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| Group | | 2000 | 2001 |
|---------------------------------|-----------|------|-------|
| Sales | € million | 119 | 127 |
| of which in-house production | € million | 51 | 84 |
| of which third-party production | € million | 68 | 43 |
| EBITDA | € million | 58 | 74 |
| Gross profit | € million | 15 | -4 |
| EBIT | € million | 4 | -16 |
| Net income / loss | € million | 9 | -11 |
| Film assets | € million | 70 | 100 |
| Investments | € million | 58 | 118 |
| Depreciation | € million | 53 | 89 |
| Equity | € million | 85 | 76 |
| Balance sheet total | € million | 180 | 255 |
| Employees | Number | 93 | 143 |
| Earnings per share | € million | 0.69 | -0.85 |

Dear shareholders,
dear friends of Constantin Film AG,

In spite of the generally difficult market environment in the German media industry, Constantin Film maintained its leading position as the most successful independent German producer and distributor again in 2001.

We attracted more than 17 million visitors to German cinemas with a total of 16 films, which represents an excellent market share of 10.5 per cent.

Constantin Film was therefore the fourth-largest distributor in 2001 behind the major US studios UIP, Warner Bros. and Buena Vista and with a substantial lead over its German competitors.

The outstanding film of our distribution year was the Western comedy **Der Schuh des Manitu** by and with Michael "Bully" Herbig. This Constantin Film co-production with herbXfilm and Seven Pictures has in the meantime been seen by more than 11 million

enthusiastic cinema-goers and was not only the most successful German film in 2001 but is also the film that has recorded the most cinema admissions since the German film promotion authorities introduced their statistics in 1980.

We are also proud to report that three other Constantin films apart from **Der Schuh des Manitu** were among the top ten German films in 2001: **Mädchen Mädchen!**, the high-school comedy produced by our subsidiary Olga Film with 1.8 cinema admissions, the film of Erich Kästner's novel **Emil und die Detektive** with 1.6 cinema admissions and the epic gangster film **Sass** (production: MOOVIE – the art of entertainment) with almost half a million admissions. Our share of 48.5 per cent of all the cinema admissions to German productions released last year is clear evidence of the leading position that we have developed on the German production and distribution market over the last few decades. The success of these films is an encouragement to us to continue strengthening the ties between successful German talents and our company.

We were able to produce a total of eight cinema films and ten TV films in 2001. Our subsidiaries Engram Pictures GmbH, MOOVIE – the art of entertainment Filmgesellschaft mbH and Olga Film GmbH made significant contributions to this output too. We completed the co-production with Engram Pictures of the comedy entitled **666 - Traue keinem, mit dem du schläfst!** (aka **Faust und Mephisto**) that was directed by Rainer Matsutani (**Nur über meine Leiche**), for example. We will be releasing this exciting comedy about mistaken identity and a pact with the devil to German cinemas on February 21, 2002 with Jan Josef Liefers (**Rossini, Knockin' On Heaven's Door**) and Armin Rohde (**Rossini, Lola rennt**) in the main roles.

We finished shooting of the German in-house production **Knallharte Jungs** (director: Granz Henman) successfully in 2001 as well. The sequel to the cinema hit we had last year with **Harte Jungs** (more than 1.7 million cinema admissions) is being released to German cinemas on March 14, 2002 with Tobias Schenke and Axel Stein in the principal roles.

The American-British production company Impact Pictures, in which we own a majority interest, developed very successfully in the area of international in-house productions.

Resident Evil, another major international in-house production (producer: Bernd Eichinger), was filmed in a German-British co-production directed by Paul Anderson (**Mortal Kombat**) with Milla Jovovich (**The Fifth Element**, **The Story of Joan of Arc**) and Michelle Rodriguez (**The Fast and the Furious**, **Girlfight**) in the leading roles. The film is based on the Capcom video game of the same name, that is one of the most successful video games in the world with more than 100 million players. We have licensed the North and Latin American distribution rights to **Resident Evil** to the major US studio Sony Pictures Entertainment / Columbia Pictures, which will be releasing the thriller to American cinemas on March 15, 2002 backed by a huge advertising campaign. **Resident Evil** is being distributed in Germany by Constantin Film starting on March 21, 2002.

We can look back on a successful year in 2001 in the TV production field as well:

MOOVIE – the art of entertainment finished shooting the unusual TV film **Die Schwestern**, with Hannelore Elsner and Iris Berben in the main roles, in October 2001. It was directed by Oskar Röhler, who caused a worldwide sensation with the film **Die Unberührbare** and received an Oscar nomination for it.

Shooting was also successfully completed of the TV productions **Dienstreise** (with Christoph Waltz, Anica Dobra, Armin Rohde and Hannes Jaenicke), **Wer liebt, hat Recht**, a marriage drama with Iris Berben and Robert Atzorn in the principal roles, and the thriller **Betty** with Udo Kier and Erol Sander.

Other successful TV series that are also produced by MOOVIE – the art of entertainment are, for example, **Rosa Roth** (with Iris Berben) and **Der Solist** (with Thomas Kretschmann).

We produced nine more programmes of our successful sitcom **Hausmeister Krause** (with comedy star Tom Gerhardt) in 2001 too and licensed them to SAT.1.

Our two-part event **Vera Brühne** (director: Hark Bohm) that was broadcast on SAT.1 in May 2001 has won such awards as the German Television Prize 2001 in the "Best Actress" category – for Corinna Harfouch in the lead role. **Vera Brühne** won a total of three German Television Prizes, which made it the most successful production in the 2001 awards.

The first international two-part TV film we produced with Wolper Organization and Warner Bros. – **The Mists of Avalon** (director: Uli Edel) starring Anjelica Huston and Julianna Margulies (Golden Globe nomination) – achieved record ratings of more than 7.8 million households when it was shown for the first time in the USA by the cable TV station TNT. This was our most recent co-operation with director Uli Edel (**Christiane F. - Wir Kinder vom Bahnhof Zoo**, **Last Exit to Brooklyn**) and was shown on SAT.1 in Germany in mid-January 2002, where it also reached record ratings. This means that more than 11.5 million television viewers watched the two-part event when it was first broadcast.

Some of the third-party productions we licensed for Germany in the context of what are known as output deals did not fulfil our expectations: the US productions **Original Sin**, with Antonio Banderas and Angelina Jolie in the main roles, and the thriller **The Score**, which also had such top stars in its cast as Robert De Niro and Edward Norton, were not a box office success either in Germany or elsewhere. These films and the negative results recorded with two other major US productions in our distribution programme for the year – **Duel - Enemy at the Gates** and **One Night at McCool's** – detracted from the excellent results achieved by our German productions.

Due to the fact that the competitive situation on the German distribution market has eased to an increasing extent, we are in a position to adapt our product procurement strategy to the changes in the market conditions. We will be reducing the number of films from output deals in future and therefore terminated the output contract with the US studio producer Mandalay Entertainment when it expired at the end of 2001.

In view – among other things – of the emerging glut of films on the German cinema market in the fourth quarter of 2001, we took the decision in mid-October to postpone several cinema releases until the first half of 2002. This reduction from the originally planned cinema exploitation of 25 films to 16 films had an impact on the results for the 2001 fiscal year too: sales for 2001 as a whole amounted to €127.3 million and EBIT totalled € -15.9 million. Corrected by the valuation adjustment, EBIT amounted to €2.1 million (see the management report, page 16, for a detailed explanation).

Constantin Film values its film assets in accordance with the strict requirements made by the US GAAP. The US GAAP standard known as "SOP 00/2" stipulates that the accounting rules have to be tightened up with effect from December 31, 2001. We have implemented these substantially stricter rules in every respect. The overall effect of the revaluation of film assets as required by SOP 00/2 is to reduce equity by €26.7 million, allocated to specific individual years. The additional costs of goods sold resulting from the value adjustment in compliance with SOP 00/2 amount to €12.5 million for 2001 and €1.7 million for 2000.

In view of the turbulent media environment that is going through a phase of consolidation at the moment, we are planning a moderate increase in sales for 2002. The corridor we are planning to reach with the EBIT margin in 2002 is between 2 and 5 per cent.

We will be releasing six in-house and co-productions as well as four third-party productions to German cinemas by the beginning of July in our 2002 distribution programme. They include the international in-house productions **Resident Evil** (director: Paul Anderson) and **Freche Biester!** (aka **Slap Her, She's French**), a high-school comedy based on a script by Lamar Damon, Robert Lee King and Oscar prizewinner Alan Ball (**American Beauty**) that was directed by Melanie Mayron and features Piper Perabo (**Coyote Ugly**) in the lead role.

We are also releasing the long-awaited sequels to two of our cinema hits in 2000 – **Knallharte Jungs** and **Erkan & Stefan und die Mächte der Finsternis**.

Our distribution pipeline for the year as a whole is filled with 21 promising films.

2001 was an extremely good cinema year, with an increase of 16.7 per cent to 177.9 million admissions in Germany. This good market development is not, however, reflected in the share prices of the media companies listed on the Neuer Markt. A fundamental shake-out has begun on the market that has led to general uncertainty among investors. Although we are convinced that the Constantin share is trading at far below a reasonable level, we consider the consolidation process among the media shares to be sensible and necessary.

Constantin Film will continue to stand for a responsible, sound corporate policy in future that focusses on the changing demands of the market. The large number of in-house productions and our ongoing success for many years now are, however, attributable to the performance of a team of creative and qualified production and management staff. Intensive contacts maintained over a period of many years at the crucial film business locations all over the world and a conservative financial policy contribute decisively to this success.

We would like to express our thanks to everyone on whose commitment and confidence we can count.


Yours sincerely,



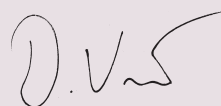
► **Thomas Peter Friedl** (distribution and marketing)



► **Jochen Kamlah** (organisation, legal affairs, licence trading and human resources)



► **Martin Moszkowicz** (production)



► **Dr Daniel Wiest** (finance and investor relations, spokesman for the management board)

▶ **MANAGEMENT BOARD //**

Thomas Peter Friedl / Sales and marketing

Jochen Kamlah / Organisation, legal affairs, human resources and licence trading

Martin Moszkowicz / Production

Dr Daniel Wiest / Finance and investor relations / spokesman for the Board

▶ **SUPERVISORY BOARD //**

Fred Kogel / Chairman // Deputy Chairman of the Board of KirchMedia GmbH & Co. KGaA

Professor Dr Mathias Schwarz / Deputy Chairman // Lawyer and auditor / (up to 12.07.2001)

Thomas Haffa // Entrepreneur / (up to 31.12.2001)

Franz Jung // Member of the Board of Commerzbank AG, Munich

Professor Dr Günter Rohrbach // Independent producer / (since 13.07.2001)

Stephan Sager // Film businessman

Herbert Schroder // Director of KirchMedia GmbH & Co. KGaA

Werner E. Klatten // Board Chairman of EM.TV & Merchandising AG / (since 11.02.2002 / for information)

The Supervisory Board carried out its control assignment throughout the 2001 fiscal year. The Management Board kept the Supervisory Board informed in detail by providing oral and written reports. The Supervisory Board and the Management Board remained in close contact at all times as well.

The Supervisory Board held a total of five meetings during the 2001 fiscal year. All the important issues of business policy, with particular emphasis on business transactions that required approval, major individual matters and subjects of fundamental significance were subjected to a detailed review and were then discussed with the Management Board. The Supervisory Board did not form any committees.

The subjects that the Supervisory Board focussed on in the 2001 fiscal year included national and international in-house productions and implementation of the new US GAAP accounting and valuation principles (SOP 00/2).

Further production know-how was added to the Supervisory Board in connection with Constantin Film's decision to concentrate to an even larger extent on national and international in-house productions. Professor Dr Mathias Schwarz resigned from the Supervisory Board at the Annual Shareholders' Meeting of Constantin Film AG on July 12, 2001. Professor Dr Günter Rohrbach, one of the most prominent German producers, has succeeded him. His successful national and international films include **Schtonk** (director: Helmut Dietl), **Stalingrad** (director: Joseph

Vilsmaier), **Aimée & Jaguar** (director: Max Färberböck) and **Das Boot** (director: Wolfgang Petersen), for which he received six Oscar nominations as well as numerous national and international awards.

In the year under review, Mr Thomas Haffa resigned from the Supervisory Board with effect from December 31, 2001. Until an election can be held by the Annual Shareholders' Meeting, the Registration Court appointed Mr Werner E. Klatten, the Board Chairman of EM.TV & Merchandising AG, Unterföhring, to be a temporary member of the Supervisory Board on February 11, 2002, so that the Supervisory Board has the six members prescribed by the articles of association.

The annual accounts and the consolidated annual accounts and the management report about the company and the Group for the 2001 fiscal year were audited by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Munich, at the request of the Supervisory Board. An unqualified certificate was issued in each case as a result of this audit. The annual accounts, the consolidated annual accounts and the management report about the company and the Group were submitted to the Supervisory Board for examination. The auditor provided the Supervisory Board with the audit reports. The annual accounts, the consolidated annual accounts and the management report about the company and the Group were reviewed by the Supervisory Board at a meeting of the Supervisory Board held on March 25, 2002, which was also attended by the auditor. The auditor presented a report about the main outcome of his audit at this

meeting. The Supervisory Board approved the results of the audit. No objections to the annual accounts, the consolidated annual accounts and the management report about the Constantin Film AG company and Group were raised after the Supervisory Board subsequently completed its own internal review either. At its meeting on March 25, 2002, the Supervisory Board approved the annual accounts of Constantin Film AG for the 2001 fiscal year submitted by the Management Board, which have therefore been adopted. The Supervisory Board is in agreement with the proposal made by the Management Board about the appropriation of the net result for the 2001 fiscal year.

