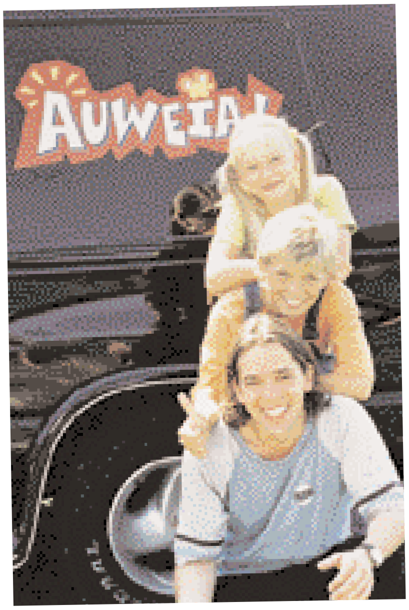
In the past two decades we have created an entirely new value-added chain. We acquired and developed film rights, ideas, broadcast formats and scripts; produced and co-produced programs and films; launched the distribution of films and broadcast rights both in Germany and internationally and also capitalized on the accrued ancillary rights by way of merchandizing. The chain has now been supplemented by the most recent cooperation agreements and acquisitions.

RTV disposes over a broad-based portfolio of attractive rights to films – animated, live action films and documentaries – for utilization in and outside Germany. Of the company’s inventory of 3,966 episodes (as of December 31, 1999) 80% are animated productions.

Excellent, long-standing business relationships are being maintained with nearly all German and many international broadcasters. Outside the Federal Republic we can rely on cooperative ventures and business partners that are part of an extensive network that we have built over the years. These companies now function both as RTV’s co-producers and licensees. Besides German-speaking countries, we operate in other major markets, chiefly in Eastern Europe, Scandinavia, Benelux, but also in England, Canada, South Africa and France. Most recently the U.S. and Southeast Asian markets have become increasingly significant. We have particularly good contacts with Canadian, Australian, French and Spanish studios.

As a marketer of ancillary rights owned by the company and others, RTV has also been active in merchandising since the early 90ties. This business is largely focused on German-speaking areas. However, opportunities are already being exploited in Europe and beyond. Among the most successful ventures are the merchandizing rights to such characters as Käpt’n Blaubär (Capt’n Bluebear), Philipp the Mouse, Fix & Foxi and Urmel.

In late 1999 and February 2000, we closed three major deals that must still be approved by the Annual Meeting. These deals involve a cooperative venture with Nelvana, the largest independent producer of animated and family programs in North America; the acquisition of a majority interest in Energee, an Australian producer; and a strategic partnership with CLT-UFA, Europe's largest television and radio group. We are confident that all three transactions will lead to a substantial expansion of our international program library, the acquisition of international licensed rights, extensive cooperation agreements as well as the addition of in-house studio capacity in Australia. As a result, our business will become significantly more international in scope.



Get children's name

Get children's names
"Six of a Kind"

Business lines
Production/Licensing

Our core business - developing, producing and licensing children's and family programming — represented 77% of 1999 group sales, up from 73% the previous year. In addition to our own new productions and purchases of selected programs from other companies, we also co-produced seven other programs last year, compared with five in 1998.

Animated series and films accounted for more than 75% of the productions. In addition, we produced live action movies as well as animal and nature programs. The television rights to most programs typically remain in force for at least 20 years. In the future, we plan to gradually expand our range of programming to target adult viewers.

Besides developing concepts and programming, RTV also works with a wide array of German and international authors and scriptwriters, licensors, licensees and production companies. In addition, we track market trends closely and acquire a constantly growing inventory of ideas, concepts and projects. We have secured contractual rights to Ravensburger AG's large pool of ideas for games and book rights.

Co-production consortia

Film and television production companies typically form international consortia in order to complete large-scale projects and market them internationally. The partners share costs and proceeds commensurate with their participation. The scale of our investment in a project determines the range of rights we receive, both in terms of format (broadcast television, pay-TV, video, etc.) and geographic area. Henceforth we will intensify partnerships with international studios, raise our share in productions through increased equity exposure and international marketing.

RTV handles pre-production work (content development, script, design) and coordinates post-production tasks (dubbing, music, special effects, mixes). Until recently, we outsourced animation work to partner studios while supervising production with particular attention to budgets, quality and international marketability. With our new studio capacity available through Energee, we plan to consolidate a large part of this work in house. Moreover we plan to launch more companies and purchase other production firms equipped with studios.

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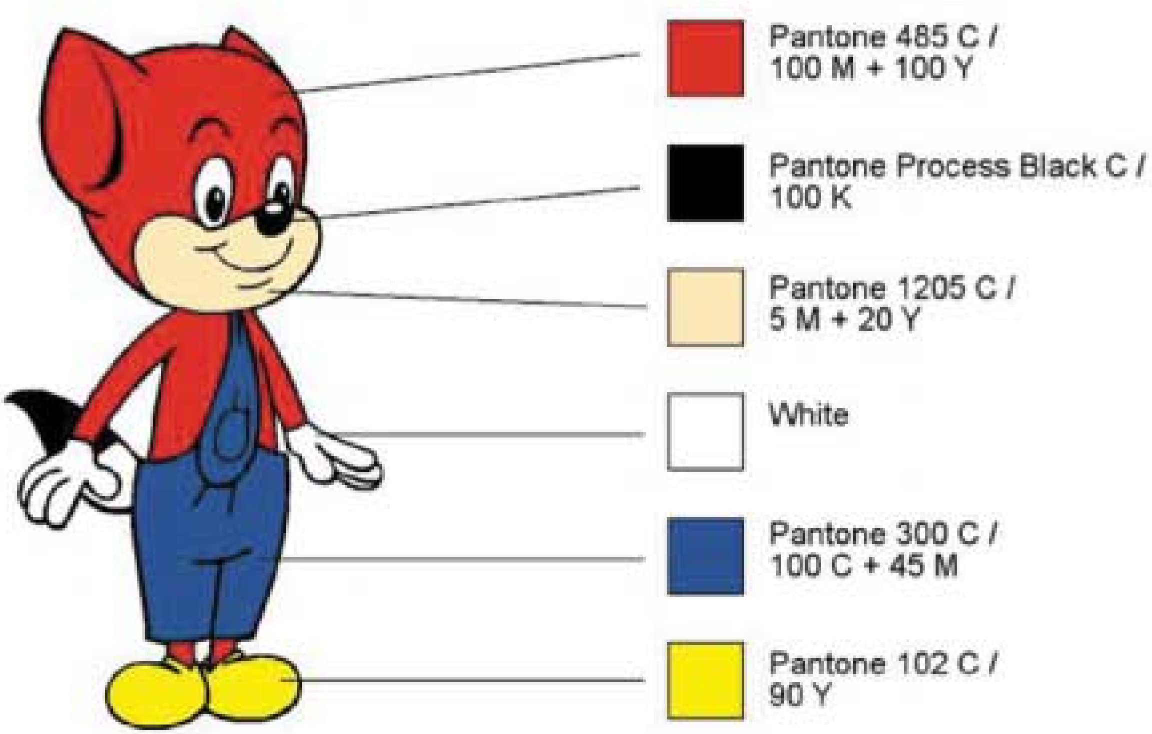
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Pre-financing minimizes risks

To minimize production cost risks, some license rights are presold. Production usually starts only after pre-selling has covered, on average, between 50% and 70% of the costs. License sales to one or more media networks in such major markets as Great Britain, Germany or France secure a major share of the refinancing. Upon completion of production, broadcast licenses are sold for a limited period. Subsequently, the rights revert to RTV and can be remarketed.

Film rights acquisitions

We are continuously expanding our program library through selective acquisitions of German and international film rights. Through national as well international market research, we keep track of available resources and other projects in the works, and assess their potential. Where appropriate, we acquire the programs, edit and synchronize them to meet our own needs. These acquisitions are used in our own productions and/or resold. Program segments from acquired productions are especially useful when integrated into our magazine shows. This system creates opportunities for combining our own work with acquired productions or in other cases with materials produced by the broadcast networks. Thus program packages can be customized to fit the quality, diversity and volume requirements of each customer. In years to come, program packaging will play an even greater role.

Producing commissioned projects

In 1999, production of commissioned projects contributed 6% of total sales, down from 17% the previous year. This decline is attributable to our deliberate focus on RTV's production/licensing business and sales of ancillary rights/merchandising. We have produced projects on commission since the mid-1980s and now produce about one to two weekly broadcast series annually.

Commissioned by the networks, these projects typically consist of television series, magazine and quiz shows. From the initial concept to final product, we do the creative, development and production work.

Most of our commissioned work is for the German television networks. After they approve the concept, RTV employees and associates assume complete responsibility for implementing the project.

For quiz and magazine shows as well as entertainment shows, RTV handles pre-production and production. Studio space is rented and personnel hired for each project. Some particularly successful shows in recent years include Memory, Nobody is Perfect and Sechs Richtige (Six of a Kind).

Philipp: Scene ok?

RTV is compensated for producing these programs and does not incur any marketing risks. Production rights are assigned to the commissioning network. Possible broadcast format rights are retained by RTV and can be exploited long-term and worldwide.

Success in commissioned projects business

During the past 19 years, we have made significant contributions to children's and family programming on German television networks. New and interesting formats such as our quiz and magazine shows, notably the Käpt'n Blaubär and the Philipp series, have been network staples for years.

New film clip

	Total no. of episodes	of wich 25-50 minutes	of wich 3-15 minutes	of wich advertisement	No. of animated	No. of live action	Scope per hour per episode worldwide	Europe	German-speaking regions	Total
RTV	3340	1880	1249	219	2546	799	156	470	494	1120
							(465)	(1405)	(1470)	
Nelvana	626	526	65	35	522	104	-	280	-	280
								626		
Total	3966	2406	1314	254	3068	903	156	750	494	1400

We have been in the forefront of spotting trends such as family-oriented entertainment and developing their commercial potential. Many of our new productions, such as the entertaining Auweia show, are positioned in this market segment.

As in the production/licensing sector, our close relationships with writers, rights holders, agents and trend spotters play a key role in producing commissioned material. We therefore cultivate these relationships in Germany and abroad. Moreover, we make use of the rights, described above in the section on production/licensing, to access material developed by Ravensburger AG.

Business lines
Merchandising

Merchandising supports the success of television productions

In fiscal 1999, merchandising accounted for 16% of total sales, up from 10% the previous year. Most of this business is currently concentrated in Germany, Austria and Switzerland, but will in the future be expanded to the rest of Europe, North America and Asia. In order to assure that our content remains market-driven, we will implement a system to receive feedback at every stage of development, from content development to production, distribution and even merchandising.

