



ondary rights to its films. We are thus investing in long-term assets that will generate recurring earnings for decades to come.

In the second quarter, we completed postproduction work in London on *Buffalo Soldiers*, a € 17 million feature film with an international all-star cast.

Other films in the postproduction phase include: *Leo und Claire*, a new feature film by Joseph Vilsmair (Comedian Harmonists), the most successful German director in recent years; the romantic love comedy *The Triumph of Love* directed by Claire Peploe and produced by the legendary Italian producer and director Bernardo Bertolucci (*The Last Emperor*).

In June, we successfully completed follow-up negotiations related to our acquisition of Lunaris Film- und Fernsehproduktion GmbH. Lunaris owns the rights to such film classics as *Pünktchen und Anton* and *Charlie und Louise – das doppelte Lottchen*.

#### New productions: Family, Comedy and Animation

In television production, where Odeon is established as the market leader for detective series, we intend to diversify into new market genres such as family series and romantic comedies. In the feature film business, we will complement our existing international projects by tapping our experience in the comedy genre. We also intend to build up our family entertainment and animation programming.

Lunaris Film's live-action and animation film rights to the Erich Kästner children's books are especially promising in this regard. Our increased presence in these genres is consistent with our international diversification strategy, since high-value animated films have worldwide marketing potential. To help develop the animated film area, Odeon cooperates with Bavaria Kinder GmbH.

This winter, as a follow-up to the feature film hit *Emil und die Detektive*, which drew until now 1.6 million viewers and was one of the most successful German films of the year, Lunaris Film will start filming *Das fliegende Klassenzimmer*, directed by Tomy Wiegand with a budget of around € 5 million.

Our entry into animated film production has begun to take shape. We will make a multi-part series of *Emil und die Detektive* together with the Köln-based animated production company Jürgen Egenolf Productions (J.E.P.). The famous Kästner illustrations by Walter Trier will serve as the model.

In November 2001, filming will begin in Berlin on *Eierdiebe*, a feature film comedy directed by Robert Schwentke (Tattoo) and featuring up-and-coming German stars. Production risks on this film have been minimized, since it is fully financed through grants as well as licensing rights sales, guarantees and coproduction shares to our partners ZDF and Tobis StudioCanal.

At Odeon Film, we place great emphasis on maintaining our reputation as a quality stock among the Neuer Markt media companies. This is reflected by our choice of film projects for which we can exercise strong creative influence and minimize risk through refinancing. Moreover, our growing rights portfolio is valued conservatively on our balance sheet.

In late summer, we will begin marketing *Buffalo Soldiers*, *Leo & Claire* and *The Triumph of Love*, as they are entered into juried competitions or are premiered at major international film festivals in Montreal, Venice and Toronto. *Buffalo Soldiers* will be shown at a gala premiere during the Toronto film festival in mid-September. Distribution is being handled by the renowned U.S.-based global distributor Good Machine International. After the initial contracts signed in Cannes, we expect additional contracts in Toronto, especially for the important U.S. market.

In our television production business, more of the production and sales volume will fall in the second half than was the case last year. Among other projects, film work began in August on the second installment of *Der Ermittler* for ZDF.

We are maintaining our financial targets for 2001, which call for consolidated sales of € 50.1 million and EBIT of € 0.7 million.

Geiseltasteig, August 2001

The Management Board

# Balance Sheet

## Odeon Film Group

	06/30/2001	12/31/2000
	T €	T €
<b>Assets</b>		
<b>Fixed assets</b>		
Intangible assets	13,716	10,974
Other fixed assets	509	584
Deferred taxes	11,453	4,947
<b>Current assets</b>		
Trade accounts receivables and other receivables	9,719	14,711
Marketable investments, cash and cash equivalents	12,100	10,105
Other current assets	1,747	1,115
<b>Total assets</b>	<b>49,244</b>	<b>42,437</b>
<b>Liabilities</b>		
<b>Equity and reserves</b>		
Subscribed capital	5,113	5,113
Capital reserves	22,844	22,844
Accumulated losses	-2,957	-2,068
<b>Non-current liabilities</b>		
Deferred taxes	10,440	3,928
Other long-term liabilities	566	546
<b>Current liabilities</b>		
Trade accounts payable and other liabilities	13,238	12,074
<b>Total liabilities</b>	<b>49,244</b>	<b>42,437</b>