The Supervisory Board would like to express its thanks to the Management Board of Constantin Film AG, to the directors of its subsidiaries and associated companies and in particular to all the employees of Constantin Film AG and its subsidiaries and associated companies for their hard work in 2001.

Munich, March 2002



▶ **Fred Kogel** / Chairman of the Supervisory Board

COMPANY PORTRAIT – STRENGTHS AND STRATEGY

Constantin Film has been the most successful German producer and distributor over the past 20 years. The company succeeded in establishing itself in the international film production world too as long as 17 years ago with its in-house production **The Neverending Story**. This was followed by further global hits such as **The Name of the Rose** or **The House of the Spirits**.

Six of the top 10 German blockbusters of the last 20 years were produced by Constantin Film: 22 of the top 50 German cinema films since 1982 were released to German cinemas by the company. (Source: Top 50 List since 1982, SPIO statistics).

Since it was founded in 1977 and since it went public on the Neuer Markt at Frankfurt Stock Exchange in 1999, Constantin Film AG has therefore developed very successfully into an international, full-service media company: with its subsidiaries and associated companies, the corporate group covers all the different stages of film industry production and exploitation (national and international cinema and TV production, film distribution and licence trading).

We are by far the leading independent cinema distribution company. Constantin Film AG was the most successful distributor on the German cinema market in 2001 with a market share of 10.5 per cent – after the major US studios UIP, Warner Bros. and Buena Vista. The German in-house productions **Der Schuh des Manitu**, the most popular film in 2001, **Mädchen, Mädchen!**, **Harte Jungs, Erkan & Stefan** or **Der bewegte Mann** as well as such blockbusters as **The Sixth Sense** with Bruce Willis, **American Pie**, the most successful film in 2000, or **Sleepy Hollow** are some of the highlights that Constantin Film has released to German cinemas in recent years.

We need to release a certain minimum number of films – 15 - 20 per year – to German cinemas in order to have a promising distribution business. Until four years ago, we covered this film requirement mainly by acquiring individual licences (known as pick-ups) from our many longstanding production partners in Germany and abroad to go with our very successful in-house productions. This product blend guaranteed us control over licence costs and film quality. When the number of German media companies multiplied at the beginning of 1997 – driven to a not inconsiderable extent by the Neuer Markt – it could be foreseen that there would be

a bottleneck with film rights for the German market and therefore an explosive increase in licence costs. In view of this run on feature film rights for the German media market in 1999 and 2000 in particular, it was necessary for us to obtain the required number of rights by alternative means – e.g. output deals. Output deals guarantee the supply of a specific number of films for a price that is arranged in advance (normally a percentage of the production costs), but they restrict quality and cost control considerably at the same time. Although we have been able to record great successes with such output deal films as **The Sixth Sense**, **Sleepy Hollow** or **Seven Years in Tibet** in recent years, some of the high-budget productions acquired as part of output deals, such as **Duel - Enemy at the Gates**, **The Score** or **Bandits**, did not fulfil our expectations by any means in 2001.

Since a consolidation process is taking place among German media companies at present and the number of rivals for German film rights has decreased substantially, we are working on the assumption that sufficient free film licences will be available on the market in future. We have therefore decided to adapt our buying strategy to this change and to reduce the number of films we obtain via output deals in future. In order to continue strengthening

Constantin Film's independence from third-party products and thus from other producers, our strategic emphasis is on the expansion of national and international in-house productions – in line with the policy we have followed up to now of producing attractive, high-quality films for as wide a public as possible.

Our longstanding relationship with the Kirch Group and the additional co-operation agreement entered into with the RTL Group in September 2001 represent partnerships with the two biggest commercial television organisations that are unique in Germany.

In the partnership with RTL, we are for the first time exploiting cinema rights on a service basis. This involves us making our successful distribution structure and our know-how available to a premium partner in return for a percentage of the sales, without having to pay the costs of film licences and advertising. The co-operation agreement with RTL covers the exclusive cinema distribution of all the feature films to which RTL holds the cinema rights for Germany and Austria. In a separate arrangement from this, Constantin Film and BMG Video have agreed to expand their co-operation, as a result of which BMG Video is acquiring the rights to the video / DVD exploitation of a number of Constantin films.

The separation we made on April 1, 2001 between creative production management and corporate management has already produced valuable results. Our current productions are, above all, benefitting from Bernd Eichinger's complete concentration on his assignments as a Constantin Film producer. Bernd Eichinger's previous management assignments have been carried out since then by the four other members of the Management Board: Thomas Peter Friedl (distribution and marketing), Jochen Kamlah (organisation, legal affairs, licence trading and human resources), Martin Moszkowicz (production) and Dr Daniel Wiest (finance and investor relations / spokesman for the Management Board).

This reorganisation is Constantin Film's response to the tremendous increase in the demands¹⁰

made in the production area. The volume of our in-house productions has more than doubled in the past twelve months in particular. Our continued growth in future will be influenced specifically by the increase made in our production operations. In order to guarantee the quality for which Constantin is famous in future too, it was therefore a logical consequence for Bernd Eichinger to concentrate more intensively again on the development of film material and in-house productions.

THE STOCK MARKET IN 2001: A YEAR OF TURBULENCE AND LOSSES

Stock exchanges all over the world faced economic and global political problems that not only buried hopes of an end to the slump that had already lasted more than a year but also caused widespread turbulence and new losses.

The losses in the USA were the lowest of all the major stock markets around the world in 2001. The main Standard & Poor's index, the S&P 500, lost 12 per cent in value. The Dow Jones index fell 6 per cent. By comparison with this, the stock exchanges of the other leading industrialised nations dropped between 16 and 26 per cent.

The German stock exchange Deutsche Börse registered larger losses compared with the moderate share price decreases experienced by the American share market. At the beginning of the year, the negative DAX performance in the previous year had for historical reasons been taken as an indication that there would be a positive trend in 2001. An increase in the index of 8 per cent up to the end of January was followed by an uninterrupted downward movement, as a result of which the DAX reached its low of over 40 per cent for the year of almost 3,800 points at the end of September. Although it succeeded in recovering to 5,160 points by the end of the year, the central German index still reported a total drop of almost 20 per cent in 2001 and therefore suffered its biggest setback for more than ten years.

The lack of optimism was reflected in the annual IPO statistics too. Only 33 companies dared to go public in 2001; the figure for 1999 was 194, with 169 companies taking this step in 2000. The reason was insufficient interest in new issues, since only four companies succeeded in making a profit for their initial investors in 2001.

Many investors had been hoping for different stock market developments on the Neuer Markt too at the beginning of 2001. The shares listed on this market for fast-growing companies increased by about 15 per cent in the first three weeks of the year. Concerns about the US economy, plummeting company profits and the events on September 11 led to a dramatic slump in share prices that sent the Neuer Markt into a serious crisis in the fourth year of its existence. Bankruptcies, demands for damages and legal disputes were a regular source of negative headlines; private investors became increasingly uncertain and institutional investors gradually withdrew from this sector too. Deutsche Börse added a delisting procedure to its rule book in order to give investors a greater sense of security again and to regain their confidence. The negative trend continued, however, so both the NEMAX 50 index and the entire NEMAX All-Share index ended 2001 75 per cent down on the high for the year and 55 per cent lower than a year before.

Media companies were one of the losers of the year. There were particularly frequent reports about profit warnings, the termination of contracts or insolvency

from this segment. Investors' confidence in the media sector disappeared more and more. The "Media & Entertainment" sub-index on the Neuer Markt lost 75 per cent in value compared with the high for the year and ended the year 64 per cent lower than at the beginning.

▶ PERFORMANCE COMPARISON up to 28.12.2001 / in per cent



13.09.2000 / Issue price € 29.00 28.12.2001 / Final price € 4.15

▶ SECURITY IDENTIFICATION NUMBER 580 080

► THE CONSTANTIN FILM AG SHARE /

Figures per share in €, indicating the final prices on the floor of the Frankfurt stock exchange

| | |
|---------------------------------------|-------------------|
| Number of shares on 31.12.2001 | 12,742,600 |
| Issue price on 13.09.1999 | 29.00 |
| Year-end price on 29.12.2000 | 19.00 |
| Highest price on 19.01.2001 | 25.10 |
| Lowest price on 28.12.2001 | 4.15 |
| Year-end price on 28.12.2001 | 4.15 |
| Earnings per share in 2000* | 0.69 |
| Earnings per share in 2001 | -0.85 |

* After valuation adjustment to comply with SOP 00/2

THE CONSTANTIN FILM SHARE

The price of the Constantin Film share, which has been traded on the Neuer Markt since September 13, 1999, was influenced last year by the decline of the market as a whole and in particular by the negative events in the media sector and therefore experienced a disappointing stock exchange year.

The share started the new year at € 18.20. The initially positive market environment helped the Constantin Film share to increase its price too, so it reached its high for the year of € 25.10 (+ 38 per cent) on January 19, 2001. But then the price started to fall in line with the market in general. The share dropped below the price at which it started the year at the end of March and reached a closing price of € 4.15 on the last day of trading in 2001. The development of the price of the Constantin Film AG share was very unsatisfactory, with a reduction of 77 per cent compared with the beginning of the year.

The management cannot be happy with the plunge in the share price and the low market capitalisation associated with this that was due to a combination of external and internal factors and developments in 2001:

External factors:

- A large number of media companies with a stock market listing, some of which had little experience of the industry
- Fierce competition and high film purchase prices
- Announcements of strikes by the actors' and authors' unions in the USA
- Many postponements of film releases by German distributors
- Repeated negative reports from the entire media industry about liquidity problems, bankruptcies, broken contracts, fictitious transactions etc
- The consequences of September 11, 2001

Internal factors:

- Four high-budget third-party productions in the Constantin Film AG distribution programme for 2001 that were not a success
- Reduction in the number of films distributed in 2001 from 25 to 16 by postponing releases to 2002
- Decision taken by Deutsche Börse to remove the Constantin Film share from the NEMAX 50 on December 27, 2001 because of inadequate trading volume
- Revaluation of the film assets due to new US GAAP accounting rules (SOP 00/2)
- Reports in the press about shareholding changes at the Kirch Group and EM.TV & Merchandising AG

We understand why investors are concerned and disappointed and will be doing everything in our power to change the situation.

We stayed in regular contact with financial analysts, investors and representatives of the business press in our investor relations activities again in 2001. We relaunched our Web site www.constantinfilm.de too. In a survey carried out by the financial magazine CAPITAL (issue no. 10/2001) to test the online presentations of the 150 most important companies in Germany with a stock market listing, we succeeded in leaving all other media companies behind us with our new Web site.

► IMPORTANT DATES / for the year 2002

| | |
|--|--------------------------|
| Annual Shareholders' Meeting | May 14, 2002 |
| Publication of the results for the first three months | May 14, 2002 |
| Publication of the results for the first six months | August 14, 2002 |
| Publication of the results for the first nine months | November 14, 2002 |
| DVFA analysts' conference | Autumn 2002 |

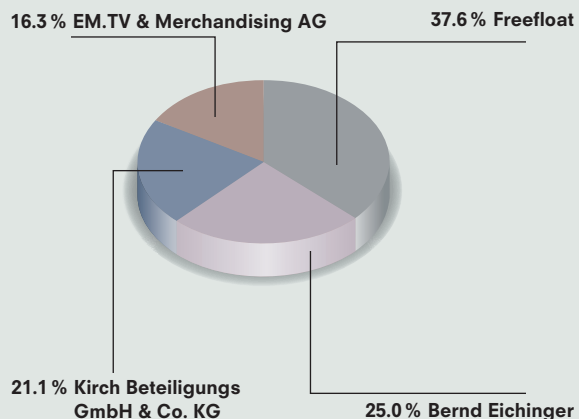
We were also able to achieve very impressive results in an analysis of the quality of investor relations at German companies with a stock market listing that the financial magazine CAPITAL published in its issue no. 19/2001. We reached a good position in the top 10 as the ninth-best NEMAX 50 company and the best media company. We ranked seventh in the NEMAX 50 in the survey of Annual Reports made by MANAGER MAGAZIN (issue no. 10/2001) and were once again the best media company.

The large number of studies issued by analysts demonstrates the success of our ongoing communications activities too: 27 well-known banks are following the Constantin Film share at present; 18 of them are teams of German analysts, while nine are international financial institutions.

**THE CONSTANTIN FILM AG
SHAREHOLDER STRUCTURE**

The total number of shares in Constantin Film AG increased by 98,600 to 12,724,600 on June 30, 2001 by taking advantage of the authorised capital when raising the holding in INNOVUM Smart Products GmbH to 51 per cent.

▶ **SHAREHOLDER STRUCTURE
AS PER 31.12.2001**



The free float, i.e. the proportion of shares in circulation, amounted to 37.6 per cent on December 31, 2001. Bernd Eichinger holds 25.0 per cent, Kirch Beteiligungs GmbH & Co. KG 21.1 per cent and EM.TV & Merchandising AG 16.3 per cent. The shares of the original shareholders are combined in Constantin Holding GmbH & Co. KG.