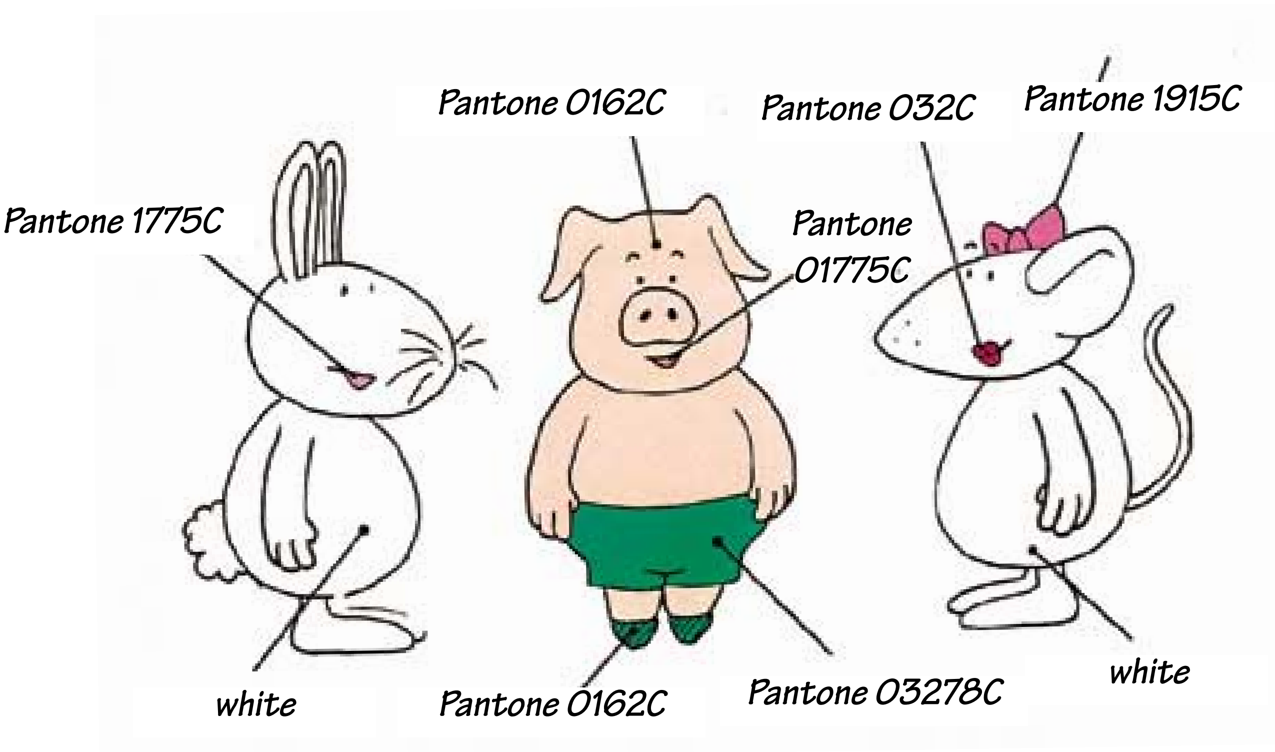
Despite the rapid growth in recent years, Germany's merchandising market is still in its infancy. It has a tremendous potential for professional marketers of trend-setting concepts with an image transferable to a product. Moreover, manufacturers are recognizing that merchandising presents a unique positioning opportunity for their products. Through an optimized, coordinated marketing effort, we achieve enormous cross-selling benefits for RTV's television characters and merchandise. The licensing of well-known television cartoon characters has strong appeal for toy, textile, paper goods and food manufacturers and dealers. By the same token, the cartoon characters also benefit accordingly when their television exposure is backed by extensive merchandising. This principle is especially true for new productions. The character's role in the marketplace and on television stimulates the interest of target audiences more rapidly and at the same time enhances its effectiveness.

High product quality and character-oriented merchandising

Quality and exciting entertainment play a key role in productions and merchandising. Prestigious firms license characters such as Philipp, Fix & Foxi and especially Käpt'n Blaubär, who accounts for 75% of our merchandising sales. We plan to back these characters over the long term and find first-rate licensees. Their merchandising exposure must be consistent with their image on television. The adventures of the RTV figures on television should be reflected in high-value merchandising products.

RTV's product licenses are designed to cover specified merchandise, territories, durations, product volume and distribution channels. Licensees pay royalties accordingly. We are the merchandising agent for Käpt'n Blaubär and therefore collect all related commissions.

We develop individualized, long-term marketing concepts for each character and go over them in detail with the licensee. We typically grant product merchandising licenses for a minimum of four years. Thereafter the rights revert to us for further utilization.



Success in merchandising

In 1999, our merchandising business again made considerable progress. Even before the launch of the Fix & Foxi show in January 2000, its stars ranked as two of RTV's most successful characters. Altogether we granted more than 100 different Fix & Foxi licenses to such companies as Vedes, McDonald's, the Egmont Ehapa publishing house and the Ravensburger Group of companies.

Last year, we augmented our portfolio with other attractive merchandising licenses, including rights to the Knickerbocker Bande (Knickerbocker Gang) adventures, the Verstehen Sie Spass (Can you take a Joke) as well as merchandising rights to Michael Schanze, the television moderator.

Fix & Foxi

Company	Licensed products	In retail store
Vedes Group	- Stuffed animals - Paper products - Gift items - Party accessories	March 2000
McDonald's	- "Fix & Foxi" products in small bags	May 2000
Egmont Ehapa	- monthly "Fix & Foxi" comics (circulation: 150,000)	April 2000
Ravensburger AG	- Books - Games - Ravensburger Spieleland (toyscape) - Audiocassettes - Videos	As of year 2000

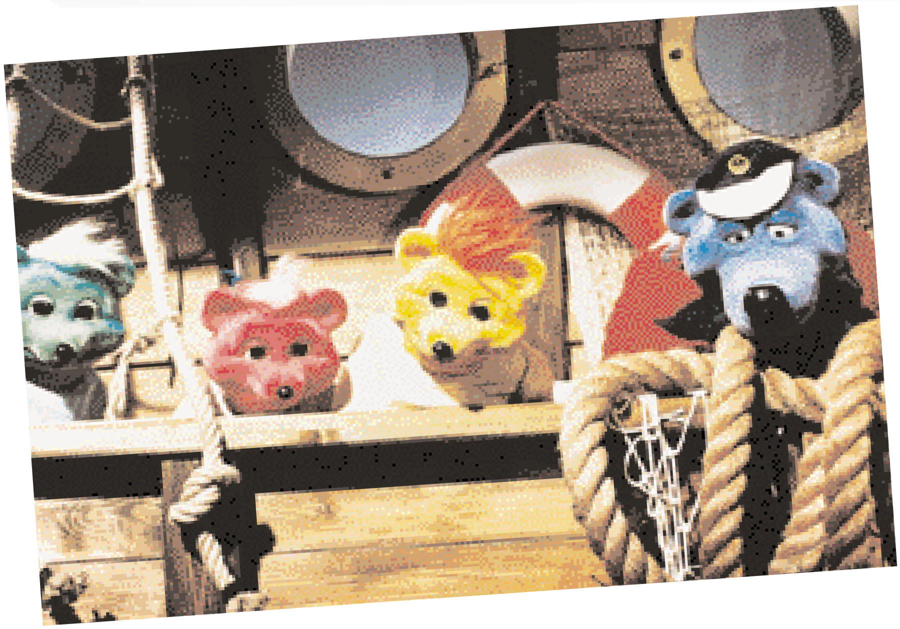
Käpt'n Blaubär

Company	Licensed products	In retail store
Aral, Federal-TransportationMinistry, German Traffic Authority	- Second edition (more than 2 mil,) of "Käpt'n- Blaubär's Traffic Manual"	since Nov.1999
Eckes Granini	- "High C" with "Blaubär" surprise package	since fall 1999
Haribo	- Development of new type of "Käpt'n-Blaubär" candy	2000

Philipp

Company	Licensed products	In retail store
Goldbuch Verlag (publisher)	- Extensive assortment of paper goods	2000

Check film clip sequence for Capt. Bluebear!!!



Report of the Managing Board
Markets and Competition

German television market
Germany is currently Europe's leading television market and the world's second largest. Almost all of nearly 33.3 million households with televisions have one or more color TV sets. More than 79% receive their signal via cable or satellite (source: Kagan World Media, 1998).

Average daily viewing; network market shares in 1998
In 1998, according to an AGF-GFK analysis, average daily viewing for people over the age of 3 totaled 188 minutes, and for those over the age of 14 was 201 minutes. Because average daily viewing by various audience segments has remained relatively constant in recent years, networks increasingly compete for market share and viewers on the basis of program content and their rank in advertising effectiveness (source: The European Television Industry in the 21st Century, 1998).

In this effort, television networks intensify their cooperation with reliable associates and/or resort to proven material and concepts. More and more networks acquire complete programs or programming segments. At the same time they seek to secure access to broad-based program resources and broadcast rights in the form of output deals* and co-productions.

Thus networks gradually build up their own program libraries as well as attractive program segments for future needs.

* The customer (station, dealer) commits to take all current and future productions of a supplier. An output deal can be restricted to certain types of programs or encompass the entire output. Such arrangements facilitate planning and budgeting for both producer and customer.