# Income Statement

## Odeon Film Group

	01/01 - 06/30/2001	01/01 - 06/30/2000
	T €	T €
Revenues	17,172	18,570
Other operating income	192	771
Changes in finished inventories and work-in-process	444	13
Work performed by the enterprise and capitalized	902	1,659
<b>Total Earnings</b>	<b>18,710</b>	<b>21,013</b>
Cost of material	-14,906	-16,450
Staff cost	-2,031	-2,468
Depreciation/amortization	-251	-287
Other operating expenses	-1,907	-2,997
<b>Operating expense</b>	<b>-19,095</b>	<b>-22,202</b>
<b>Operating profit/loss (EBIT) *</b>	<b>-385</b>	<b>-1,189</b>
Finance result *	-423	267
<b>Profit/loss before tax</b>	<b>-808</b>	<b>-922</b>
Taxes	-81	487
<b>Net profit/loss</b>	<b>-889</b>	<b>-435</b>
<b>Earnings per share</b>	<b>-0.45 €</b>	<b>-0.22 €</b>

\* In 2000, results from the Internet business were included in EBIT; this year, following its liquidation, Internet business results were entered in the consolidated finance result.

## Cash Flow Statement

### Odeon Film Group – With Internet

	01/01 - 06/30/2001	01/01 - 06/30/2000
	T €	T €
<b>Net profit (+)/loss (-) before tax</b>	<b>-808</b>	<b>-923</b>
Adjustments for:		
Depreciation	251	287
Increase in provisions	20	21
Other non-cash income (-)/expenses (+)	-274	-267
<b>Operating profit (+)/loss (-) before changes in net working capital</b>	<b>-811</b>	<b>-882</b>
Changes in net current assets*	5,754	2,462
<b>Cash flows from operating activities</b>	<b>4,943</b>	<b>1,680</b>
Expenditure on fixed assets	-2,948	-360
<b>Cash flows from investing activities</b>	<b>-2,948</b>	<b>-360</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,995</b>	<b>1,220</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>10,105</b>	<b>17,374</b>
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>12,100</b>	<b>18,594</b>

\* Balance from changes in inventories, trade accounts receivables and other receivables, current liabilities, taxes received and paid.

## Disclosures according to IAS 35 (Discontinuing Operations)

### Cash Flow Statement – Internet business

	01/01 - 06/30/2001	01/01 - 06/30/2000
	T €	T €
<b>Cash flows from operating activities</b>	<b>-26</b>	<b>46</b>
<b>Cash flows from investing activities</b>	<b>-15</b>	<b>-46</b>
<b>Net increase (+) / decrease (-) in cash and cash equivalents</b>	<b>-41</b>	<b>0</b>
<b>Cash and cash equivalents at the beginning of the reporting period</b>	<b>43</b>	<b>0</b>
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>2</b>	<b>0</b>

Following a January 24, 2001 decision by the Management Board, Odeon Film Group terminated its Internet business in 2001. This decision was published in an ad-hoc announcement on February 7, 2001 in a special report. E-commerce activities, which included among others the Janoschshop and the Schloss-Einstein shop were terminated in the first quarter, as was the film and television entertainment portal Filmstadt.de.

The segment's operating revenues totaled € 141,000, compared with € 39,000 the previous year. Expenses for the Internet business, including the liquidation costs, totaled € 838,000 in the first half, compared with € 703,000 the previous year. With the termination of the Internet business activities, revenues and expenses were reported under the financial result. On the balance sheet date the Internet division had assets of € 194,000 (previous year: € 229,000) and liabilities of tsd. € 1058,000 (previous year: € 699,000).

The Internet business generated a pretax loss from ordinary operations of € 701,000, compared with a loss of € 663,000 the previous year. There was no corporate tax liability either during the second quarter of this year or in the previous year's period.

## Changes to the Supervisory and Management Boards in the second quarter 2001

On June 13, Dr. Claus S. Hass was named to the Supervisory Board of Odeon Film AG. He succeeded Frank Wössner, who stepped down from the board on January 1, 2001.

## Stock ownership by Supervisory and Management Board members

Management Board	No. of individual shares
Stephan O. Hansch	400
Reinhard Klooss	30,500
<b>Total</b>	<b>30,900</b>
Supervisory Board	No. of individual shares
Georg Althammer	173,700
Dr. Dieter Frank	13,000
Dr. Claus S. Hass	400
Thilo Kleine	5,200
<b>Total</b>	<b>192,300</b>

As of June 30, 2001, the company owned 29,500 treasury shares, compared with 0 on June 30, 2000. The company's treasury share ownership remains the same as reported in the consolidated financial statements for the year ending December 31, 2000.

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