**SHARES AND OPTIONS HELD BY MEMBERS
OF THE MANAGEMENT AND SUPERVISORY
BOARDS OF CONSTANTIN FILM AG**

Rules about the mandatory reporting of securities business transactions came into force for companies listed on the Neuer Markt on March 1, 2001. They stipulate that securities business transactions must be reported to Deutsche Börse AG by the issuing companies and the members of their Management and Supervisory Boards.

As an issuer of shares on the Neuer Markt, Constantin Film AG has also been obliged since January 1, 2001 to disclose the shares and options held by members of the Management and Supervisory Boards on a quarterly basis.

| | Number of shares on Dec. 31, 2001 | Number of options on Dec. 31, 2001 |
|------------------------------|-----------------------------------|------------------------------------|
| Management Board | | |
| Thomas P. Friedl | 0 | 56,900 |
| Jochen Kamlah | 3,800 | 56,900 |
| Martin Moszkowicz | 0 | 72,000 |
| Dr Daniel Wiest | 2,267 | 55,700 |
| Supervisory Board | | |
| Fred Kogel | 6,150 | 0 |
| Thomas Haffa | 7,500 | 0 |
| Franz Jung | 0 | 0 |
| Professor Dr Günter Rohrbach | 1,000 | 0 |
| Stephan Sager | 0 | 0 |
| Herbert Schroder | 0 | 0 |
| Own company shares | 0 | 0 |

The company and the members of the Management and Supervisory Boards of Constantin Film AG did not carry out any securities business transactions in the period between March 1, 2001 and December 31, 2001.

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MANAGEMENT REPORT ABOUT THE COMPANY AND THE GROUP

GENERAL ECONOMIC SITUATION IN GERMANY IN 2001

The economy developed very poorly in 2001. Economic growth reached only 0.6 per cent and was therefore not only considerably lower than expected by many economic experts but also substantially below the growth of 1.4 per cent that was achieved in Germany on average in the Nineties (German Ministry of Economics and Technology, "Economic Facts – Commented", issue 02/2002).

According to provisional calculations made by the German statistical authorities, the average inflation rate in 2001 was 2.5 per cent.

The German Ministry of Economics has reported that the seasonally adjusted number of unemployed was 3.85 million on average in 2001, which corresponds to a rate of 9.4 per cent. This is a small improvement of 37,000 or 0.1 per cent over the previous year.

In absolute figures, the Gross Domestic Product amounted to €1,980 billion – compared with €1,969 billion in 2000 (German Ministry of Economics and Technology, "Economic Facts – Commented", issue 02/2002).

It is expected that economic developments will speed up again in the course of the new year in Germany as well due to a distinct recovery in the USA. The assumption made in the key indicators about general economic developments in Germany up to 2005 is that the economic upswing in Germany will be continuing. Economic growth of 2.5 per cent on average is forecast for the period 2002 to 2005, driven primarily by considerable growth in private consumption, capital expenditure on machinery and equipment and exports.

MARKET DEVELOPMENT

Cinema market

2001 was a year in which cinemas produced record results. The best figures since 1986, when the German film promotion authorities FFA introduced systematic statistics, were achieved, with an 16.7 per cent increase in admissions and box office sales growth of 20 per cent to €987.2 million in Germany. 177.9 million admissions were counted in total – compared with "only" 152.5 million in the previous year. March, August and December 2001 proved to be extremely good cinema months: the sales recorded in the previous month were exceeded by more than 50 per cent in each case. The most successful film of the year was the Constantin co-production **Der Schuh des Manitu** with more than 11 million admissions.

According to the FFA statistics, the share of the market held by German films increased from 12.5 per cent or 18.0 million admissions in 2000 to 18.4 per cent or 30.9 million admissions in the year under review. Nine national productions or German co-productions managed to record more than one million admissions – including four children's films.

The top 10 German films attracted a total of just under 22 million visitors to cinemas in 2001. The Constantin films **Der Schuh des Manitu**, **Mädchen Mädchen!**, **Emil und die Detektive** and **Sass** occupied positions 1, 3, 5 and 9 on the charts for the year with almost 15 million admissions; this means that Constantin Film was again the most successful German cinema distributor.

Statistically speaking, every inhabitant of Germany bought more than two cinema tickets in 2001, which is an increase of 0.3 over the previous year. For the first time in the last ten years, German cinemas registered a larger increase in admissions (+ 16.7 per cent) than the three other most important cinema countries in the world: France (+ 11.4 per cent), England (+ 9.5 per cent) and America (+ 8.0 per cent). The average ticket price went up to €5.55; this represents an increase of 2.6 per cent following a downward trend in the recent past.

The number of cinema admissions has increased by about a quarter in the past ten years. This increase is attributable not only to a larger number of films but also and in particular to the expansion and remodelling of traditional cinemas and the opening of further new multiplex cinemas. A special analysis made by the FFA shows that new or re-opened cinemas record a disproportionately large increase in visitors the year afterwards that is far higher than the growth in overall admissions in the year concerned. More than half of all cinema screens (53 per cent) are no more than seven years old and many of the new cinemas in the meantime provide the atmosphere that only the multiplexes originally had. The consequence of this is that 72 per cent of the total growth in admissions of 25.4 million was recorded by the 1,199 screens that had been opened for the first time or again in recent years.

TV market

The structure of the German television market remained oligopolistic in 2001: apart from the public stations ARD (including a number of additional ARD channels that varies from region to region, such as BR3, HR3, NDR3 etc.) and ZDF (arte, Kinderkanal, Phoenix and 3sat), there have only been two other "families" of TV stations since ProSieben and SAT.1 merged in the analog free TV market – the Kirch Group and the RTL Group. The legal rules on concentration in Germany stipulate that no private TV station group is allowed to hold a market share of more than 30 per cent.

KirchMedia reached a viewer market share of 25.7 per cent with its channels ProSieben, SAT.1, Kabel1, N24 and DSF in 2001, thus edging ahead of the channels RTL, RTL II, Super RTL and VOX (total viewer market share of 24.7 per cent) that belong to the RTL Group.

There was further consolidation of the TV market in Germany in 2001 following the boom year in 2000. Total advertising income – the main source of finance for all the private stations – amounted to €7.6 billion in 2001 and was therefore 5.8 per cent lower than in the previous year (ACI Nielsen). The reorganisation processes within the market will be continuing in the short and medium term and competition for production and programme budgets will be increasing even more. All the leading stations will therefore be dependent to a greater extent on co-financing and co-development by independent producers.

With the sale of the TV cable network by Deutsche Telekom to regional operating companies, new possibilities will be opening up in the medium term for the sale of TV programmes on what will in future be a digital and interactive television market. Quite apart from the multiplication in the number of channels, new content services will be available to the viewer, such as video-on-demand, t-commerce, interactive games etc. Attractive content that offers viewers added value is essential if a return is to be generated in the long term on the billions invested by the cable operators (Callahan, Klech/NTL).

This development favours suppliers of high-quality feature films or television events like Constantin Film.

Video / DVD market

The home entertainment division succeeded in posting strong growth in the 2001 fiscal year. The trend towards DVD (Digital Versatile Disc) technology, which offers considerably better reproduction quality than conventional video cassettes, has continued and led to substantial growth in the DVD market by comparison with the traditional video business. It is, however, true of both film storage media that sales of video / DVD programmes are becoming increasingly important, whereas rented video cassettes and DVDs used to dominate.

According to FFA figures, video programme suppliers generated turnover of €491 million with the sale of video cassettes and DVD in Germany between January and November 2001. This is €116.3 million more than in the same period the previous year and corresponds to an increase of 31 per cent. This enormous growth is attributable primarily to the continuing DVD boom in Germany. Sales of DVD rose by 159 per cent – from €94.04 million to €243.6 million – in the first three quarters of the year under review alone.

POSITION OF THE GROUP

RESULTS GENERATED BY THE CONSTANTIN FILM AG GROUP

Constantin Film recorded sales of € 127.306 million in the 2001 fiscal year. This is an increase of 7 per cent over the previous year's sales of € 119.270 million. Cinema distribution was once again the biggest source of sales in 2001, contributing € 46.410 million (see the notes to the consolidated financial statements, 6.1).

Earnings before interest and tax (EBIT) amounted to € - 15.916 million. The negative result is due primarily to the change in accounting rules for the film assets to comply with the strict US GAAP standard SOP 00/2 and the formation of a risk provision for films that will not be exploited until future years.

Corrected for these valuation adjustments, EBIT amounted to € 2.075 million.

Under the new valuation rules introduced by SOP 00/2, the maximum exploitation period for films has been shortened from 20 years in the past to 10 years now, while the general procedure is to depreciate project development costs 100 per cent 3 years after initial capitalisation. The valuation adjustment this necessitates leads in 2001 to additional costs of goods sold of € 12.532 million (previous year: € 1.745 million). This valuation adjustment is cash-neutral.

CONSOLIDATED RESULTS / in € thousand

01.01.-31.12.2000*

01.01.-31.12.2001

| | | |
|--|---------------|----------------|
| Sales | 119,270 | 127,306 |
| Costs of goods sold | 102,068 | 113,362 |
| Gross profit on sales before valuation adjustment | 17,202 | 13,944 |
| Valuation adjustment to comply with SOP 00/2 | 1,745 | 12,532 |
| Risk provision for films in subsequent years | 0 | 5,459 |
| Gross profit on sales | 15,457 | -4,047 |
| Selling expenses | 3,113 | 3,316 |
| General administration expenses | 9,223 | 9,856 |
| Other operating income | 2,627 | 2,288 |
| Other operating expenses | 1,436 | 296 |
| Depreciation of goodwill | 255 | 289 |
| Depreciation of tangible assets (and amortisation of intangible assets) | 377 | 400 |
| EBIT | 3,680 | -15,916 |
| <i>(EBIT before valuation adjustments)</i> | <i>5,425</i> | <i>2,075</i> |
| Interest income | 3,120 | 1,334 |
| Interest expenditure | 66 | 187 |
| Income/expenditure from/by associated companies | 20 | -4,379 |
| Exchange rate profits/losses | 912 | 1,161 |
| Result before tax and minority interests | 7,666 | -17,987 |
| Taxes on income | 723 | 6,997 |
| Result before minority interests | 8,389 | -10,990 |
| Minority interests | 317 | 205 |
| Net income/loss for the year | 8,706 | -10,785 |

* After valuation adjustment to comply with SOP 00/2 (see the notes to the consolidated financial statements, 3.4)

The risk provision of €5.459 million for films in subsequent years relates to films that had not yet begun exploitation on the balance sheet date. A valuation adjustment is made at regular intervals when an estimate of the future revenues from individual films reveals a shortfall in coverage of the acquisition or production costs.

Corrected for this valuation adjustment, EBITDA amounted to €73.691 million (previous year: €57.660 million). This means that EBITDA were up 28 per cent on the previous year.

After allowing for the positive interest balance of €1.147 million and the exchange rate gains of €1.161 million, the negative financial result is due to the formation of a risk provision relating to the interest in Hahn Film AG. Earnings before tax and minority interests amounted to € - 17.987 million in 2001.

After taking taxes on income of € - 326,000, deferred taxes of €7.323 million and minority interests of €205,000 in account, the net loss amounted to € - 10.785 million.

PRODUCTION

Project development

More than 60 different German and English projects are currently being developed by Constantin Film and our

subsidiaries or associated companies. A steady increase in development volume is vital so that a further increase can be made in production output.

Our subsidiary Constantin Film Development Inc. that was established in Los Angeles in 1991 forms a particularly valuable interface to the international production market.

Cinema productions

We completed eight in-house and co-productions in 2001, including the most recent Constantin / MTM production **Nirgendwo in Afrika**, which has been exploited successfully in German cinemas since December 27, 2001 and has already recorded more than 1.0 million admissions.

The high-school comedy **Freche Biester!** (aka **Slap Her, She's French**), an international in-house production with Piper Perabo (**Coyote Ugly**) in the lead role, was produced in January 2001 in co-operation with Key Entertainment and IMF. More than 2,000 copies of it are being released to American cinemas in the summer of 2002.

Shooting of our second international in-house production **Resident Evil** has also been completed, with Milla Jovovich and Michelle Rodriguez in the principal roles. US exploitation is in the hands of the major US company Sony Pictures Entertainment / Columbia

Pictures, which is releasing **Resident Evil** to American cinemas on March 15, 2002.

Our subsidiary Engram Pictures produced the comedy **666 - Traue keinem, mit dem du schläfst!** (aka **Faust und Mephisto**) with Jan Josef Liefers and Armin Rohde in the main roles. MOOVIE – the art of entertainment successfully completed **Sass**, its first cinema production.

We finished the sequel to the successful comedy **Erkan & Stefan** in the third quarter of 2001 in co-production with Hofmann & Voges.

Shooting of our German in-house cinema productions **Knallharte Jungs** (directed by Granz Henman) and **Nackt** (directed by Doris Dörrie) ended in the last quarter of 2001.

TV productions

Our subsidiary MOOVIE – the art of entertainment produced the TV films **Dienstreise** (with Anica Dobra, Armin Rohde, Hannes Jaenicke, Iris Berben), **Wer liebt, hat Recht** (with Iris Berben, Robert Atzorn, Sibylle Canonica) and **Betty** (with Udo Kier, Erol Sander) in 2001. **Schwestern**, directed by Oskar Roehler with Hannelore Elsner and Iris Berben in the leading roles, is currently at the post-production stage and will be shown on RTL as an event movie in the summer of 2002. Two further programmes entitled **Der Solist - Kuriertag** and **Der Solist - In eigener Sache**

were produced for the established ZDF series **Der Solist** (with Thomas Kretschmann in the principal role). Three further instalments of the successful thriller series **Rosa Roth - Täusche Deinen Nächsten**, **Rosa Roth - Die Abrechnung** and **Rosa Roth - Geschlossene Gesellschaft** were also completed for the ZDF station.