Digital technology is expected to lower transmission costs to as little as one-tenth of current levels and will likely prompt the creation of a variety of niche channels targeting specific target audiences. This technology will not only make a multitude of networks available, but also generate considerable demand for new types of programming. The success of these niche networks will depend as much on program quality as it does on achieving the lowest possible costs for purchasing programs. Such acquisitions will not only involve broadcast rights, but also entire blocks of programs and broadcast formats furnished by service organizations and producers.In addition to these general trends, the market for children's and family television programming evidences a number of other specific trends.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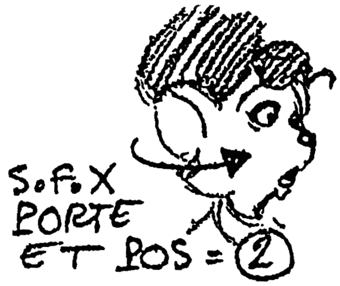
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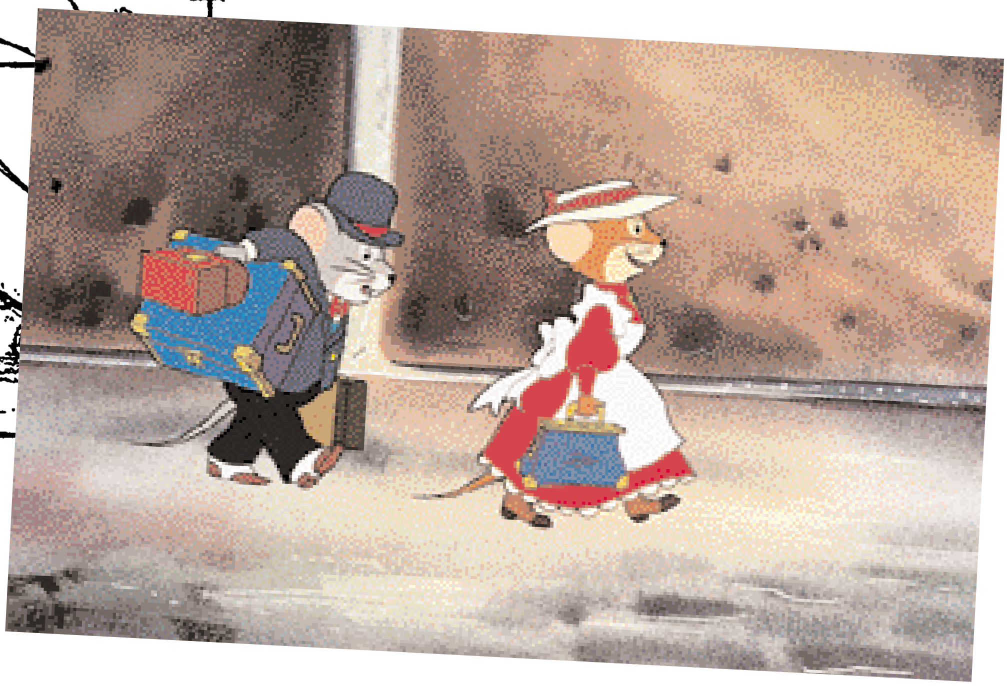
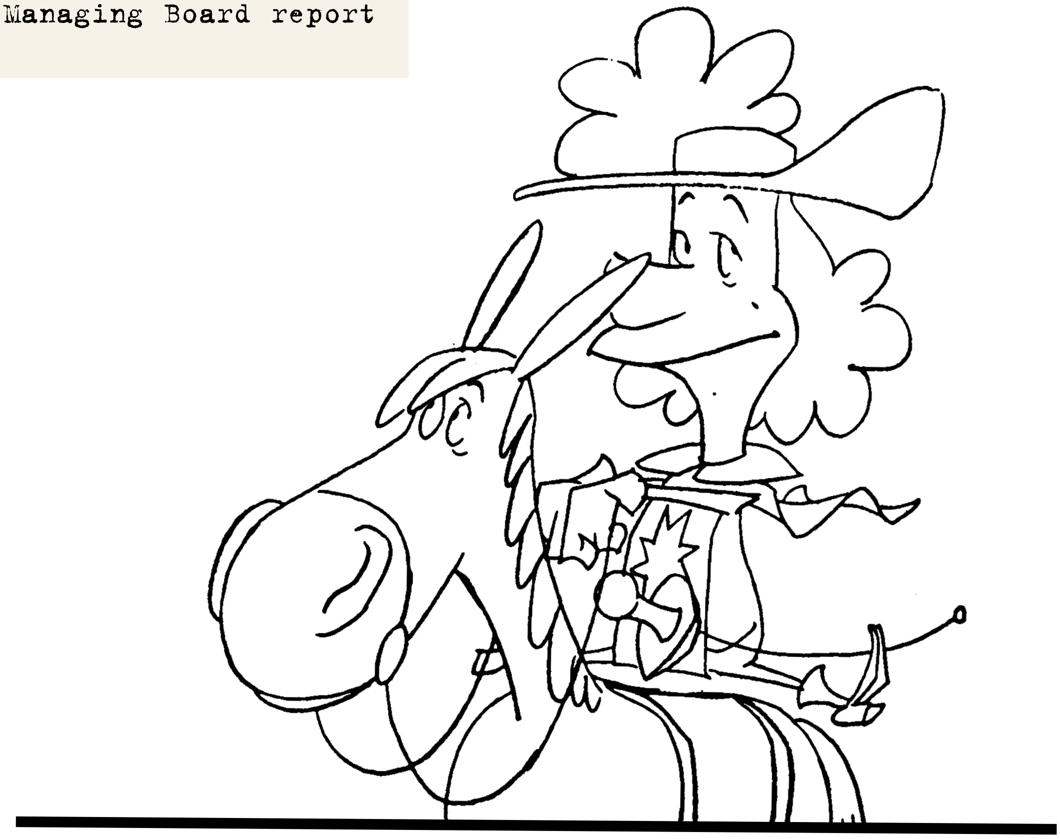
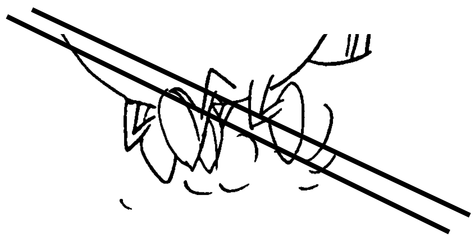
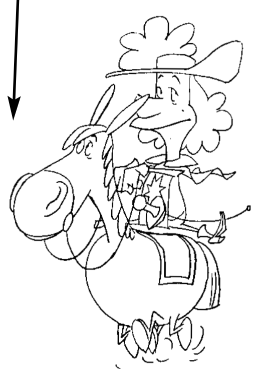








Media research reveals that German households with televisions include 8.97 million 3- to 13-year-olds, who averaged 97 minutes of television viewing daily in 1999 (source: AGF/GFR PC/TV/Super RTL media research).

A 1999 report by Media Control GmbH revealed that the 3- to 13-year-olds watched animated programs on the following networks: Super RTL (the market leader with 26.9%), RTL II (23.8%); RTL (21.4%); and Pro Sieben (18.5%).

In order to maintain or improve their position, these networks are increasingly counting on high-quality animated programs. They are creating new material and formats, and are also capitalizing on known characters with substantial merchandising potential. The programming trend also favors magazine-show formats, quiz shows and animal and nature documentaries, whose appeal spans all age groups. Such shows reach larger target audiences and build greater long-term viewer loyalty.

Albert screaming

European television market

The European television market represents essentially a mirror image of the German market. In 1999, more than 170 million households in Europe had televisions, although only about 30% of those households receive cable service (source: SES/Astra Satellite Monitors). On average, European viewers watch roughly three hours per day.

From 1989 to 1997, the number of television networks in Europe tripled to 250. In keeping with the German trend, European advertising revenue growth rates slackened from 19.6% in 1997 to 18.4% in 1998, as revenues rose from $7.3 billion to $8.7 billion (sources: Multichannel News International; Frost & Sullivan, European Market for Cable Communications, 1998). The relative constancy of average overall television viewing intensifies competition for popular programs with pan-European advertising appeal, which enhance network revenues. Due to the similarities in their starting positions, the European markets react nearly identically to changing demographics and technology. Most networks respond by resorting to cost reductions, consolidation and outsourcing (source: The European television Industry in the 21st Century, 1999).

International production and licensing markets; competition among its suppliers

Apart from the United States, the international market for producers is sharply fragmented. In order to satisfy the demand for high-quality programming with international appeal yet stay within the same budget, producers are forming consortia to ensure global marketability from the outset and to market broadcast and ancillary rights widely (source: 2nd World Summit on Children's Television, London 1998).

In that respect, the inclusion of producers from most major European markets (especially Germany, Great Britain, France and Spain) as well as North America (in particular the United States) are essential for the success of programs. The partners in each country seek to air the shows on the strongest networks, thereby paving the way for successful international sales and optioning of ancillary rights.

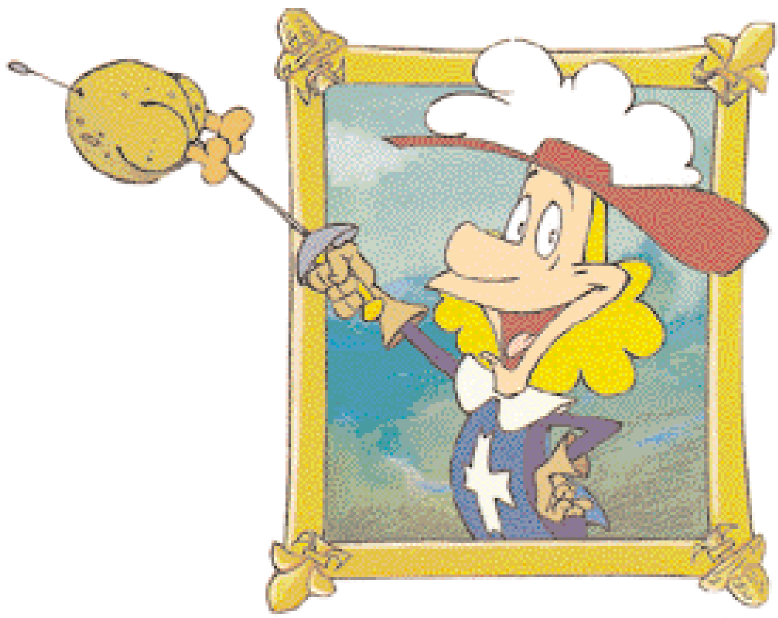
Broad-based marketing of ancillary rights, namely merchandising, often achieves multifaceted cross-promotional effects, as the television show and merchandise provide reciprocal marketing support.

In addition, companies work together or form joint ventures to market their respective program portfolios. National and international firms also look to exploit the entire value-added chain through acquisitions or other initiatives. Thus they acquire production studios, form distribution organizations, open merchandising offices in their major markets or acquire interests in television networks. The Disney group and major international production studios are the principal suppliers in RTV's markets. Several largely national suppliers are also becoming more active internationally, including ITEL, HIT, Saban, TV Loonland AG, EM.TV and BKN International AG.

Customers and distribution

Our customers, co-production partners and licensees for our commissioned and proprietary productions and merchandising include numerous well-known television networks along with German and foreign companies. In recent years, our two largest customers — not the same from year to year — accounted for between 30% and 35% of our sales.

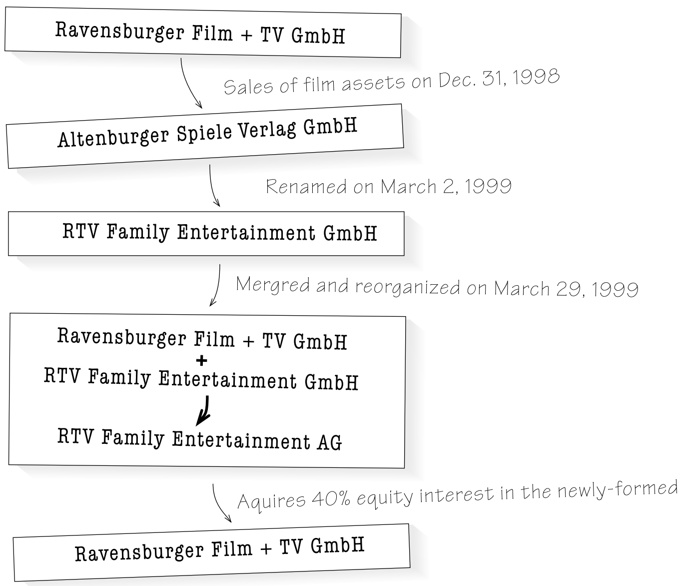
In our core businesses (productions, co-productions and licensing), the leading German and European television networks comprise our most important customers and licensees. We maintain relationships with practically all German networks as well as major licensing agents and co-producers. Currently we have about 10 customers in Germany and other German-speaking parts of Europe. In the past, our six largest customers in this sector accounted for about 75% of our business.