We produced the TV thriller **Das Staatsgeheimnis** (director: Matthias Glasner) with Benno Fürmann in the main role for ProSieben with our subsidiary Olga Film in the summer of 2001.

Constantin Film continued to expand its TV sitcom operations in 2001 as well: nine new programmes were produced for the television series **Hausmeister Krause** and further instalments are being prepared at the moment.

Our two-part event **Vera Brühne** (with Corinna Harfouch and Uwe Ochsenknecht) was shown on SAT.1 in May 2001. Corinna Harfouch received the German Television Prize in the "Best Actress" category for her role in this legal drama. **Vera Brühne** was the most successful TV film at the German Television Prize awards in 2001 with three prizes.

Our first joint international TV production with Warner Bros. and TNT, **The Mists of Avalon**, was completed in the spring and was shown on the cable channel TNT in the USA with great success in July 2001. Excellent ratings were achieved when it was broadcast for the first time

in Germany on SAT.1 at the beginning of January 2002 as well. More than 11.5 million television viewers watched this fantasy event that was shown on two different evenings.

FILM DISTRIBUTION AND LICENCE TRADING

Cinema distribution

Constantin Film AG distributed 16 films in the year under review, with which 17.1 million cinema admissions were achieved. They mainly included the German productions **Emil und die Detektive** (director: Franziska Buch), **Mädchen Mädchen!** (director: Dennis Gansel) and **Der Schuh des Manitu** (director: Michael "Bully" Herbig), which was exceptionally successful, setting a new record of more than 11 million admissions in 2001. With three of the top 5 German productions coming from Constantin Film, we succeeded once again in emphasising the leading position we have held for years in German film production.

The sales generated by Constantin Film in cinema exploitation in 2001 amounted to € 46.410 million and therefore accounted for 36 per cent of total sales. This is a sales shortfall of 12 per cent over the previous year.

The development in the proportion of sales accounted for by in-house productions is encouraging. In-house productions contributed € 34.536 million, an increase of € 25.954 million over the previous year.

Video / DVD exploitation

Sales generated by video / DVD rights amounted to € 8.835 million (previous year: € 9.308 million) and therefore corresponded to 7 per cent of total sales.

14 films from in-house or third-party production were exploited in the year under review. Our in-house productions were particularly successful here too, such as **Schule** and **Mädchen Mädchen!** which recorded video and DVD sales that were 50 per cent higher than in the previous year. In-house productions accounted for € 2.489 million of the video / DVD exploitation sales. Third-party productions contributed € 6.346 million.

Television exploitation

Since Constantin Film does not realise its sales from the licensing of TV rights until contractually agreed embargo periods have ended (with pay TV 18 months after cinema release, with free TV after 18 to 24 months), the TV sales in the 2001 fiscal year were attributable to films with cinema release dates in 1999 and 2000.

The exploitation of TV licences contributed € 40.987 million (32 per cent) to total sales in the year under review. This represents a sales increase of 31 per cent by comparison with 2000. In-house productions accounted for € 16.423 million of this. They include the cinema films **Harte Jungs** and **Der große Bagarozzy**. The proportion of these sales accounted for by in-house productions improved by 7 per cent over 2000.

The proportion of TV sales attributable to third-party productions amounted to € 24.564 million; this corresponds to an increase of € 8.782 million over the previous year.

Contract productions

Contract productions contributed € 14.040 million to total sales. This corresponds to 11 per cent of total sales.

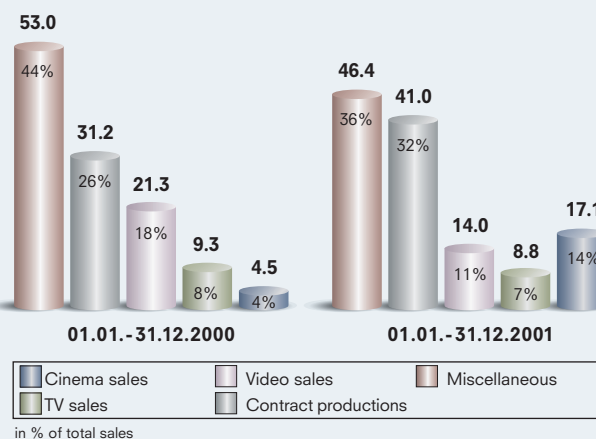
The sales include productions by MOOVIE – the art of entertainment and Olga Film, such as the established TV series **Rosa Roth** and **Der Solist** as well as the TV films **Dienstreise** and **Das Staatsgeheimnis**.

Sales were down 34 per cent on the previous year. The main reason for this is the Constantin Film production **Freche Biester!** (aka **Slap Her, She's French**), which is a non-genuine contract production and only contributed lower sales from its post-production phase by comparison with the previous year.

Miscellaneous revenues

The miscellaneous revenues totalled € 17.034 million in the 2001 fiscal year (previous year: € 4.436 million). The subsidies received amounted to € 9.803 million (previous year: € 2.829 million). The substantial increase over the previous year is due to the increase in in-house production operations. This item also includes miscellaneous sales of € 3.945 million by INNOVUM Smart Products GmbH, a company that was consolidated for the first time.

SALES BREAKDOWN / in € million



FINANCIAL POSITION

OF THE CONSTANTIN FILM AG GROUP

The balance sheet assets amounted to € 254.708 million on December 31, 2001. This represents an increase of 41 per cent by comparison with the balance sheet date on December 31, 2000.

The current assets increased to € 116.450 million in 2001 and were therefore 34 per cent higher than in the previous year. This growth is due to an increase in receivables to € 22.005 million and in particular to receivables for outstanding box office receipts. Stocks of unfinished contract productions (i.e. productions that have not yet been delivered to the stations) increased to € 5.423 million as well. The increase in other current assets to € 9.053 million is attributable essentially to a claim to input tax reimbursement and receivables relating to Constantin Film co-productions.

The film assets amounted to € 99.504 million on December 31, 2001 and were therefore 41 per cent higher than at the same time the previous year.

Constantin Film values its film assets in accordance with the strict US GAAP standards (SOP 00/2). This involves capitalisation of the costs of goods sold and depreciation of them by the matching principle.

Investments in the film assets of in-house productions amounted to € 68.745 million on December 31, 2001 (previous year: € 39.582 million). This means that the investment volume for in-house productions increased by 74 per cent over the previous year. The in-house productions include, for example, **Resident Evil** (international in-house production), **666 - Traue keinem, mit dem du schläfst!** (aka **Faust und Mephisto**) or **Nirgendwo in Afrika**. Depreciation of in-house productions amounted to € 38.069 million. Film assets attributable to in-house productions therefore increased to € 70.596 million, which represents an increase of 77 per cent over the previous year.

€ 49.253 million were invested in the acquisition of exploitation rights for distribution and licence trading (previous year: € 18.163 million). The investments in third-party films were offset by depreciation totalling € 50.849 million. The film assets attributable to third-party productions decreased by 5 per cent and amounted to € 28.908 million as a result.

Fixed assets rose by € 5.082 million to € 12.248 million compared with the previous year. This increase is due mainly to an interest of 10.1 per cent that Constantin Film acquired in Escape Artists.

ESCAPE ARTISTS LLC

The company was founded at the end of 2000 by the well-known producers Tisch, Black and Blumenthal who have already managed to celebrate major worldwide successes with such international cinema productions as **Forrest Gump** or **Seven Years in Tibet**.

The value of this holding is included in the financial assets of € 6.105 million.

FINANCING

Constantin Film had cash and cash equivalents of € 79.890 million on December 31, 2001, while bank liabilities totalled € 81.770 million. This adds up to a net liquidity position of € - 1.880 million. The increase in the liabilities to banks is due essentially to investments in film assets, particularly in the substantially larger volume of in-house productions.

A revolving syndicate loan of USD 140.000 million with a term until the end of 2004 was concluded in 2001 to finance in-house productions. This is safeguarding the planned growth in production volume for the medium term too. The company also has licence trading and working capital credit lines of € 38.511 million.

Equity decreased by € 9.046 million by comparison with the previous year and amounted to € 75.786 million on December 31, 2001. See the statement of changes in equity on page 27 for a detailed explanation. The theoretical equity ratio is 30 per cent. If the cash and cash equivalents and the bank liabilities are balanced, the equity ratio is 43 per cent.

HUMAN RESOURCES

The number of employees increased by 50 over the previous year and now amounts to 143.

INNOVUM Smart Products GmbH, which has been consolidated completely since the second quarter of 2001, was responsible for most of this increase (39 employees). Constantin Film strengthened the bookkeeping, marketing and legal affairs / licences areas by adding two qualified employees in each case. The number of staff at the subsidiary MOOVIE – the art of entertainment Filmgesellschaft mbH was increased by five because of this company's fast growth.

▶ CONSOLIDATED FINANCIAL POSITION / in € thousand

| | 2000* | 2001 |
|--|---------|----------------|
| Balance sheet total | 180,484 | 254,708 |
| Equity | 84,832 | 75,786 |
| Total film assets | 70,424 | 99,504 |
| Film assets/in-house productions | 39,920 | 70,596 |
| Film assets/third-party productions | 30,504 | 28,908 |
| Investments in film assets | 57,745 | 117,998 |
| Depreciation of film assets | 53,348 | 88,918 |
| Funds | 73,619 | 79,890 |
| Funds minus liabilities to banks | 71,652 | -1,880 |

* After value adjustment to comply with SOP 00/2
(see the notes to the consolidated financial statements, 3.4)

POSITION OF THE AG

FINANCIAL STATEMENTS OF CONSTANTIN FILM AG (HGB)

It should be taken into account when assessing the financial position and results that parts of the distribution and licence trading business operations were transferred from Constantin Film AG to Constantin Film Verleih GmbH (company that is controlled 100 per cent) back in 2000. The remaining licences were posted out of the accounts in 2001, so that no more distribution and licence trading sales were generated at Constantin Film AG.

The position and development of the company can be found in the following summary. The annual accounts of Constantin Film AG were prepared in accordance with the provisions of German commercial law.

► AG FIGURES / in € thousand

| | 2000 | 2001 |
|--|--------|----------------|
| Balance sheet total | 92,200 | 44,893 |
| Equity | 80,383 | 34,560 |
| Equity as a percentage of total capital | 87.2 | 77.0 |
| Sales | 15,782 | 0 |
| Income from continuing operations | 1,393 | -45,921 |
| Net income/loss for the year | 1,229 | -45,922 |

RESULTS GENERATED BY CONSTANTIN FILM AG

No more sales, costs of goods sold and selling expenses were recorded for the above-mentioned reasons. The general and administration expenses and the other operating expenses amounted to € 7.659 million and € 1.553 million. The other operating income and other interest amounted to € 2.231 million and € 2.788 million.

The depreciation of financial assets is attributable to the 100 per cent write-down of the holding in Hahn Film AG of € 4.366 million (see the notes to the consolidated financial statements, 5.3). Due to the profit and loss transfer agreements between Constantin Film AG and its subsidiaries, there was expenditure from the assumption of losses amounting to € 37.333 million and income from profit and loss transfer agreements of € 28,000. The loss from continuing operations amounted to € -45.921 million. The other taxes totalled € 1,000. All in all, Constantin Film AG reported a net loss for the year of € -45.922 million in the past fiscal year. The losses generated by subsidiaries are attributable mainly to expenditure on in-house productions in 2001 that cannot be capitalised under HGB rules.

RISKS AND PROBABLE DEVELOPMENT

1. Industry-specific risks in the buying and exploitation of feature films

The success that Constantin Film achieves in its distribution of in-house and third-party productions depends on a number of industry-specific risks, the probability of occurrence and impact of which on the financial position and results of the company are difficult to estimate.

Risks can develop because of changes in the market situation affecting the companies exploiting rights in the cinema, video and television fields. Changes in media legislation and the advertising market can, for example, influence what films are selected for media exploitation by rights exploiters as well as the choice of programmes by TV stations and their programme buying policy. Changes in consumer behaviour patterns and preferences and developments on the advertising market can lead to market changes by rights exploiters as well. The strong trend towards concentration among television channels and video labels could, finally, cause changes to be made in sales markets. In the past, Constantin Film has, however, managed to develop longstanding business relationships to television stations and film rights traders.

Strong concentration processes are influencing the buying markets. While all that the independent companies do is produce, so that they are dependent on sales partners to market the films, the majors have large film studios and global sales channels of their own. The entry of new players and an increase in competitive pressure as a result could also have an adverse effect on market conditions.

Up to now, Constantin Film AG has not had any difficulty in strengthening its sound position on the market and in developing an impressively high profile. It will be able to adapt flexibly to changes in the competitive environment in the future as well. All the players on the market are affected by the same risks.

There is on the other hand no guarantee that changes in competitive conditions or possible wage disputes will not have a negative impact on the company's business, financial position and results.

2. Financial risks of film production

The in-house and co-production of cinema and television films are expensive and therefore involve a financial risk. The production costs of an average German cinema film amount to between € 3 million and € 6 million, while the amount can be many times higher in the case of international productions. The company has to finance some of these costs in advance, as the budget

concerned cannot be covered completely by licence sales and film subsidies. Even when successful novels are being filmed, the success of the film depends on audience acceptance, which is difficult to predict. In view of the large amount of money that is required for a film production, the complete or partial failure of individual film projects could have substantial negative consequences for the company's business, financial position and results. The production of a film can in addition lead to unplanned costs that the company has to pay. Thanks to its experience in film production, Constantin Film has in the past generally succeeded in covering all the production costs by the income from film exploitation. The company has also succeeded in completing film productions within the planned time and budget as well as in avoiding unplanned costs to a very large extent and in hedging the risk by obtaining appropriate insurance cover. A guarantee that the company will manage to limit itself to successful film projects in the future as well cannot, however, be given.

3. Exchange rate risk in the buying and exploitation of film rights

Most of the licences that Constantin Film AG buys on the international film markets are paid for in US dollars. The sales generated in exploiting these rights are, on the other hand, received mainly in €. Fluctuations in the € / USD exchange rate can have an effect on the company's business operations, financial position and

results – particularly operating margins – and lead to both exchange rate profits and losses. As in the past, Constantin Film will in future be minimising the risk of exchange rate losses by taking advantage of hedging instruments. No guarantee can, however, be given that the hedging transactions carried out by the company will be successful in every case. Fluctuations in exchange rates can therefore have an adverse effect on the company's business, financial position and results. Upper limits are in addition specified for exchange rates wherever possible in licence purchasing contracts that are transacted on the basis of US dollars. The purpose of these USD "caps" is to make sure that Constantin Film is not put at a financial disadvantage by rising USD exchange rates.

DEVELOPMENT OF THE ACCOUNTING SYSTEMS

Thanks to the experienced staff in the accounting department, it was again possible in 2001 to make sure that the Constantin Film AG quarterly reports and 2001 annual accounts were completed by the required deadlines. The risk management system was expanded further in 2001, in order to be able to identify potentially dangerous developments at an early stage and take countermeasures in good time with the help of a standardised monitoring system. The application areas for the reporting tool "Hyperion" were also extended and Group liquidity control was integrated in the system.

PROSPECTS

Constantin Film was able to expand its leading position as the most successful independent company on the German cinema market in both its distribution and production operations in 2001. Our goal in 2002 is to remain a strong and reliable business partner by following a responsible corporate policy.

We are starting the new fiscal year with plenty of drive: we will be releasing ten impressive films from our distribution programme (six in-house and co-productions and four third-party productions) to German cinemas by mid-July 2002, including – for example – the film version of one of the most successful Capcom video games in the world, the thriller **Resident Evil** with Milla Jovovich and Michelle Rodriguez in the main roles (cinema release date: March 21, 2002). Among the promising German productions are **Germanikus** (director: Hanns Christian Müller), a historical comedy with Gerhard Polt (**Kehraus, Man spricht deutsch**), Gisela Schneeberger (**Kehraus, Man spricht deutsch**), Tom Gerhardt (**Hausmeister Krause, Ballermann 6**), Anke Engelke (**LiebesLuder**) and Moritz Bleibtreu (**Lola rennt, Das Experiment**) that we are distributing as well as the sequel to the cult comedy **Erkan & Stefan** that attracted more than 1.2 million enthusiastic cinema-goers last year, this time called **Erkan & Stefan und die Mächte der Finsternis**.

With a distribution programme consisting of 21 films in total so far, we are excellently equipped for a successful distribution year in 2002.

Our corporate strategy continues to focus on sensible, high-quality growth based on sound financial resources. The emphasis in this is on systematic concentration on the core business and on an increase in the volume of our national and international in-house productions. Since we on the one hand have direct creative control here and can on the other hand generate considerably higher margins with in-house productions than we can in the exploitation of third-party films.

A total of seven German and two international cinema in-house and co-productions are planned for 2002. Twelve productions are scheduled in total for TV broadcasting, including two multi-part international TV events.

In view of the turbulent media environment that is going through a phase of consolidation at the moment, we are planning a moderate increase in sales for 2002. The corridor we are planning to reach with the EBIT margin in 2002 is between 2 and 5 per cent.

Munich, March 2002

► **The Management Board**

| ASSETS ²⁾ | | 4) 31.12.2000 €thousand | 31.12.2001 €thousand |
|---|----------|----------------------------|-------------------------|
| A. Current assets | | | |
| I. Cash and cash equivalents | 3.6 | 73,619 | 79,890 |
| II. Receivables | 3.5/5.1 | | |
| 1. Trade receivables | | 9,043 | 18,990 |
| 2. Receivables from affiliated/associated companies | | 838 | 3,015 |
| III. Inventories: stocks of unfinished contract productions | | 1,245 | 5,423 |
| IV. Other assets | 3.5 | 2,172 | 9,053 |
| V. Prepaid expenses | | 34 | 79 |
| Total current assets | | 86,951 | 116,450 |
| B. Film assets | 3.4/5.2 | | |
| I. In-house productions | | 39,920 | 70,596 |
| II. Third-party productions | | 30,504 | 28,908 |
| Total film assets | | 70,424 | 99,504 |
| C. Fixed assets | 5.3 | | |
| I. Intangible assets | 3.1 | | |
| 1. Goodwill | | 3,324 | 5,177 |
| 2. Other intangible assets | | 139 | 411 |
| II. Tangible assets | 3.2 | 469 | 555 |
| III. Financial assets | 3.3 | 3,234 | 6,105 |
| Total fixed assets | | 7,166 | 12,248 |
| D. Deferred tax claims³⁾ | 3.12/5.9 | 15,943 | 26,506 |
| Total assets | | 180,484 | 254,708 |

| EQUITY AND LIABILITIES ²⁾ | | 4) 31.12.2000 €thousand | 31.12.2001 €thousand |
|---|----------|----------------------------|-------------------------|
| A. Liabilities and deferred income | | | |
| I. Liabilities to banks | | 1,967 | 81,770 |
| II. Trade payables | 5.4/5.5 | 8,497 | 21,936 |
| III. Liabilities to affiliated/associated companies | | 1 | 204 |
| IV. Advance payments received | 3.9/5.5 | 49,052 | 30,061 |
| V. Provisions | 3.8 | | |
| 1. Tax provisions | | 9 | 292 |
| 2. Other provisions | 5.7 | 3,511 | 9,617 |
| VI. Other liabilities | 5.8 | 8,266 | 6,850 |
| VII. Deferred income | | 0 | 309 |
| VIII. Medium-/long-term loans | | 6,664 | 6,584 |
| Total liabilities and deferred income | | 77,967 | 157,623 |
| B. Adjustment item for minority interests | | 121 | 495 |
| C. Equity | 3.7/5.10 | | |
| I. Subscribed capital | | 12,644 | 12,743 |
| II. Capital reserves | | 68,543 | 70,183 |
| III. Revenue reserves | | -5,061 | 3,645 |
| IV. Retained profits/accumulated losses | | 8,706 | -10,785 |
| Total equity | | 84,832 | 75,786 |
| D. Deferred tax liabilities³⁾ | 3.12/5.9 | 17,564 | 20,804 |
| Total equity and liabilities | | 180,484 | 254,708 |

1) After valuation adjustment to comply with SOP 00/2 (see the notes to the consolidated financial statements, 3.4)

2) Reclassification (including the figures for the previous year) in accordance with the rules issued by Deutsche Börse AG for structured quarterly reports (SQB)

3) Long-term deferred taxes, shown in point D for clarity's sake

4) See the relevant number in the notes to the consolidated financial statements for further information

| | 3) | 01.10. - 31.12.2000 ⁶⁾ € thousand | 01.10. - 31.12.2001 ⁶⁾ € thousand | 01.01. - 31.12.2000 € thousand | 01.01. - 31.12.2001 € thousand |
|--|----------|---|---|-----------------------------------|-----------------------------------|
| Sales | 3.11/6.1 | 37,799 | 41,413 | 119,270 | 127,306 |
| Costs of goods sold ²⁾ | 3.4/6.2 | 37,027 | 58,366 | 103,813 | 131,353 |
| Gross profit on sales | | 772 | -16,953 | 15,457 | -4,047 |
| Selling expenses | | 980 | 1,088 | 3,113 | 3,316 |
| General administration expenses | | 2,049 | 2,291 | 9,223 | 9,856 |
| Other operating income | | 2,028 | 997 | 2,627 | 2,288 |
| Other operating expenses | | 1,229 | -30 | 1,436 | 296 |
| Depreciation of goodwill ⁴⁾ | | 64 | 70 | 255 | 289 |
| Depreciation of tangible assets ⁴⁾ (and amortisation of intangible assets) | 6.3 | 139 | 141 | 377 | 400 |
| EBIT | | -1,661 | -19,516 | 3,680 | -15,916 |
| Interest income | | 895 | 154 | 3,120 | 1,334 |
| Interest expenditure | | 38 | 96 | 66 | 187 |
| Income/expenditure from/by associated companies | | 20 | -3,979 | 20 | -4,379 |
| Exchange rate profits/losses ⁴⁾ | 6.5 | 859 | 1,944 | 912 | 1,161 |
| Result before tax and minority interests | | 75 | -21,493 | 7,666 | -17,987 |
| Taxes on income | | -1,432 | 9,029 | 723 | 6,997 |
| Result before minority interests | | -1,357 | -12,464 | 8,389 | -10,990 |
| Minority interests | | 9 | 648 | 317 | 205 |
| Net income/loss for the year | | -1,348 | -11,816 | 8,706 | -10,785 |
| Earnings per share ⁵⁾ | | -0.11 | -0.93 | 0.69 | -0.85 |
| Average number of shares in circulation | | 12,644,000 | 12,717,950 | 12,644,000 | 12,717,950 |

1) After valuation adjustment to comply with SOP 00/2 (see the notes to the consolidated financial statements, 3.4)

2) See the management report, page 16, for detailed explanations

3) See the relevant number in the notes to the consolidated financial statements for further information

4) Reclassification (including the figures for the previous year) in accordance with the rules issued by Deutsche Börse AG for structured quarterly reports (SQB)

5) Undiluted = diluted

6) The quarterly figures are not part of the audited annual accounts

| | 01.01. - 31.12.2000 | 01.01. - 31.12.2001 |
|---|--------------------------|--------------------------|
| | € thousand ²⁾ | € thousand ²⁾ |
| Result before tax and minority interests | 7,666 | -17,987 |
| Net income/loss for the year after minority interests | 8,706 | -10,785 |
| Minority interests | -317 | -205 |
| Amortisation of intangible assets and depreciation of tangible assets | 377 | 4,819 |
| Depreciation of goodwill | 255 | 289 |
| Losses on the disposal of fixed assets | 19 | 18 |
| Change in net working capital | | |
| Change in trade receivables | -5,928 | -9,368 |
| Other income affecting payment | -20 | -63 |
| Change in the other non-interest bearing receivables and other assets | 4,720 | -12,625 |
| Additions to film assets / in-house productions | -39,582 | -68,745 |
| Amortisation of film assets / in-house productions | 23,429 | 38,069 |
| Additions to film assets / third-party productions | -18,163 | -49,253 |
| Amortisation of film assets / third-party productions | 29,919 | 50,849 |
| Change in trade payables | 1,403 | 13,439 |
| Change in non-interest bearing liabilities, provisions and other liabilities | -3,689 | -16,392 |
| Change in deferred taxes | -700 | -7,323 |
| Cash flows from ordinary activities | 429 | -67,276 |
| Inflow of funds from disposals of fixed assets | 461 | 0 |
| Investments in other fixed assets | -713 | -722 |
| Investments in financial assets | -1,066 | -6,324 |
| Cash flows from investing activities | -1,318 | -7,046 |
| Inflow/outflow of funds from principal payments | 897 | -80 |
| Change in liabilities to banks | -8,518 | 79,803 |
| Subsequent payment for the public offering | -152 | 0 |
| Payments from capital increases and contributions by the shareholders | 88 | 0 |
| Cash flows from financing activities | -7,685 | 79,723 |
| Change in cash and cash equivalents | -8,574 | 5,401 |
| Change in cash and cash equivalents due to changes in the companies consolidated | 0 | 870 |
| Funds at the beginning of the period | 82,193 | 73,619 |
| Funds at the end of the period | 73,619 | 79,890 |

1) After valuation adjustment to comply with SOP 00/2 (see the notes to the consolidated financial statements, 3.4)

2) Reclassification (including the figures for the previous year) in accordance with the rules issued by Deutsche Börse AG for structured quarterly reports (SQB)

STATEMENT OF CHANGES IN EQUITY AS PER JANUARY 01, 2001 THROUGH DECEMBER 31, 2001 / in € thousand

| | Subscribed capital | Capital reserves | Revenue reserves / net income or loss | Total |
|--|--------------------|------------------|--|---------------|
| On 01.01.2000 | 12,644 | 68,695 | 13,199 | 94,538 |
| Adjustment of film asset valuation up to 01.01.2000 to comply with SOP 00/2 | | | -18,260 | -18,260 |
| Adjusted valuation on 01.01.2000 | 12,644 | 68,695 | -5,061 | 76,278 |
| Direct charge for IPO costs / 2000 | | -152 | | -152 |
| Net income / 2000 | | | 8,706 | 8,706 |
| Adjusted valuation on 31.12.2000/01.01.2001 | 12,644 | 68,543 | 3,645²⁾ | 84,832 |
| Capital increase at Constantin Film AG | 99 | 1,640 | | 1,739 |
| Net loss / 2001 | | | -10,785 | -10,785 |
| On 31.12.2001 | 12,743 | 70,183 | -7,140 | 75,786 |

1) Including valuation adjustment to comply with SOP 00/2 (see the notes to the consolidated financial statements, 3.4)

2) The revenue reserves on 31.12.2000/01.01.2001 (before adjustment to comply with SOP 00/2) were € 22,937,000

A quarterly breakdown of the statement of changes has not been included because of the valuation adjustment to comply with SOP 00/2. Outside shareholders' interests in equity are shown on the balance sheet as "B. Adjustment item for minority interests".