Corporate status

Company history

Effective December 31, 1998, Ravensburger Film + TV GmbH sold its entire unrestricted film assets including rights to related advances to Altenburger Spiele Verlag GmbH. On March 2, 1999, Altenburger Spiele Verlag GmbH's shareholders approved changing the company's name to RTV Family Entertainment GmbH and transferring its headquarters to Ravensburg. Pursuant to a March 29, 1999 agreement, Ravensburger Film + TV GmbH was merged with RTV Family Entertainment GmbH, the acquiring company. Also on that date, Ravensburger AG, the sole shareholder, chose to convert RTV Family Entertainment GmbH into a stock corporation. This change was entered in the Commercial Register at the Municipal Court in Ravensburg under HRB 2027 on April 16, 1999. The company is now known as RTV FAMILY ENTERTAINMENT AKTIENGESELLSCHAFT (RTV). It acquired a 40% equity interest in the newly founded Ravensburger Film + TV GmbH, whose mission is to produce television shows and sell the resulting license rights.



1999 in review

In 1999, we completed and supplied around 180 hours of television programming, produced on commission or as co-productions for German and international networks and partners. Although the total number of hours produced in 1999 was only slightly higher than the 175 hours produced in 1998, the number of program hours for our own repertory rose from 100 hours in 1998 (with the remaining 75 produced on commission) to 130 hours last year. With the completion of Fix & Foxi, a major project, the television business accounted for 77% of sales, a larger share of the total. Co-productions such as Brother's Flub, Urmel and Robinson Sucroe also contributed markedly to the build-up of business. The ratio of commissioned and co-productions changed in our favor. Revenues from co-productions and licensing increased from DM 26.0 million to DM 29.7 million, while those from commissioned productions declined from DM 5.9 million to DM 2.4 million. These results helped solidify our position as a strong, independent producer in Germany. At the international level, we increased sales in other European countries, North America and Australia, and these foreign sales represented 40% of the 1999 total, up from 18% in 1998. Thus our position as a European producer, co-producer and supplier of superior children's programming was even further strengthened. Moreover, we increased merchandising sales by 80%, from DM 3.6 million to DM 6.4 million, a gain that exceeded our 1998 projection. The expansion was based again on the strength of licensing Käpt'n Blaubär characters. Fix & Foxi, which accounted for 20% of merchandising revenues, also made a major initial contribution. Thanks to reduced materials costs, our gross margin posted a substantial increase and earnings from ordinary operations jumped 68%.

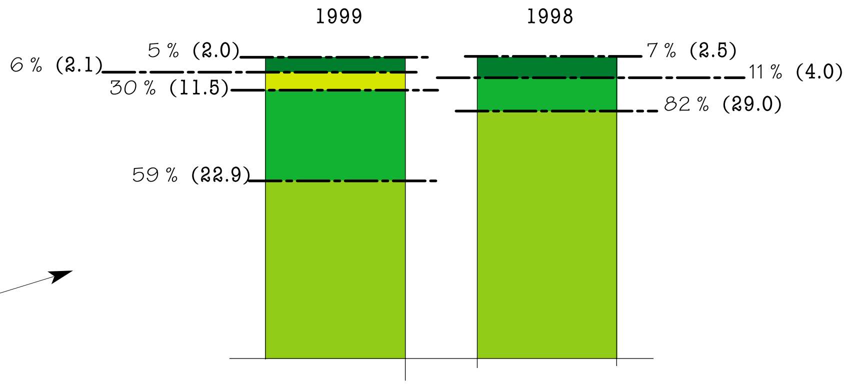
Sales

In 1999 RTV sales increased by 8.3% to DM 38.5 million

Sales by geographic lines

in % (DM million)

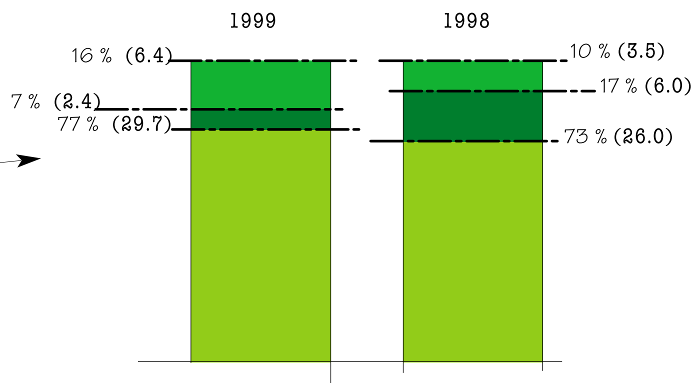
Germany
United States
Rest of Europe
Rest of World



Sales by business lines

in % (DM million)

Repertory program
Merchandising
Commissioned productions



Production and sales

PROGRAM LIBRARY

Of the 180 completed television program hours supplied last year to national and international networks, some 130 hours were productions and co-productions (i.e. repertory programs) added to our program library. This represents a substantial increase over the equivalent total in 1998, i.e. 100 program hours. Last year's new productions expanded our library resources by 165 animated episodes and 85 live action films (of which 46 episodes were animal documentaries). The scope of our licensing was also substantially enlarged by these productions and co-productions. We retained all or part of the European or global rights on most of the productions, including Fix & Foxi, Brothers Flub, Patrol 03, Inspector Mouse and animal documentaries.

At year-end, we boosted our library resources considerably with the acquisition of an extensive catalog of programs from Nelvana, the Canadian production company. The package consists of 280 program hours, or 626 episodes, of which 522 are animated. The acquired program rights cover German-speaking Europe, Eastern Europe and, to a large extent, Scandinavia and the Benelux countries.

The combination of our own 1999 productions and the acquired Nelvana package boosted our program library inventory from 990 program hours, or 3,090 episodes, at the beginning of the year to 1,400 program hours, or 3,966 episodes, by year-end. In the process, the number of animated episodes increased from 2,381 to 3,068, while the number of live action episodes rose from 709 to 898.

SALES

New orders totaled nearly DM 32.4 million in 1999, up from nearly DM 1.25 million in 1998 after adjusting for the one-time sale of Käpt'n Blaubär rights. Last year's new orders from outside Germany represented 42% of the total, which was substantially higher than the 15% recorded in 1998. This increase was due to: 1) a growing number of international co-productions such as Brothers Flub, The Adventures of City and Country Mouse, animal documentaries, etc.; 2) the cooperative venture with, among others, Nelvana; 3) license sales or advances on current new productions, including Fix & Foxy and Brothers Flub; 4) productions from the existing program library, such as Urmel or Robinson Sucroe.

New orders from within Germany grew at a slower rate overall, primarily as a result of the relocations of co-productions and co-production partnerships to sites outside the country. On the other hand, productions commissioned directly by German television networks and other direct users such as video distributors rose by 34% to reach DM 11.25 million. Among the factors driving this increase were the renewal of DVD rights held by RTV or impending DVD rights sales, as well as the continuation of Philipp's Animal Hour, a magazine-type show it its fourth consecutive year on SWR TV's children's channel.

RTV performed satisfactorily last year despite continued sluggish demand from German television networks to acquire broadcast rights or order new productions, and despite mounting competition from strong domestic suppliers and a growing number of foreign suppliers in the German-language market. We decisively improved our international position through an increased licensing rights portfolio, co-production agreements, cooperative ventures with production partners in major markets (e.g. Nelvana in Canada, Sunbow/Sony Wonder in the United States, Energee in Australia) and an expanded distribution organization.

Sales of repertory and commissioned programs in Germany totaled DM 16.5 million, or 43% of the 1999 total. That compares with DM 16.9 million in 1998, adjusted for the one-time sale of rights to Käpt'n Blaubär, or 48% of the total.

The favorable trends in foreign markets gathered substantial momentum in 1999. Whereas non-German sales represented just 17% of the total in 1998, they jumped to 41% last year, i.e. nearly DM 15.6 million. A slight decrease in Eastern Europe and Scandinavia relative to the previous year was more than offset by revenues from co-productions and license sales in other parts of Europe. Moreover, we are in a position to quickly offset temporary declines in East Europe through advance sales of program packages to Hungarian and Polish networks.

Sales of ancillary rights/merchandising

Since 1992, we have marketed RTV's broad range of merchandising and ancillary rights. In 1999, merchandising sales represented 16% of the total, up from 10% the previous year.
To date, we have focused our rights sales on Germany, Austria and Switzerland. We also sell rights in Eastern Europe and other European Union countries. In the future, we want to make Europe our regional focus and ultimately expand into North America and Asia. By April 1, 2000 we expect to have enlarged our sales force considerably.

We pay special attention to exploiting RTV's merchandising rights and developing them into strong broad-based rights with long-term potential. To increase brand awareness, we plan to furnish future productions with early feedback. Käpt'n Blaubär, Philipp the Mouse and Urmel are currently our leading merchandising characters. Our portfolio will become even broader, more attractive and more international with the new top-ranked Fix & Foxi themes, the projected Bussi Bear as well as a multitude of subjects now in the production or acquisition phase.

With each licensee, we determine the regional scope and duration of the license as well as product volume and distribution terms. Licensees pay royalties based on sales, with a minimum guarantee. In cases where RTV is both producer and license owner, all royalties revert to us. When RTV owns only part of the license, however, we receive royalties commensurate with our participation. In the event that RTV acts only as agent for a third party, we earn a commission based on the collected royalties.

Company organization

RTV's headquarters are located in Ravensburg, where Managing Board members Peter Hille and Arno Haselhorst have their offices, and in Mainz where Managing Board member Wolfgang Heidrich is based.

Merchandising is also handled by an affiliated office in Munich. Some of the international licensing business is conducted by an associate in Amsterdam. The Ravensburg headquarters handles all administrative procedures, commercial functions and contract work. New business development and sales of television, video and merchandising rights are also directed from Ravensburg, although these operations are scheduled to be transferred to a new Munich office in April 2000.

The Mainz office handles property and program development, pre-production and production administration and also coordinates co-productions and purchases of third-party programs.