CONSOLIDATED STATEMENT
OF CHANGES IN FIXED ASSETS

| | Acquisition or production costs | | | | 31.12.2001 € thousand |
|---|---------------------------------|--|-------------------------|-------------------------|--------------------------|
| | 01.01.2001 € thousand | Additions to the companies consolidated € thousand | Additions € thousand | Disposals € thousand | |
| I. Intangible assets | | | | | |
| 1. Goodwill | 3,833 | 0 | 2,142 | 0 | 5,975 |
| 2. Software | 469 | 24 | 105 | 178 | 420 |
| 3. Franchises, industrial rights | 0 | 0 | 308 | 0 | 308 |
| | 4,302 | 24 | 2,555 | 178 | 6,703 |
| II. Tangible assets | | | | | |
| 1. Buildings on third-party land | 615 | 0 | 0 | 0 | 615 |
| 2. Other equipment, operating and office equipment | 1,547 | 112 | 267 | 132 | 1,794 |
| | 2,162 | 112 | 267 | 132 | 2,409 |
| III. Financial assets | | | | | |
| 1. Equity investments | 2,965 | 0 | 8,240 | 1,035 | 10,170 |
| 2. Long-term investments | 249 | 0 | 42 | 0 | 291 |
| 3. Other loans | 35 | 0 | 3 | 0 | 38 |
| | 3,249 | 0 | 8,285 | 1,035 | 10,499 |
| | 9,713 | 136 | 11,107 | 1,345 | 19,611 |

| Accumulated depreciation | | | | | Book value | |
|--------------------------|---|--------------|------------|--------------|--------------|---------------|
| 01.01.2001 | Additions to the companies consolidated | Additions | Disposals | 31.12.2001 | 01.01.2001 | 31.12.2001 |
| € thousand | € thousand | € thousand | € thousand | € thousand | € thousand | € thousand |
| 509 | 0 | 289 | 0 | 798 | 3,324 | 5,177 |
| 330 | 5 | 76 | 171 | 240 | 139 | 180 |
| 0 | 0 | 77 | 0 | 77 | 0 | 231 |
| 839 | 5 | 442 | 171 | 1,115 | 3,463 | 5,588 |
| 516 | 0 | 87 | 0 | 603 | 99 | 12 |
| 1,177 | 35 | 160 | 121 | 1,251 | 370 | 543 |
| 1,693 | 35 | 247 | 121 | 1,854 | 469 | 555 |
| 15 | 0 | 4,379 | 0 | 4,394 | 2,950 | 5,776 |
| 0 | 0 | 0 | 0 | 0 | 249 | 291 |
| 0 | 0 | 0 | 0 | 0 | 35 | 38 |
| 15 | 0 | 4,379 | 0 | 4,394 | 3,234 | 6,105 |
| 2,547 | 40 | 5,068 | 292 | 7,363 | 7,166 | 12,248 |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IAS) OF CONSTANTIN FILM AG FOR THE 2001 FISCAL YEAR

1. Application of the

International Accounting Standards (IAS)

Constantin Film AG prepares its consolidated financial statements in accordance with § 292 a of the HGB (German Commercial Code) on the basis of the International Accounting Standards (IAS). This means that the company is not required to prepare consolidated financial statements according to the provisions of §§ 290 ff of the HGB.

Constantin Film AG does this by restating all the balance sheets and income statements of individual consolidated companies that have been prepared on the basis of HGB rules to the international accounting standards IAS and then compiles consolidated financial statements in accordance with IAS on this basis.

The rules of the Neuer Markt at Frankfurt stock exchange require annual accounts to be prepared in accordance with one of the internationally recognised accounting codes IAS or US GAAP or to be restated to an international standard from national accounts based on the HGB. Constantin Film AG has decided in favour of consolidated financial statement preparation in accordance with the International Accounting Standards.

The special industry rules specified by US GAAP (SOP 00/2) are applied in film asset accounting for the first time in 2001.

The consolidated financial statements have been compiled in accordance with uniform accounting and valuation principles.

2. Description of the Constantin Film AG Group

Together with its subsidiaries and associated companies, Constantin Film AG (hereinafter referred to as Constantin Group) is a major German producer and distributor of cinema, video / DVD and television films. The Group's operations include all the different forms of film rights acquisition and marketing. In addition to in-house and co-production, Constantin Film AG also obtains exploitation rights for third-party productions. The rights to these films are exploited at all the different levels, from cinema to video / DVD and television. The marketing activities are supported by the Group's own advertising agency. Third-party productions are distributed essentially in German-speaking countries. The subsidiaries abroad are used in the implementation of international in-house productions.

Constantin Film AG was admitted for trading on the Neuer Markt on September 13, 1999. The distribution operations that were still part of Constantin Film AG (parent company) were transferred to Constantin Film Verleih GmbH with effect from January 1, 2001 in accordance with a resolution passed at the Annual

Shareholders' Meeting on July 12, 2001 by separation and transfer as stipulated by German legislation on company transformation. In this process of separation and transfer, the separated distribution operations – including all the assets and liabilities – were transferred in their entirety to Constantin Film Verleih GmbH in accordance with the separation and take-over contract. All the other assets and liabilities that are not assigned to the distribution operations remain at Constantin Film AG.

2.1 Companies consolidated

The consolidated financial statements include Constantin Film AG as well as its subsidiaries and associated companies.

The following changes were made to the companies consolidated in the year under review:

HAHN FILM AG

Constantin Film AG acquired 25.1 per cent of Hahn Film AG with effect from January 1, 2001 in a contract signed on March 28, 2000. A five-year call option (which is not included in the accounts) to buy another 25.9 per cent of the shares in Hahn Film AG was also arranged. This holding has been consolidated in the Group balance sheets at equity since January 1, 2001. Hahn Film AG is one of the leading producers of animated films in Europe as far as both creativity and quality are concerned and has been responsible for such films as **Werner - Beinhart, Werner - Volles Rooää!!!**,

Asterix, Wildlife or **SimsalaGrimm**. The difficult economic situation on the animation market has had an impact on the realisation of cinema film productions planned by Hahn Film AG too. Since there is a danger of a permanent reduction in value and a need for additional equity can be expected, Constantin Film AG has written this holding down 100 per cent as a risk provision (see 5.3).

INNOVUM SMART PRODUCTS GMBH

Constantin Film AG acquired a 26 per cent interest in INNOVUM Smart Products GmbH in 2000. It was consolidated at equity on a pro rata basis in the consolidated balance sheets until March 31, 2001. Constantin Film AG increased its holding by 25 per cent to a total of 51 per cent at the end of March 2001. INNOVUM Smart Products GmbH has been consolidated in the consolidated Constantin Film financial statements in full since the second quarter of 2001.

INNOVUM Smart Products GmbH combines digital communication and trade marketing in a unique way. It is therefore an important partner in the provision of Internet-based marketing services for our films too.

ENGRAM PICTURES GMBH

Constantin Film AG increased its holding in Engram Pictures GmbH to 75.5 per cent in the year under review. Engram Pictures produced the cinema film **666 - Traue keinem, mit dem du schläfst!** (aka **Faust und Mephisto**) in 2001.

The Group consists of the following companies in which Constantin Film AG directly or indirectly holds an interest:

► DIRECT CAPITAL INTEREST / in per cent

| | | Company operations |
|--|-------------|--|
| Constantin Script & Development GmbH, Munich | 100 | Acquisition and development of material rights |
| Constantin Media GmbH audiovisuelle Produktionen, Munich | 100 | Acquisition and development of material rights |
| Constantin Film Produktion GmbH, Munich | 100 | Film and television production |
| Constantin Film International GmbH, Munich | 100 | International film production |
| Constantin Entertainment GmbH, Munich*** | 100 | International film and television production |
| Olga Film GmbH, Munich* | 51 | Film and television production |
| MOOVIE – the art of entertainment Filmgesellschaft mbH, Berlin* | 51 | Film and television production |
| Engram Pictures GmbH, Munich* | 75.5 | Film and television production |
| Hahn Film AG, Berlin**/** | 25.1 | Film and television production (animation) |
| Constantin Film Verleih GmbH, Munich | 100 | Licence trading and cinema distribution |
| Classic Media Werbeagentur GmbH, Munich | 100 | Advertising and event marketing |
| Constantin Music Verlags- GmbH, Munich | 100 | Exploitation of music rights |
| Constantin Propaganda GmbH, Munich | 100 | Production of advertising films |
| Constantin Inter@ctive GmbH, Munich | 100 | Development and production of Internet content |
| INNOVUM Smart Products GmbH, Cologne* | 51 | Internet marketing and Web design |

* No profit/loss transfer agreement

** Consolidation at equity

*** Indirect equity interest

(See also summary of equity interests, page 69)

2.2 Summary of the results generated by the consolidated companies with which no profit/loss transfer agreement has been concluded

| | Share-holding in per cent | Net loss/income in 2001 (HGB) € thousand | Net loss/income in 2001 (IAS) € thousand |
|---|---------------------------|--|--|
| Olga Film GmbH | 51.0 | 910 | - 46 |
| MOOVIE – the art of entertainment Filmgesellschaft mbH | 51.0 | 2,139 | - 454 |
| Engram Pictures GmbH | 75.5 | - 4,003 | - 202 |
| Hahn Film AG | 25.1 | - 423 | - 239* |
| INNOVUM Smart Products GmbH | 51.0 | 484 | 484 |

* Hahn Film AG consolidated net loss

2.3 Consolidation methods

The consolidated financial statements are based on the annual accounts compiled in accordance with consistent principles as per December 31, 2001 by the companies included and certified by the auditors and/or the audit of the annual accounts of the companies included that has been carried out in the context of the audit carried out of the consolidated annual accounts.

Capital consolidation of the subsidiaries consolidated has been carried out by the book value method. In accordance with IAS 22, the estimated values at the time of acquisition are included. The acquisition costs of the equity interests are offset against the equity acquired on

a pro rata basis. The differences are capitalised in fixed assets as goodwill and are depreciated in accordance with IAS 22.

Sales, expenses and income within the Group and all receivables and liabilities between the consolidated companies have been eliminated. Appropriate adjustments have been made for profits generated in intra-group deliveries.

2.4 Currency translation

No accounts are consolidated in a foreign currency.

3. ACCOUNTING AND VALUATION PRINCIPLES

3.1 Intangible assets

The intangible assets item includes software and licences associated with it as well as goodwill attributable to the acquisitions made in the past fiscal year.

Acquired intangible assets are carried at their acquisition cost. Software and licences are depreciated over their probable useful life of three years using the straight-line method. Extraordinary depreciation is made wherever necessary.

Goodwill is depreciated over a period of 15 years using the straight-line method in view of the long-term strategic significance of the equity interests. Changes to the length of their useful life and extraordinary depreciation are made if required.

3.2 Tangible assets

Tangible assets are valued at acquisition cost minus depreciation. Depreciation is made using the straight-line method. Extraordinary depreciation is made wherever necessary. Appropriate write-ups are made when the reasons for this no longer apply. Profits or losses on the disposal of fixed assets are taken into account in the other operating income or expenses. Repair and

maintenance expenses are considered as period costs. The useful lives applied are summarised in the following table:

► **TANGIBLE ASSETS** / in years

| | |
|---|--------------|
| Computers and associated equipment | 3-6 |
| Other operating and business equipment | 10-11 |
| Office equipment | 7-13 |
| Vehicles | 2-5 |
| Fixtures | 12 |

3.3 Financial assets

Financial assets are carried at acquisition cost, less depreciation if applicable. Extraordinary depreciation is made if there are permanent reductions in value. The value is increased again when the reasons no longer apply.

Shares in equity interests that are not consolidated are shown in the financial assets. They are not consolidated because of the minor impact of these equity interests on the asset situation, financial position and profitability of the Constantin Group.

The companies that are not consolidated and the interests held in them are summarised in the following table:

► **DIRECT CAPITAL INTEREST** / in per cent

| | |
|--|-------------|
| Constantin Film Development Inc., Los Angeles/USA* | 100 |
| Société Nouvelle Torii S.A.R.L., Paris/France | 100 |
| Laurentic Cement Garden Ltd., London/Great Britain | 100 |
| Greenland Film Production A.B., Stockholm/Sweden | 100 |
| Smilla Film A.S., Copenhagen/Denmark | 100 |
| Constantin Holdings Inc., Los Angeles/USA | 100 |
| Constantin Production Services Inc., Los Angeles/USA | 100 |
| She's French LLC, Los Angeles/USA | 100 |
| ProCon Pictures LLC, Delaware/USA | 50 |
| Escape Artists LLC, Culver City/USA | 10.1 |
| Impact Pictures LLC, Delaware/USA | 51 |
| Impact Pictures Ltd., London/Great Britain | 100 |
| Constantin International B.V., Amsterdam/NL* | 100 |

* Indirect interest /
without an asterisk: direct interest

(See also the summary of the equity interests, page 69)

3.4 Film assets

Film asset accounting as per December 31, 2001 is carried out in the consolidated financial statements of Constantin Film AG in accordance with the strict US GAAP standards. The new regulation SOP 00/2 has been applied for the first time. Constantin Film AG has decided to implement this new regulation with the particular aim of providing the recipients of the financial statements with more easily understandable information that is more comparable to other media companies which operate internationally. Since the IAS do not include any separate rules for the film industry, it is – like in other areas of business such as insurance and banking in particular – an obvious solution to make use of the industry-specific US GAAP rules for the film industry.