Personnel

The average number of employees went from 23 in 1998 to 24 last year. They were assigned as follows:

Personnel	1999	1998
Managing Board	4	3
Corporate functions	3	3
Production	9	10
Sales/Marketing	4	4
Merchandising	4	3
Total	24	23

RTV also relies on a far-flung network of freelancers. These specialists, who are hired as required, work on program development, commissioned productions, rights sales and merchandising. Personnel costs rose by 28%, from DM 2.5 million to DM 3.2 million. The increase was largely attributable to adjustments in management compensation.

The extraordinary shareholders' meeting on May 6, 1999 approved the issue of contingent capital in the amount of EUR 400,000, or 400,000 shares, to be granted as options to members of the Managing Board and employees. Managing board members may receive up to a maximum of 45% of the options, and employees, as a group, up to 55%. The options are to be awarded in yearly blocks over a period of three years and may be exercised no sooner than two years after issue.

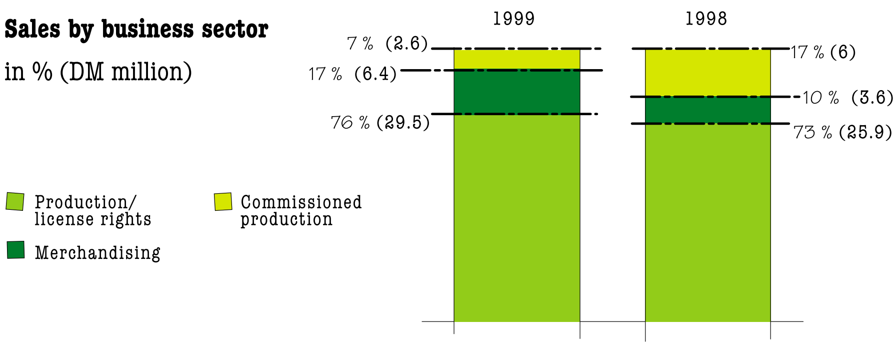
Participations/investments

In 1999 we built the foundation for strong growth and now plan a marked expansion of our position as an international producer of television programs and marketer of ancillary rights. Last year, we invested DM 33.4 million, mostly to acquire broadcast rights on commercial television networks in Germany (DM 19.1 million) and abroad (DM 11.2 million). We invested the remainder to acquire video and merchandising rights. In October 1999, we reached an agreement with Energee Entertainment Pty Ltd. to develop and produce at least 26 hours of animated films annually, which could increase our average sales by DM 20 million over several years. Since the end of 1999, we have been negotiating with Energee to broaden the scope of our cooperation. We also expect that the program package acquired from Nelvana in December 1999 will contribute at least DM 10 million in additional sales and boost pretax earnings by 70%. These agreements forge an alliance that is strategically and financially attractive in light of our objective to grow internationally and buttress our position in key markets.

At the end of 1999, we also entered into negotiations with CLT-UFA to acquire an extensive program package.

Sales by business sector

in % (DM million)



Financials

In 1999, RTV AG's total assets rose by DM 41 million, from DM 65 million to DM 106 million. Intangible assets increased from DM 46 million to DM 73 million, mainly as a result of the DM 20 million acquisition of the Nelvana program package. Accounts receivable remained essentially flat at DM 16 million. Other assets were higher by DM 4 million, largely due to the advance paid on the purchase price for Energee Entertainment Pty. The DM 11 million in liquid funds at year-end were largely raised through the public offering. The DM 20 million in subscribed capital consists of 10,375,000 shares with a par value of EUR 1. Additional paid-in capital totaled DM 41 million, which together with the DM 1.6 million in the group's share of net income brought RTV AG's total shareholder equity to DM 63 million. Provisions increased by DM 2 million to DM 5 million, with Other Provisions higher by DM 1.4 million as a result of the public offering. Although total liabilities decreased by DM 22 million, the first payment on the Nelvana transaction increased liabilities to banks and credit institutions by DM 10 million.

Significantly expanded co-production activities (Nelvana) led to a DM 19 million rise in accounts payable, but were offset by a DM 45 million decrease in liabilities to affiliated companies as a result of the public offering.

Liabilities to banks

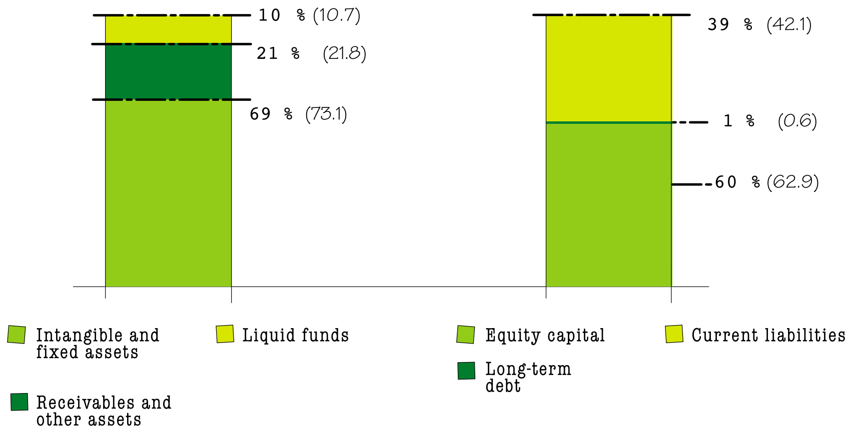
To meet short-term liquidity needs, the cash pool system maintained by Ravensburger AG enables its corporate units to invest and raise funds short-term. DM 10 million in funds were drawn against some DM 11 million in liquid funds.

In the past, currency transactions denominated in dollars were hedged through forward contracts instead of netting. In view of our projected internationalization of production and sales, however, we expect to introduce an improved hedging mechanism in the years ahead.

Income statement

Sales increased by 8% to DM 38.5 million in 1999, compared with DM 35.5 million the previous year. The increase was largely driven by sales of animated film production/licensing.

Asset and liabilities
in % (DM million)



Sales by business line

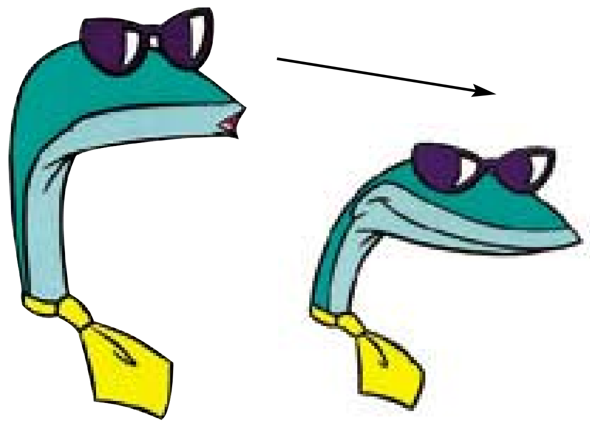
The clear shift away from commissioned productions toward more co-productions reflects our strategy to retain rights for long-term use. Animated films account for 76% of sales; animal documentaries and television series contribute the remainder in equal measure.

Earnings from ordinary business operations rose by 68% to DM 10.2 million, principally as a result of the increased sales and share of co-productions.

In this context, the average share of rights per production increased from 20% to 40%. Average sales per hour of programming produced rose from DM 148,000 to DM 164,000.

Earnings trends 1998-1999

DM million	1999	in %	1998	in %
Sales	38.5	98.5	35.5	95.7
Total production	39.1	100	37.1	100
Cost of materials	2.5	6.4	17.0	45.8
Personnel expenses	3.2	8.1	2.5	6.7
Depreciation	6.4	16.4	0.2	0.5
Other operating expense	16.8	43.0	11.0	29.6
Results of ordinary business operation	10.2	26.1	6.1	16.4
Extraordinary expense	6.9	17.6	0.4	
Extraordinary income			30.6	
Expense for tax on profit transfers from affiliates			21.7	
Expense for profit transfer to affiliate			14.6	
Pretax income	3.3	8.4		
Income taxes	1.7	4.3		
Net income for the year	1.6	44.1	0	0



Cash flow trends

In 1999, RTV AG's cash flow (calculated on a DVFA/SG basis) totaled DM 8.1 million. Cash used for operating activities was DM 26.3 million and resulted from the balance of net income and a number of partially offsetting changes in inventories, receivables, liabilities and provisions. Cash used for investing activities was DM 33.4 million, while cash provided by financing activities totaled DM 70.4 million. RTV thus ended the year with net cash of DM 10.7 million. A detailed cash flow statement appears in the Financial Statements.

Cash flow

DM million	1999	1998
Net income for the year	1.6	14.5
Depreciation of fixed assets	6.4	0.1
Changes in long-term provisions	0.09	0.06
Cash flow as per DVFA/SG	8.1	14.7

Cash flows

DM million	1999	1998
Operating cash flow	-26.3	-0.5
Cash used in investing activities	-33.4	-45.2
Cash provided by financing activities	70.4	45.7
Net cash	10.7	0

Earnings per share DM 0.52

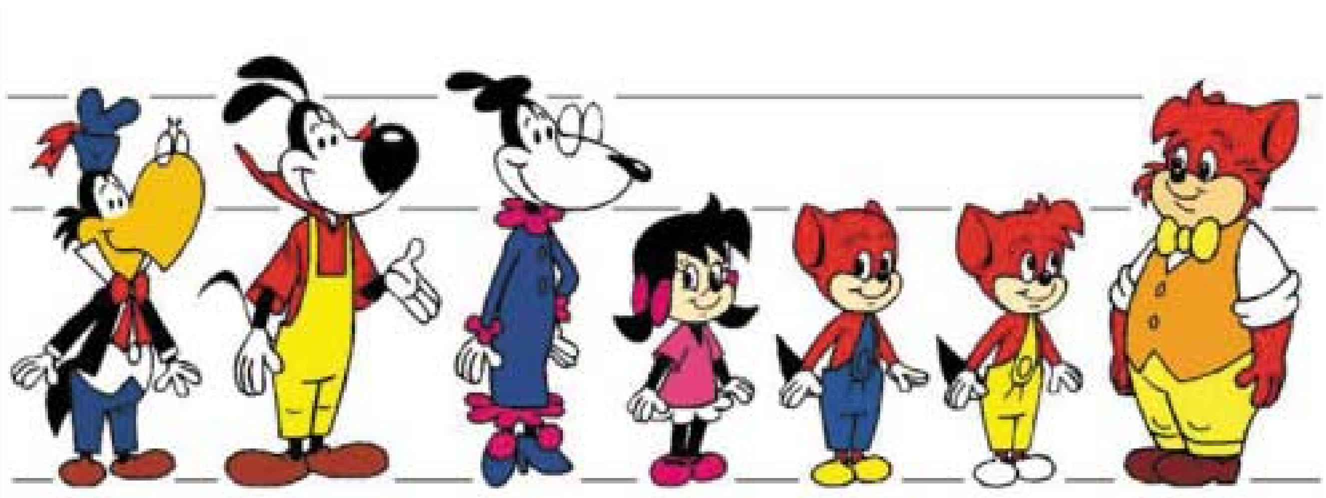
The DVFA/SG-adjusted group share of net income totaled DM 4.9 million in 1999 (up from DM 2.3 million in 1998) and yielded earnings per share of DM 0.52 per share (up from DM 0.30 in 1998). These results are based on 9.4 million weighted average share outstanding in 1999, compared with 7.5 million shares outstanding in 1998. Earnings per share thus increased by around 80%.

Dividend payout to shareholders

No dividend payout is foreseen for 1999.

DVFA/SG results

DM million	1999	1998
Results from ordinary operations	10.2	6.1
Income taxes	5.3	3.8
DVFA/SG results	4.9	2.3
Earnings per share (in DM)	0.52	0.3



Professor Knox | Lupo | Grandma Eusebia | Lupinchen | Fox | Fix | Uncle Fax

Risk management report

Competitive risks

RTV's film and television market is exposed to numerous external factors, such as prevailing attitudes toward consumption and leisure. Moreover, advertising market changes can affect programming and purchasing patterns of television networks. We assume that television viewing will increase and that channels targeting niche markets will become increasingly popular. To minimize risks we market license rights in advance. Generally, some 50% to 70% of production costs are covered by licensing even before the start of production.

The film and television market is also impacted by industry consolidation among producers as well as networks. This consolidation may influence sales and demand, and could possibly lead to capacity restructuring and bundling of rights. Larger entities and stronger alliances produce synergies and make high-quality productions attractive, profitable and efficiently marketable.

Dependence on networks

Despite the 4% equity interest acquired by CLT-UFA, RTV still operates independently of network groups and is therefore positioned to maintain relationships with all German and international companies providing children's and family programming. Our market consists of the entire spectrum from state-owned to private, commercial networks. Over the years, RTV has demonstrated its ability to adjust quickly to trends and the networks' needs.

Dependence on quality of television productions

Our business success hinges essentially on the content and technical quality of the programs, shows and films produced, co-produced or purchased. Sales of license rights before the start of production minimize cost risks.

Dependence on rights marketing

Our business success is also closely tied to our ability to market ancillary rights effectively (e.g. content and characters). License rights from co-productions and productions are more extensive and long-lasting than acquired ancillary rights. As of December 31, 1999, RTV's program library (including programs covered by the Nelvana cooperative venture but excluding those arising from the Energee and CLT-UFA transactions) consisted of 3,966 episodes, of which about 65% were licensed for more than 20 years on average. Before the public offering, RTV held between 20% and 30% of the rights. The company is now striving to average between 50% and 70%.

Integrating new business lines

The international expansion of our company in the past year has posed a considerable challenge for management as well as our operational and financial resources. Through existing and newly-introduced management processes, we are gearing our operating and financial systems toward continued growth. The recently inaugurated cooperation with Nelvana, the acquisition of Energee as well as the strategic partnership with CLT-UFA provide the basis for a substantial expansion of operations, not only in terms of our core business but also for the development of new business lines (i.e. in-house production facilities and new target audiences). The new business environment challenges us to demonstrate RTV's ability to integrate and coordinate different corporate cultures as well as exploit the potential synergies and growth. We will accomplish this integration successfully through our optimized management structure.Currency exchange fluctuations and hedging. As some productions are realized outside Germany, 40% of current costs are incurred in non-euro currencies, primarily in U.S. dollars. Yet sales are mostly invoiced in deutsche marks or euros. Following the transactions with Nelvana, Energee and CLT-UFA, a significantly higher share of costs will be incurred outside Europe, whereas sales in these regions will grow at slower pace. Hence we will remain exposed to currency fluctuations and will seek to counter their effects through hedging.

Future earnings fluctuations

In the past, our sales and operating results have experienced ups and downs, and these fluctuations will likely continue in the future. Moreover, we believe that these variants depend on such diverse factors as the scope and timing of an incoming order, time of project completion, sale of film and television rights, the impact of competition on average selling prices and our success in expanding the marketing and sales organization.

Results to fluctuate in future

In the past our sales and operating results have experienced ups and downs. Such fluctuations, we believe, also have to be expected in the future. Moreover, it is our opinion that these variants depend on such diverse factors as the scope and timing of an incoming order, time of project completion, sale of film and television rights, the impact of competition on average selling prices and our success in expanding the marketing and sales organization.

Ratification of agreements with Nelvana, Energee and CLT-UFA

The agreements covering the strategic partnerships with Nelvana and CLT-UFA as well the acquisition of a majority stake in Energee must be ratified by shareholders at the Annual Meeting and entered in the Commercial Register in order to become legally binding. Given the current shareholder structure, we expect the ratification will be approved at the May 4, 2000 Annual Meeting and that the Commercial Register entry will be completed shortly thereafter.

Supervisory board report

RTV Family Entertainment AG's public offering was the highlight of 1999. In a first step, the former Ravensburger Film & TV GmbH was converted into RTV Family Entertainment AG at the end of March. The Supervisory Board was constituted in April following the new company's entry in the Commercial Register.

The June 1999 initial public offering on the Neuer Markt in Frankfurt and capital increase laid the foundation for the company's strategic growth.

In 1999, the Supervisory Board was kept informed regularly, orally and in writing, about business developments, the company's status and its major investments. The board discussed major business incidents with the Managing Board and monitored management. The Supervisory Board met three times and its members also conducted extensive discussions with the Managing Board, especially at the time of the public offering. RTV Family Entertainment AG's Financial Statements as of December 31, 1999 as well as management's analysis of RTV Family Entertainment AG were audited by Ernst & Young Deutsche Allgemeine Treuhand AG, CPAs, and received an unqualified opinion.

The Supervisory Board approved the 1999 Financial Statements submitted by the Managing Board at its March 16, 2000 meeting, at which the auditors of the Financial Statements were present. The 1999 Financial Statements have therefore been duly approved and are final. The Supervisory Board concurs with the proposed appropriation of net income.

Effective September 1, 1999, Dr. Arno Haselhorst was appointed to the Managing Board as an additional member.

The Supervisory Board expresses its appreciation to RTV Family Entertainment AG's Managing Board and employees for their performance. Despite the added work resulting from the public offering, they made 1999 a success for the company and laid the foundation for its successful development in years to come.

Ravensburg, Germany, March 17, 2000

Dr. Detlev Lux

RTV Family Entertainment AG, Ravensburg
Balance Sheet as of Dezember 1999

Assets

	12/31/99	12/31/98
	DM	DM (000)
FIXED ASSETS		
Intangible assets		
License rights	71,428,325.00	45,670
Advances paid	1,323,000.00	0
	72,751,325.00	**45,670**
Tangible fixed assets		
Other assets, fixtures and equipment	239,979.00	0
Financial assets		
Equity interests	80,000.00	0
	73,071,304.00	**45,670**
CURRENT ASSETS		
Accounts receivable and other assets (6)		
Accounts receivable	16,066,668.87	0
Receivables from affiliated companies	1,462,163.62	52
Other assets	4,319,478.80	0
	21,848,311.29	
Cash and cash equivalents	10,683,423.12	0
	32,531,734.41	**52**
ACCRUED INCOME	**4,060.00**	**0**
	105,607,098.41	**45,722**

Liabilities

	Euro	DM	DM (000)
CAPITAL STOCK			
Subscribed capital	10,375,000.00	20,291,736.25	50
Additional paid-in capital		41,047,982.13	0
Net income for the year		1,603,298.09	0
		62,943,016.47	**50**
RESERVES			
Pension reserves		492,712.00	0
Provisions for tax liabilities		474,000.00	1
Other reserves		4,335,008.00	0
		5,301,720.00	**1**
DEBT AND OTHER LIABILITIES			
Liabilities to credit institutions		10,271,100.00	0
Advance payments on orders		661,573.34	0
Accounts payable		25,646,579.39	0
Amounts due to affiliated companies		664,456.68	45,671
Other liabilities*		118,652.53	0
		37,362,361.94	**45,671**
		105,607,098.41	**45,722**

* of which, DM 33,346.89 in tax liabilities (DM 289.11 in 1998)
of which, DM 54,038.21 in social security (DM 0 in 1998)

Income Statement

	1999 DM	1998 DM (000)
SALES	**38,491,264.30**	**0**
Other operating income	570,499.06	0
	39,061,763.36	**0**
Cost of materials		
Cost of raw materials and purchased materials	165,331,91	0
Cost of purchased services	2,291,940.70	0
	2,457,272.61	**0**
	36,604,490.75	**0**
Personnel expenses		
Salaries and wages	2,713,228.17	0
Social security	378,772.50	0
Pensions	78,110.00	0
	3,170,110.67	
Depreciation of intangible and fixed assets	6,422,798.18	0
Other operating expenses	16,813,639.75	1
	26,406,548.60	
	10,197,942.15	**-1**
Other interest and similar income	302,770.77	2
Interest and similar expenses	288,165.80	0
	14,604.97	**2**
Earnings from ordinary operations	**10,212,547.12**	**1**
Extraordinary expense	6,893,003.88	0
	3,319,543.24	1
Corporate tax	1,713,462.17	0
Other taxes	2,782.98	0
	1,716,245.15	**0**
Net income	**1,603,298.09**	**1**
Profit carried forward	0.00	0
Net income, group share	**1,603,298.09**	**0**

Cash flow statement

Cash flows from Januar 1 through Dezember 31, 1999

		1/1/- 12/31/1998
	DM (000)	DM (000)
Net income (1/1 to 12/31 1999)	1,603	14,474
Depreciation	6,423	148
Additions to long-term reserves	92	63
Cash flow (calculated on a DVFA/SG basis)	**8,118**	**14,685**
Proceeds from asset disposals	0	-280
Decrease in inventory	2,198	8,332
Increase in accounts receivable and other assets	-5,348	2,599
Increase in short-term reserves	1,807	2,322
Decrease in accounts receivable and other liabilities	-33,131	-28,121
Cash used for operating activities	**-26,356**	**-463**
Capital expenditures	-33,384	-45,771
Proceeds from asset disposals		550
Cash used for investment activities	**-33,384**	**-45,221**
Net increase in borrowings	10,271	45,670
Contribution to additional paid-in capital		2
Proceeds from capital increase	60,150	0
Cash provided by financial activities	**70,421**	**45,672**
Increases or decreases financial assets	10,681	-12
+ financial assets at beginning of year	2	14
Financial assets at year-end	10,683	2
Total financial assets		
Cash	10,683	5
	10,683	**5**

Changes in fixed assets 1999

12/31/99	Purchase cost 1/1/99 DM	Purchase cost Additions due to merger DM	Purchase cost Additions DM
Intagible assets			
Film assets and other rights	45,670,000.00	0.00	32,045,765.75
Advance paid	0.00	0.00	1,353,00.00[1]
	45,670,000.00	**0.00**	**33,398,765.75**
Tangible fixed assets			
Other assets, fixtures and equipment	0.00	646,740.26	215,889.43
Financial assets			
Equity interests	0.00	0.00	80,000.00
	45,670,000.00	**646,740.26**	**33,694,655.18**

[1] **Includes DM 311,000 from reclassification of advances paid (current assets)**

[2] **Reorganization of the advances paid (current assets)**

Purchase cost	Purchase cost	Accrumulated depreciation	Book value	Depreciation in 1999
Disposals	12/31/99			
DM	DM	DM	DM	DM
0.00	77,715,765.75	6,287,440.75	71,428,325.00	6,287,440.75
0.00	1,353,00.00	30,000.00[2)]	1,323,000.00	0.00
0.00	**79,068,765.75**	**6,317,440.75**	**72,751,325.00**	**6,287,440.75**
38,461.51	824,168.18	584,189.18	239,979.00	135,357.43
0.00	80,00.00	0.00	80,000.00	0.00
38,461.51	**79,972,933.93**	**6,901,629.93**	**73,071,304.00**	**6,422,798.18**

General information

The 1999 Financial Statements of RTV Family Entertainment AG, Ravensburg, were prepared in accordance with the regulations of the German Commercial Code (HGB).