The film assets item includes not only rights acquired to third-party productions (i.e. films not produced within the Group) but also rights to films produced within the Group (in-house and co-productions). Third-party productions generally involve cinema, video / DVD and TV rights. In-house productions also include non-genuine contract productions by the Group that are exploited by the Group. Genuine contract productions are included in the inventories item, provided that they have not yet been completed by the balance sheet date and have not yet generated any sales. The acquisition costs of third-party productions include the minimum guarantees as well as the guarantees above and beyond these amounts that are already definite. Capitalisation is carried out when licensing begins.

In-house productions are shown with their costs. What are known as release costs are not included in these costs; they are immediately charged as expenses when they are incurred. The costs of producing copies of films etc. are allocated and are charged as expenses when the relevant cinema sales are received. Financing costs that can be allocated directly are capitalised by the rules outlined in the FASB Statement 34 in accordance with the reference in SOP 00/2. The release costs include costs that are incurred before the film is exploited, such as press and marketing costs.

Film rights (both third-party and in-house productions) are depreciated by the individual film forecast method. By this method, the depreciation charge for a film in a period is determined on the basis of the following quotient (revenues generated by the film in the period : estimated total remaining revenues generated by the film x residual book value of the film). The maximum period for the revenue estimate amounts to ten years for the kind of films that are accounted for in the film assets at Constantin Film AG and that do not count as library products. The estimate of total revenues is checked at the end of every period and is adjusted if necessary. The quotient for the depreciation charge in the period is determined on the basis of the total revenues after they have been adjusted if necessary. What is known as an impairment test is carried out with every film. If the acquisition cost or the book value of a film plus any

distribution costs that may still be incurred are not covered by the estimated total revenues, depreciation is made on the basis of the impairment test. The estimated sales can change significantly due to a number of factors, such as market acceptance and the probable advertising income generated by the film. The Constantin Group reviews and revises the sales expectations and the depreciation charges as soon as there are any changes from the assumptions made to date.

Costs of the development of new projects (particularly script rights) are checked regularly to see if they are still to be used as the basis for the production of a film. If the start of film shooting or sale of the rights cannot be specified definitely three years after initial capitalisation of the costs of a project, the costs are written off.

There are differences from the accounting method used in the past in particular because of the reduction in the period used as the basis for revenue estimates from twenty to ten years and because of the depreciation of development costs after three years that is required by the method if shooting does not start. Calculation of the depreciation charge for individual films is another difference: in the past, Constantin Film AG has in the case of third-party and co-productions allocated the acquisition cost for cinema, video / DVD and TV exploitation on the basis of past experience in accordance with corporate planning with the following

general percentages for cinema, video and TV rights: 25 per cent for cinema rights, 15 per cent for video / DVD rights and 60 per cent for TV rights. The release costs have been taken into account in allocation of the acquisition cost up to now too.

IAS 8.49 f stipulates the retrospective application of a new accounting method: the revenue reserves have to be adjusted with effect from January 1, 2000. Figures in the 2001 and 2000 consolidated financial statements have to be presented as if SOP 00/2 had always been applied.

The effect of this change in method is an increase in the costs of goods sold of € 12.532 million in 2001 and of € 1.745 million in 2000. The opening balance sheet value for the revenue reserves as per January 1, 2000 has been reduced by € 18.260 million; this amount corresponds to the adjustments for the years before 2000.

3.5 Receivables and other assets

Receivables and other assets are included at their nominal value minus any specific individual provisions. Receivables that are due in more than one year are not included in the trade receivables.

3.6 Cash and cash equivalents

All the funds originally due within three months are classified as cash and cash equivalents by the

Constantin Group for the purposes of the statement of cash flows in accordance with IAS 7. This item consists essentially of credit balances at banks, cheques and cash in hand. Where overdraft facilities have been used by the company, they are included in the funds here.

3.7 Equity

The breakdown and development of the equity can be found in the statement of changes in equity (see page 27) and the explanatory notes about the balance sheets (see 5.10 to 5.12).

3.8 Provisions

The provisions take all identifiable commitments to third parties into account in accordance with IAS 37. The probable amount is included in each case.

3.9 Advance payments received

Sales are shown at the time when the licence begins or at the time when the licensee can exploit the film rights. If the Group receives payments from licensees before these revenue realisation dates, such payments are posted initially as advance payments received.

3.10 Liabilities

The liabilities are carried at their redemption value.

3.11 Realisation of sales

Cinema film sales start to be realised when the film is released to cinemas. The size of the sales depends directly on the number of people who go to the cinema to watch it. The film rent paid to the distributor by the cinema operators is posted as the distribution share of the total cinema revenues in accordance with standard industry practice and IAS 18. The film rent is calculated on the basis of a percentage of the box office receipts.

Sales generated by video / DVD and TV (pay and free TV) rights are realised from when the licence begins – generally six to 24 months after cinema exploitation starts. In these forms of exploitation of the film rights, sales are realised when the relevant contractually agreed embargo period for exploitation has ended. This means that sales do not start to be realised until licence exploitation begins in each case. Sales realisation with contract productions starts when the film is accepted by the commissioning party. The percentage of completion method is not applied in the case of the contract productions. This method does not comply with the requirements of the US GAAP standard SOP 00/2 either.

Income from subsidies and film promotion loans granted by public authorities that only have to be repaid under specific conditions is realised as sales when the subsidy / loan is granted and is shown as sales at this time – although not before cinema exploitation begins.

Provided that repayment of the loan is likely, the probable repayment amount is charged as an expense.

3.12 Taxes on income and deferred taxes

The taxes on income are determined in accordance with IAS 12 (version revised in 2000). According to these rules, all the tax liabilities or claims in the annual accounts of the companies consolidated that develop in the course of the fiscal year in relation to taxes on income have to be included in accordance with the tax legislation that applies to the consolidated companies. Deferred taxes are included in assets and liabilities when an impact on tax can be expected in future that is attributable either to differences between the book values of existing assets and liabilities according to IAS and tax balance sheet figures or to existing accumulated losses and positive tax balances. Deferred taxes on the assets and liabilities sides are calculated on the basis of the tax rates that will probably apply in view of the current tax legislation about income that is liable to tax in the years in which these chronological differences are reversed or eliminated. The effects of changes in tax rates on deferred taxes in assets and liabilities are taken into account in the result in the period in which the changes have been decided by the government and/or in the period for which a change in legislation that has already been decided is to apply.

3.13 Currency translation

Monetary items in a foreign currency that are included in the individual balance sheets of the consolidated companies are valued at the exchange rate on the qualifying date in accordance with IAS 21. The differences attributable to the currency conversion of monetary items have been taken into account in the income statements (see 6.5).

4. INFORMATION IN ACCORDANCE WITH § 292 A, PARAGRAPH II, NO. 4B, OF THE HGB

The consolidated financial statements prepared in accordance with the IAS differ from the annual accounts of Constantin Film AG – which has been compiled on the basis of HGB accounting and valuation principles – in the following points:

4.1 Deferred taxes

The balance-sheet oriented temporary concept is applied. This means that the definition of the chronological differences for which deferred taxes need to be determined is broader in IAS 12 (version revised in 2000) than it is in the HGB. In contrast to the HGB, deferred tax claims from accumulated tax losses have to be capitalised as well.

4.2 Realisation of sales

As is the case with HGB accounting, cinema rights sales are realised in accordance with revenue inflow. Where video / DVD and TV exploitation rights are concerned, sales and the appropriate depreciation are realised when the contractual embargo period for exploitation has ended. Under HGB rules, sales are also realised from January 1, 2001 onwards when the relevant embargo periods have ended in accordance with the Group rules. The same applies mutatis mutandis for the time when depreciation is charged.

4.3 In-house productions

Under IAS rules, the production costs of in-house Group productions that represent non-current assets are capitalised. Under HGB rules, on the other hand, these costs may not be capitalised in accordance with § 248, paragraph 2, of the HGB.

5. EXPLANATORY NOTES ABOUT THE BALANCE SHEETS

5.1 Receivables

The trade receivables are shown after deduction of provisions for doubtful debts.

In-house productions accounted for € 12.533 million of the trade receivables, while third-party productions accounted for € 6.457 million.

Receivables from affiliated companies that are not consolidated amounted to € 2.819 million (previous year: € 838,000) and relate to the following companies:

- ▶ Impact Pictures Ltd.
- ▶ Constantin Film Development Inc.
- ▶ Constantin Holdings Inc.

The receivables are attributable essentially to the financing of project development at the companies listed above.

The receivables from associated companies amounted to € 196,000 (previous year: € 0).

The receivables are due for payment within one year.

Receivables from the Kirch Group are shown as trade receivables (see 8.4).

5.2 Film assets

The film assets can be broken down as follows:

FILM ASSETS / in € thousand

| | 31.12.2000* | 31.12.2001* |
|--|---------------|---------------|
| In-house productions | | |
| Films being exploited | 25,914 | 20,968 |
| Films being prepared and advance payments received | 14,006 | 49,628 |
| Total in-house productions | 39,920 | 70,596 |
| Third-party productions | | |
| Films being exploited | 21,881 | 19,486 |
| Films being prepared and advance payments received | 8,623 | 9,422 |
| Total third-party productions | 30,504 | 28,908 |
| Film assets | 70,424 | 99,504 |

* After valuation adjustment to comply with SOP 00/2 (see 3.4)

The item Films being prepared and advance payments received includes advance payments for films that still have to be supplied as well as rights to third-party productions that are not yet being exploited.

Financing costs of € 1.069 million that could be allocated directly were capitalised in the 2001 fiscal year.

5.3 Fixed assets

Information on the development of the fixed assets is presented in the statement of changes in fixed assets (see pages 28/29).

The at equity value of € 4.366 million included for Hahn Film AG was reduced to € 0 as per December 31, 2001.

5.4 Residual time to maturity of the liabilities

LIABILITIES / in € thousand

| | 31.12.2000 | | | 31.12.2001 | | |
|---|---------------------|---------------------------|---------------|---------------------|---------------------------|----------------|
| | Due within one year | Due in more than one year | Total | Due within one year | Due in more than one year | Total |
| Liabilities to banks | 1,967 | 0 | 1,967 | 81,770 | | 81,770 |
| Trade payables | 8,497 | 0 | 8,497 | 21,936 | | 21,936 |
| Liabilities to affiliated/associated companies | 1 | 0 | 1 | 204 | | 204 |
| Advance payments received | 49,052 | 0 | 49,052 | 30,061 | | 30,061 |
| Other liabilities | 8,266 | 6,664 | 14,930 | 6,850 | 6,584 | 13,434 |
| Liabilities | 67,783 | 6,664 | 74,447 | 140,821 | 6,584 | 147,405 |

5.5 Segmentation of the liabilities and the advance payments received

€ 11.407 million of the trade liabilities were accounted for by in-house productions and € 10.529 million by third-party productions. The advance payments received can be broken down into € 19.840 million for in-house productions and € 10.221 million for third-party productions.

5.6 Credit lines

The following credit lines were available from banks on the balance sheet date and had been used to some extent:

CREDIT LINES

| | | |
|--|----------------|---------|
| DZ Bank, Bayerische Landesbank, BHF-Bank, Bankhaus Reuschel & Co., Syndicate loan, production financing | TUS\$ thousand | 140,000 |
| Bayerische Landesbank, Licence trading and working capital | € thousand | 38,000 |
| Commerzbank, Working capital | € thousand | 511 |

5.7 Other provisions

The provisions as per December 31, 2000 and 2001 can be broken down as follows:

PROVISIONS / in € thousand

| | 31.12.2000 | 31.12.2001 |
|--|--------------|--------------|
| Provision for outstanding invoices | 967 | 4,041 |
| Provision for profit-sharing schemes and licensor shares | 308 | 3,526 |
| Provision for conditional loan repayment | 1,289 | 939 |
| Provision for litigation risks and legal advice | 128 | 251 |
| Holiday provision | 305 | 250 |
| Provision for personnel expenses | 44 | 98 |
| Provision for tantièmes | 258 | 383 |
| Miscellaneous | 212 | 129 |
| Provisions | 3,511 | 9,617 |

With the exception of part of the provisions for conditional loan repayment and for profit-sharing schemes and licensor shares, all of the provisions will probably have been used within one year.