The Income Statement was prepared in accordance with the total cost method (Gesamtkostenverfahren).

Following a resolution of the shareholders dated March 2,1999, the name of the Altenburger Spiele Verlag GmbH, Altenburg, was changed to RTV Family Entertainment GmbH and the company's registered offices were transferred to Ravensburg.

On the basis of a merger agreement dated March 29, 1999, Ravensburger Film + TV GmbH, Ravensburg, transferred all its assets, including all rights and obligations, to RTV Family Entertainment GmbH. This dissolution without liquidation and accompanying merger by incorporation was pursuant to Article 2, Para.1, and Articles 4 et seq. of the German Conversion Law (UmwG). As consideration, the shareholders of Ravensburger Film + TV GmbH received shares in RTV Family Entertainment GmbH. The transfer of the assets took effect at the end of January 2, 1999.

The Shareholders' General Meeting of March 29, 1999 approved the conversion of RTV Family Entertainment GmbH into a stock corporation through a change in its charter pursuant to Articles 190 et seq. and 238 et seq. of the Conversion Law (UmwG).

The Financial Statements for the year ending December 31, 1999 are not comparable with statements from the previous year since Altenburger Spiele Verlag GmbH did not carry out any business activities of its own.

Pursuant to an earlier agreement dated December 21, 1998, Altenburger Spiele Verlag GmbH had acquired the unrestricted film assets of Ravensburger Film + TV GmbH effective December 31, 1998.

Accounting principles and valuations

The balance sheet and the valuations were established in accordance with the following principles:

Intangible and tangible fixed assets were entered at purchase cost less standard depreciation. Intangible assets were depreciated using the straight-line method. Movable assets were depreciated using the accelerated method at the maximum allowable rates until the amount being depreciated was greater under the straight-line method, at which point this latter method was used.

The depreciation period corresponded to the assets' generally accepted useful life: 5 to 10 years in the case of film assets and other rights; 3 to 4 years in the case of motor vehicles; 2 to 10 years in the case of other operating and business equipment.

Immaterial investments of less than DM 800 were fully expensed in the year of purchase.

Equity interests in other companies were entered at their acquisition cost.

“Accounts payable” and “Other assets” were valued with allowances made for all recognizable risks. An overall allowance was also made for general credit risks.

Allocations to reserves allowed for all recognizable risks and uncertain obligations.

“Other liabilities” were entered using the amount due to be repaid.

Assets and liabilities denominated in foreign currencies were valued at the lower of the exchange rate on the day of the transaction or the year-end rate.

Notes to Balance Sheet

Fixed assets

Changes in fixed asset items are detailed separately in the “Changes in fixed assets” table.

With the partial purchase and transfer agreement of May 6, 1999, the company paid DM 80,000 to Ravensburger AG for a 40 % equity interest in Ravensburger Film + TV GmbH, Ravensburg, (formerly SPIEKA Spiele und Karten GmbH, Berlin). Ravensburger Film + TV posted a net loss of DM 9,000 in 1999, and as of December 31 of that year had total shareholders’ equity of DM 201,000.

Accounts Receivable and Other Assets

The bulk of the “Receivables from affiliated companies” concerns claims arising out of the current transaction with Ravensburger Film + TV GmbH, Ravensburg. The term period of these receivables is less than one year.

Items with a term period of more than one year are entered under “Accounts receivable” in the amount of DM 4,245,000 and “Other assets” in the amount of DM 57,000.

Capital stock

As of December 31, 1999, RTV Family Entertainment GmbH's capital stock consisted of 10,375,000 bearer shares, which are all fully paid up. As of 31 December 1999, Ravensburger AG, Ravensburg, owned 71.8 % of the capital stock.

The Shareholders' General Meeting on March 29, 1999 resolved to denominate the capital stock in euros. As of December 31, 1999, the company's capital stock totaled € 10,375,000 (DM 20,291,736.25).

In 1999, changes in the capital stock were as follows (figures in DM thousand):

	Shares No.	Capital stock DM (000)
January 1, 1999	-	50
Capital increase in connection with the merger	-	1,140
Capital increase by non-cash contributions	-	13,479
Charter conversion	7,500,000	14,669
Capital increase by cash contributions – initial public offering	2,500,000	4,890
Capital increase by cash contributions – greenshoe offering	375,000	733
December 31, 1999	10,375,000	20,292

The "Additional paid-in capital" represents premiums paid for the shares over and above their par value. In 1999, changes in this entry were as follows:

	DM (000)
January 1, 1999	0
Premiums paid as part of initial public offering's capital increase	35,694
Premiums paid as part of greenshoe offering's capital increase	5,354
December 31, 1999	41,048

Approved capital

The March 29, 1999 General Shareholders' Meeting authorized the Managing Board, subject to the approval of the Supervisory Board, to increase the company's capital stock by up to € 2,875,000 through the issue of new shares against cash or non-cash contributions on one or more occasions and no later than February 28, 2004. Subject to the approval of the Supervisory Board, the Managing Board may waive the preemptive rights of existing shareholders.

The May 6, 1999 Extraordinary Shareholders' Meeting cancelled the aforementioned authorization to increase the capital stock, and instead authorized the Managing Board, subject to the approval of the Supervisory Board, to increase the company's capital stock by up to € 5,000,000 through the issue of new shares against cash or non-cash contributions on one or more occasions and no later than April 30, 2004. Subject to the approval of the Supervisory Board, the Managing Board may waive the pre-emptive rights of existing shareholders. The approved capital was registered on June 4, 1999.

Conditional capital

The May 6, 1999 Extraordinary Shareholders' Meeting also authorized a conditional capital increase of up to € 400,000 through the issue of up to 400,000 new shares. Dividends are payable on the new shares beginning in the year in which they are issued. The conditional capital increase is for the purpose of granting stock option rights to members of the Managing Board and employees. The option rights may neither be transferred nor sold. They may be exercised as long as the holder remains an employee of the company in good standing.

Option holders include the members of the Managing Board (not more than 45 % of the option rights) and employees (not more than 55 % of the option rights).
The option rights are to be issued in annual tranches over a period of three years.

First tranche:	200,000 option rights	through June 30, 1999
Second tranche:	100,000 option rights	through June 30, 2000
Third tranche:	100,000 option rights	through June 30, 2001

On June 30, 1999, a total of 199,500 option rights were issued as part of the first tranche. The strike price was set at € 51.12.

Option holders may receive one new share for each option right. The option rights may be exercised only two years after they have been granted, and no later than five years after the scheduled issue date.

In lieu of new shares, option holders may be granted a cash settlement. The Managing Board makes this determination for options held by employees, while the Supervisory Board makes it for options held by Managing Board members.

Reserves

Pension reserves were calculated in accordance with actuarial principles and on the assumption of a 5.5 % interest rate. The actuarial tables established by Klaus Heubeck were used to make the calculations.

"Other reserves" concern mainly costs for personnel, litigation and liability as well as outstanding supplier invoices.

Liabilities

		Term		Total
	under 1 year	1 to 5 years	over 5 years	
	DM (000)	DM (000)	DM (000)	DM (000)
1. Liabilities to credit institutions	10,271	0	0	10,271
2. Advance payments on orders	661	0	0	661
3. Accounts payable	25,458	189	0	25,647
4. Amounts due to affiliated companies	664	0	0	664
5. Other liabilities	119	0	0	119
of which, tax liabilities	33			
(previous year)	(.)			
of which, social security	54			
(previous year)	(0)			
	37,173	**189**	**0**	**37,362**
(December 31, 1998	45,671	0	0	45,671)

Amounts due affiliated companies pertain exclusively to Ravensburger AG, Ravensburg.

Other financial obligations

Co-production agreements give rise to other financial obligations totaling DM 22,371,000. This total includes DM 16,371,000 due in 2000, with the balance due in 2001. For the use of its business premises the company pays a rent to Ravensburger AG, which in the first quarter of 2000 totaled DM 30,000. As of April 1, 2000, the company will transfer its offices from Ravensburg to Munich. The lease term on the new premises is five years beginning March 2000. Annual obligations from this lease and two other rentals total DM 769,000.

Notes to Income Statement

Sales

Sales totaled DM 22,899,000 in Germany and DM 15,592,000 abroad. The sales DM 29,670,000, Commissioned productions DM 2,450,000, Merchandising DM 6,371,000

Other operating income

This item comprises mainly gains on foreign currency translation, writebacks on reserves and revenues from claims previously written off.

Cost of materials

The “Cost of raw materials and purchased materials” includes materials needed for film production. The “Cost of purchased services” covers for the most part licence fees, film production costs and other costs associated with film production.

Personnel expenses

The company had an average of 24 employees last year, including two Managing Board members.

Other operating expenses

This item consists primarily of the following: administrative and distribution costs (especially licence fees and merchandising rights totaling DM 10,771,000); legal and litigation; auditing and consulting costs; value adjustments, losses on foreign currency translations and write-downs on receivables.

Other interest and similar income

This item totaled DM 295,000 and involved the settlement account with Ravensburger Spielverlag GmbH (an affiliated company).

Interest and similar expenses

The interest expenses related to the settlement account with Ravensburger Spielverlag GmbH (an affiliated company) totaled DM 68,000.

Extraordinary expenses

The extraordinary expenses concern costs associated with the company's initial public offering in June 1999.

Corporate tax

Corporate tax on earnings from ordinary operations totaled DM 5,270,000, but extraordinary expenses reduced this tax liability by DM 3,557,000.

Supervisory Board and Managing Board

The Supervisory Board was comprised of the following members in 1999:

Dr. Detlev Lux, Berg	- Chairman - Member of the Board of Directors of Ravensburger AG, Ravensburg
Erhard Pohle, Ravensburg	- Deputy Chairman - Member of the Board of Directors of Ravensburger AG, Ravensburg
Prof. Dr. Johannes Kreile, Munich	Attorney

The total emoluments amounted to 35,000 DM in 1999.

The Supervisory Board members were also members of the following boards and oversight bodies as defined by Article 125, Para.1, third sentence, of the German Stock Corporation Law (AktG):

Erhard Pohle:
- Chairman of the Supervisory Board of Ravensburger Spieleland AG, Ravensburg
- Chairman of the Board of Directors of Carlit AG, Würenlos, Switzerland
- Chairman of the Board of Directors of Ravensburger S.A., Chalon sur Saone, France
- Ordinary member of:
  - Ravensburger S.p.A., Milan, Italy
  - Ravensburger B.V., Amersfoort, the Netherlands
  - Jeux Ravensburger S.A., Attenschwiller, France
  - Ravensburger Â F.X. Schmidt USA, Inc. Newton, USA
  - Pro Mittelstand Pohle-Rommel, Oberle und Kollegen AG, Ravensburg

Prof. Dr. Johannes Kreile:
- Administrative Board of Bayerische Landeszentrale für neue Medien, Munich

The Managing Board was comprised of the following members in 1999:

Peter Hille, Ravensburg Distribution and International Business Affairs

Wolfgang Heidrich, Georgenborn Program Development, Program Acquisition and Production

Dr. Arno Haselhorst, München – since September 1, 1999 –
Finance, Marketing, Corporate Development, Investor Relations and Merchandising

During the year under review the total emoluments amounted to 915,000 DM. On the occasion of the issue of the first lot of option rights the members of the Board of Directors were accorded 90,000 option rights.

Shares held by members of Supervisory and Management Board

As of December 31, 1999, a total of 24,400 shares and no stock options were held by the Supervisory Board.

As of December 31, 1999, a total of 27,200 shares and 90,000 stock options were held by the Management Board.

Reconciliation with International Accounting Standards (IAS)

To be consistent with International Accounting Standards, the Financial Statements for the year ending December 31, 1999 required only an adjustment to the pension reserves, which increased net income by DM 23,000.

Reconciliation of earnings:

	DM (000)
Net income for the year ending December 31, 1999, in accordance with German Commercial Code (HGB)	1,603
Reduction in personnel expenses due to the revaluation of pension	
fund obligations in accordance with IAS 19 principles	
(revised 1998)	23
Net income for the year ending December 31, 1999 in accordance with IAS	1,626

Equity statement

	DM (000)
Capital stock as of December 31, 1999 in accordance with German Commercial Code (HGB)	62,943
Reduction of pension reserve allocation due to	
revaluation in accordance with IAS 19 principle (revised 1998)	
= Increase in capital stock in accordance with IAS	10
Capital stock as of December 31, 1999 in accordance with IAS	62,953

Ravensburg, February 2000

The Managing Board

I. General Remarks

Effective December 31, 1998, Ravensburger Film + TV GmbH sold its entire unrestricted film assets including rights to related advances to Altenburger Spiele Verlag GmbH. On March 2, 1999, Altenburger Spiele Verlag GmbH's shareholders approved changing the company's name to RTV Family Entertainment GmbH and transferring its headquarters to Ravensburg.

Pursuant to a March 29, 1999 agreement, Ravensburger Film + TV GmbH was merged with RTV Family Entertainment GmbH, the acquiring company. Also on that date, Ravensburger AG, the sole shareholder, chose to convert RTV Family Entertainment GmbH into a stock corporation. This change was entered in the Commercial Register at the Municipal Court in Ravensburg under HRB 2027 on April 16, 1999. The company is now known as RTV Family Entertainment Aktiengesellschaft (RTV).

It acquired a 40 % equity interest in the newly founded Ravensburger Film + TV GmbH, whose mission is to produce television shows and sell the resulting license rights.

II. Business results

RTV develops and produces films and television programs for children and families, with particular emphasis on high-quality, animated series that can be marketed internationally. The company is involved in all aspects of the business, from the creation of licensing rights to merchandising, and has extensive contacts to co-producers and television networks. Thus RTV is among the leading providers of children's and family programs in Germany and Europe.

Despite continuing industry consolidation, RTV successfully secured its position as an independent and effective partner last year. The company's share of sales from the rest of Europe, North America and other foreign countries jumped from 18 % in 1998 to 40 % in 1999. RTV thus strengthened its position in Europe as a producer, co-producer and supplier of superior children's programming to an even greater extent.

In 1999, we completed and supplied around 180 hours of television programming, produced on commission or as co-productions for German and international networks and partners. Although the total number of hours produced in 1999 was only slightly higher than the 175 hours produced in 1998, the number of program hours for our own repertory rose from 100 hours in 1998 (with the remaining 75 produced on commission) to 130 hours last year. With the completion of major projects such as Fix & Foxi, Brothers Flub and Inspector Mouse, the television business accounted for 77 % of sales, a larger share of the total. Co-productions such as Urmel, Robinson Sucroe and Patrol 03 also contributed markedly to the build-up of business. Co-productions now account for a growing share of sales relative to commissioned productions. Revenues from co-productions and licensing increased from DM 26.0 million to DM 29.7 million, while those from commissioned productions declined from DM 5.9 million to DM 2.4 million.

In addition, merchandising sales increased by 80 %, from DM 3.6 million in 1998 to DM 6.4 million in 1999, a gain that exceeded our 1998 projection. The expansion was based again on the strength of licensing Käpt'n Blaubär characters. Fix & Foxi, which accounted for 20 % of merchandising revenues, also made a major initial contribution.

Thanks to reduced materials costs, our gross margin posted a substantial increase and earnings from ordinary operations jumped 68 %.

III. Future development and significant events following the end of the financial year

Consistent with the goal of increasing the company's international business and strengthening its position in key markets, RTV negotiated a strategically and financially attractive alliance with Nelvana Ltd. of Toronto, Canada. As part of this alliance, RTV purchased a program package from Nelvana in December 1999 and concluded a co-production agreement. These two steps will likely result in significant sales increases beginning in 2000.

The October 1999 cooperation agreement with Energee Entertainment Pty, Lane Cove, Australia, produced a further successful outcome on February 22, 2000, when RTV acquired a 68 % equity interest in Energee Entertainment. This acquisition has significantly increased RTV's production capacity, notably through the addition of a high-quality production studio. The purchase price for this interest was DM 48 million, to be paid partly in cash and partly in shares.

Also on February 22, 2000, RTV concluded a program supply contract with the Super RTL television network. This agreement stipulates that for the next five years the two partners are to produce annually at least one animated series of 26 half-hour segments as licenced program for prime time. In addition, Super RTL will acquire annually at least three more animated series from RTV as licenced programs. RTV's access to other networks in the CLT-UFA Group is also to be facilitated. This agreement substantially strengthens RTV's position as a national and international producer and distributor of television programs.

A further partnership agreement was signed with CLT-UFA. Accordingly, RTV will acquire a total of 565 hours of children's, youth and family programs. These animated and live-action programs can be marketed worldwide. The purchase price is DM 125 million.

As consideration, CLT-UFA will receive new shares amounting to around 4 % of RTV's capital stock and the remainder of the purchase price in cash.

The working capital requirements arising out of this project will be covered by a capital increase scheduled for the first half of 2000.

IV. Risks associated with the company's future development

The rapidly changing media business requires a correspondingly quick adaptation to market demand, especially with regard to program development and acquisitions as well as content and cost structure. With a view to assuring competitiveness and the marketing of its programs, RTV has already begun implementing measures to improve its organizational structure substantially. Highly qualified personnel have been hired to meet the challenges of the market.

The larger number of projects and greater share of rights retained in co-productions increase the financial risks but at the same time enhance RTV's marketing opportunities. The company will overcome these risks by stepping up its distribution and marketing of television and ancillary rights. RTV will also seek to make greater use of off-balance sheet financing and long-term program supply agreements.

V. Interdependence report

The Managing Board has prepared the 1999 interdependence report for RTV Family Entertainment AG and affiliated companies and submitted it to the auditors. The Managing Board hereby declares that to the best of its knowledge, the company received adequate consideration in all transactions with affiliated companies. The company took no measures in 1999 that required reporting under Article 312, para. 2, second sentence of the German Stock Corporation Law (AktG).

Ravensburg, February 2000
The Managing Board

Report of the Auditors

We examined the Financial Statements, including the reconciled version complying with International Accounting Standards (IAS), the accounts and the Management Report of RTV Family Entertainment AG, Ravensburg, for the year beginning January 1 through December 31 1999. Under German commercial law, the accounting and preparation of the Financial Statements and Management Report are the responsibility of the company's legal representatives. Our task is to give an assessment of the Financial Statements, accounts and Management Report based on our audit.

We carried out our audit of the Financial Statements in accordance with Article 317 of the German Commercial Code (HGB) and with regard to the standards established by the German Institute for Certified Public Accountants (IDW) for the proper auditing of Financial Statements. Under these principles, the audit is to be planned in such a manner as to make it sufficiently probable that incorrect statements and misrepresentations that have a material effect on a true and fair view of the net worth, financial position and results of the company as reflected in its Financial Statements complying with generally accepted accounting practices and its Management Report will be duly recognized. In determining the audit procedures to be implemented, we use our knowledge of the company's business activities, economic framework and legal environment, and seek to anticipate possible errors. In the course of our audit, we assess the efficacy of the company's internal control system, and we rely for the most part on random sampling to verify the accuracy of the data in the Financial Statements, accounts and Management Report. We also assess the accounting principles underlying the Balance Sheet and significant estimates made by the legally responsible representative, as well as the overall representation of the Financial Statements and Management Report. We believe our audit provides a sufficiently certain basis for our assessment.

Our examination raised no objections.

We believe the Financial Statements, including the reconciled version complying with International Accounting Standards (IAS), is in agreement with generally accepted accounting principles and presents a true and fair view of the net worth, financial position and results of the company. The Management Report fairly and accurately describes the company's situation and future risks.

Ravensburg, February 23, 2000

Ernst & Young
Deutsche Allgemeine Treuhand AG
Auditors

Dr. Oechsle	Nover
Auditor	Auditor

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Imprint

Publisher:
RTV Family Entertainment AG

Design and Layout:
Schoeller GmbH,
Corporate Communication,
Hamburg