5.8 Other liabilities

The other liabilities have been included in the balance sheets with their redemption amount and can be broken down as follows:

OTHER LIABILITIES AND MEDIUM-/LONG-TERM LOANS / in € thousand

| | 31.12.2000 | 31.12.2001 |
|--|---------------|---------------|
| Financial commitment to Wrongfully Accused Production Limited Partnership and Wrongfully Accused Production Limited Partnership No. 2 | 6,664 | 6,584 |
| Eurimage liabilities | 722 | 712 |
| Escape Artists LLC | 0 | 1,989 |
| Wages, salaries, social security contributions | 977 | 1,199 |
| Liabilities from profit-sharing scheme of third parties | 1,320 | 0 |
| VAT for November and December 2000 | 1,532 | 0 |
| LfA loan | 460 | 1,654 |
| FFA loan | 1,493 | 0 |
| Miscellaneous | 1,762 | 1,296 |
| Other liabilities and medium-/long-term loans | 14,930 | 13,434 |

The liabilities to Kirch Group companies are shown as trade payables (see 8.4).

5.9 Taxes on income

The taxes on income relate essentially to the parent company Constantin Film AG. On the basis of the profit/loss transfer agreements that have been concluded, Constantin Film AG is parent of the following subsidiaries for corporation tax and trade tax purposes:

- ▶ Constantin Script & Development GmbH
- ▶ Constantin Media GmbH audiovisuelle Produktionen
- ▶ Constantin Film Produktion GmbH
- ▶ Constantin Film International GmbH
- ▶ Constantin Entertainment GmbH
- ▶ Constantin Film Verleih GmbH
- ▶ Classic Media Werbeagentur GmbH
- ▶ Constantin Music Verlags- GmbH
- ▶ Constantin Propaganda GmbH
- ▶ Constantin Inter@ctive GmbH

Within the framework of this integrated group structure, the income that is subject to corporation tax and the income for trade tax purposes for all the relevant subsidiaries in the Group as well as for the parent company is determined and if necessary charged at the level of the parent company. The taxpayer is therefore the parent company alone. The following companies remain independent taxpayers for the purposes of corporation tax and trade tax:

- ▶ Olga Film GmbH
- ▶ MOOVIE – the art of entertainment Filmgesellschaft mbH
- ▶ Engram Pictures GmbH
- ▶ Hahn Film AG
- ▶ INNOVUM Smart Products GmbH

A uniform corporation tax rate of 25 per cent has been used for the Group companies in 2001. The trade tax rate depends on the location of the registered office of the company in each individual case. The actual trade tax rate for the companies included in the consolidated financial statements is between 17 and 20 per cent. Reunification tax amounting to 5.5 per cent of the assessed corporation tax has to be paid in addition. An average tax rate of 40.86 per cent is used to calculate the deferred taxes.

Tax expenditure for the 2000 and 2001 fiscal years is as follows:

| TAXES / in € thousand | 2000* | 2001 |
|--|------------|--------------|
| Current tax revenue/expenditure | 23 | -326 |
| Deferred tax revenue | 700 | 7,323 |
| Taxes on income | 723 | 6,997 |

* After valuation adjustment to comply with SOP 00/2 (see 3.4)

The actual tax revenue generated in view of the consolidated result recorded by the Constantin Group can be reconciled to the calculated tax expenditure as follows:

| | 2000* € thousand | 2001 € thousand |
|--|---------------------|--------------------|
| Calculated tax expenditure/revenue | -3,132 | 7,349 |
| Change in the tax rate to 40.86% | 3,064 | 0 |
| Revenue from deferred taxes because of permanent differences | 542 | 0 |
| Expenditure and income that have no tax impact and other effects (goodwill) | 249 | -352 |
| Actual tax revenue | 723 | 6,997 |

* After valuation adjustment to comply with SOP 00/2 (see 3.4)

The deferred taxes on the assets and liabilities sides can be broken down as follows:

| | 2000* € thousand | 2001 € thousand |
|-------------------------------------|---------------------|--------------------|
| Deferred taxes (assets) | | |
| Accumulated tax losses | 1,805 | 22,495 |
| Advance payments received | 14,138 | 4,011 |
| Deferred taxes (assets) | 15,943 | 26,506 |
| Deferred taxes (liabilities) | | |
| Film assets/in-house production | 12,306 | 18,329 |
| Film assets/third-party production | 4,437 | 1,654 |
| Miscellaneous | 821 | 821 |
| Deferred taxes (liabilities) | 17,564 | 20,804 |
| Deferred taxes (net) | -1,621 | 5,702 |

* After valuation adjustment to comply with SOP 00/2 (see 3.4)

The accumulated tax losses amounted to € 55.054 million on December 31, 2001. The deferred tax revenue relating to this amounts to € 22.495 million. Use of accumulated tax losses led to tax revenue of € 20.690 million for the Group in 2001.

5.10 EQUITY

Subscribed capital

The subscribed capital increased by € 98,600 from € 12,644,000 to € 12,742,600 in 2001 because of a capital increase from authorised capital I. The capital increase resulted from the acquisition of a larger interest in INNOVUM Smart Products GmbH (now 51 per cent).

Number of shares

The number of shares was increased by 98,600 to 12,742,600 compared with the same period the previous year. The shares are bearer ordinary shares with no par value, each of which accounts for € 1.00 of the subscribed capital.

Capital reserves

The capital reserves were generated essentially by the inflow of the premium from the proceeds of the public offering in 1999 minus the directly allocated IPO costs and the goodwill charge for the equity interests acquired in 1999. The capital reserves increased by € 1.640 million by comparison with the previous year in connection with the acquisition of additional shares in INNOVUM Smart Products GmbH.

Revenue reserves

A reduction of € 18.260 million has been made in the revenue reserves backdated to January 1, 2000 as a result of the valuation adjustment to comply with SOP 00/2 (see the statement of changes in equity, page 27).

5.11 Authorised capital

In accordance with a resolution passed at the shareholders' meeting on May 09, 2000, the Management Board has been authorised to increase the subscribed capital of Constantin Film AG by up to € 4,800,000 by May 08, 2005 with the approval of the Supervisory Board by issuing new shares with no par value in the name of the holder on one or more occasions in return for the injection of cash and/or physical assets (authorised capital I). The number of shares has to increase at the same ratio as the subscribed capital. The Management Board has also been authorised to suspend the subscription right of the shareholders – in each case with the approval of the Supervisory Board – provided this is required

- a) as compensation for necessary marginal amounts and/or
- b) as a capital increase with a non-cash contribution to acquire a company or an equity interest in a company and the other legal conditions for this have been met.

€ 98,600 of the authorised capital I was used in 2001.

In accordance with a resolution passed at the shareholders' meeting on May 09, 2000, the Management Board has also been authorised to increase the subscribed capital of Constantin Film AG by up to € 1,200,000 by May 08, 2005 with the approval of the Supervisory Board by issuing new shares with no par value in the name of the holder on one or more occasions in return for the payment of cash (authorised

capital II). The number of shares has to increase at the same ratio as the subscribed capital. The Management Board of Constantin Film AG has been authorised to suspend the subscription right of the shareholders – in each case with the approval of the Supervisory Board – if the issue price is not substantially lower than the stock exchange price and the other legal conditions for this have been met.

The revised version of the authorised capital I and II was entered in the commercial register on June 26, 2000.

5.12 Conditional capital

In accordance with a resolution passed at the shareholders' meeting on July 12, 2001, the existing conditional capital of € 750,000 was reduced to € 423,900. The purpose of this amount is to safeguard the subscription rights from the 1st stock option plan based on the authorisation given by the shareholders' meeting on August 18, 1999 (see 8.1.1).

In accordance with a resolution passed at the shareholders' meeting on July 12, 2001, the conditional capital of Constantin Film AG was increased in addition by up to € 600,000. This conditional capital increase will only be made to the extent that subscription rights from the 2nd stock option plan are issued and the holders of these subscription rights exercise their option right (see 8.1.2).

The conditional capital of up to € 600,000 was entered in the commercial register on July 27, 2001.

6. EXPLANATORY NOTES ABOUT THE INCOME STATEMENTS

6.1 Sales / division reporting

The Constantin Group distinguishes in its reporting between two different divisions (segments) that are subject to regular review by the Management Board. These two divisions are known as in-house production (or co-production) and third-party production:

In the case of in-house production (or co-production), the Group contributes services of its own to the production of a film. In the initial phase, these services include monitoring trends, finding the right material and developing the script. Two possible approaches are adopted here: not only the development of internal ideas but also the acquisition of film rights. When a decision has been taken about further implementation of the film project, the next stage involves choosing the organisational and artistic personnel. This is followed by the shooting of the film. Technical post-production of the film starts when shooting has been completed. Where co-productions are concerned, the Group participates by contributing resources to a film project. The Constantin Group and the co-production partner each receive a share of the proceeds of film exploitation in accordance with a key that is specified in advance. The in-house production division also covers genuine and non-genuine contract production. A customer

commissions the Constantin Group to produce a film in both genuine and non-genuine contract production. The right to the film production is held and remains directly with the customer. The Group actually produces the film in genuine contract production, while it acts as a service provider in the case of non-genuine contract production – generally for film funds that carry out the financing of individual films. Some of the exploitation rights to these films are in most cases acquired by Constantin Film by concluding licence contracts.

The exploitation of acquired rights – American productions in particular – is another division of the Constantin Group's operations alongside in-house production (or co-production). Films are bought via package deals and output deals in addition to the buying of rights to individual films. A package deal involves the acquisition of a package of specific films and/or films that can already be named. The exploitation rights to all the films made by a particular producer are acquired before production begins in the case of output deals. First look agreements are also concluded between the producer and rights buyers, according to which the potential buyer is granted a right of first look and last refusal. This means that the producer has an obligation to offer a film to the potential rights buyer, while the latter has the right to negotiate and buy first. These Group operations are organised in the third-party production division.

More detailed explanations about the individual divisions are given in the management report about the company and the Group (see pages 18/19).

There are no business relationships between the in-house production (or co-production) division and the third-party production division. The management of the Constantin Group uses sales, amortisation and gross profit as indicators to assess the success achieved by the two divisions.

BREAKDOWN BY DIVISIONS / in € thousand

| | 2000* | 2001 | 2000* | 2001 | 2000* | 2001 |
|--|----------------------------|---------------|------------------------|----------------|----------------|----------------|
| | In-house and co-production | | Third-party production | | Total | |
| Sales | | | | | | |
| Cinema sales | 8,582 | 34,536 | 44,444 | 11,874 | 53,026 | 46,410 |
| Video sales | 1,655 | 2,489 | 7,653 | 6,346 | 9,308 | 8,835 |
| TV sales | 15,405 | 16,423 | 15,782 | 24,564 | 31,187 | 40,987 |
| Contract productions | 21,313 | 14,040 | 0 | 0 | 21,313 | 14,040 |
| Subsidies | 2,829 | 9,803 | 0 | 0 | 2,829 | 9,803 |
| Others | 1,607 | 7,231 | 0 | 0 | 1,607 | 7,231 |
| Total | 51,391 | 84,522 | 67,879 | 42,784 | 119,270 | 127,306 |
| Costs of goods sold | 46,938 | 68,632 | 56,875 | 62,721 | 103,813 | 131,353 |
| Gross profit on sales | 4,453 | 15,890 | 11,004 | -19,937 | 15,457 | -4,047 |
| Percentage of sales | 8.7 | 18.8 | 16.2 | -46.6 | 13.0 | -3.2 |
| Selling expenses | | | | | 3,113 | 3,316 |
| General administration expenses | | | | | 9,223 | 9,856 |
| Other operating income | | | | | 2,627 | 2,288 |
| Other operating expenses | | | | | 1,436 | 296 |
| Depreciation of goodwill | | | | | 255 | 289 |
| Depreciation of tangible assets (and intangible assets) | | | | | 377 | 400 |
| EBIT | | | | | 3,680 | -15,916 |

* After valuation adjustment to comply with SOP 00/2 (see 3.4)

It is not possible to provide a more detailed and accurate breakdown of the expenses. The total sales figure includes proceeds of €14.387 million (previous year: €22.752 million) from the international exploitation of film rights.

A breakdown of the film assets and the receivables/ liabilities by divisions is given in 5.1, 5.2 and 5.5.

6.2 Costs of goods sold

The costs of goods sold shown consist of depreciation of film rights and capitalised development costs, of film release expenditure as well as of the costs of goods sold of contract productions and – if applicable – of expenses relating to the repayment of subsidies. The depreciation charge for film rights includes expenditure based on the impairment test, including risk provision for films that are not yet being exploited.

6.3 Depreciation of tangible assets

Depreciation of tangible and intangible assets relates to the sales and administration field.

6.4 Personnel expenses

Wages and salaries in the year under review amounted to €7.697 million (previous year: €5.797 million). Social security expenditure amounted to €791,000.

The Constantin Film AG Group had an average of 138 employees (previous year: 86) over the past year (see also the human resources section, page 20).

6.5 Currency translation

Exchange rate income totalling € 1.161 million (previous year: € 912,000) has been included in the income statements (see 8.3).

7. EXPLANATORY NOTES ABOUT THE STATEMENTS OF CASH FLOWS

Income tax and interest payments are as follows:

| | 2000 € thousand | 2001 € thousand |
|--|--------------------|--------------------|
| Taxes on income | 24 | -326 |
| Interest payment, minus the capitalised amounts | -52 | -146 |

The funds available on December 31, 2001 increased by € 6.271 million over the previous year to € 79.890 million.

The liabilities to banks, on the other hand, increased by € 1.967 million to € 81.770 million. This means that net liquidity on December 31, 2001 was € - 1.880 million. Most of the change in net liquidity was attributable to investments of € 117.998 million in film assets.

The investments in financial assets relate to the acquisition of holdings in Escape Artists LLC for € 1.958 million and Hahn Film AG for € 4.366 million.

8. OTHER EXPLANATORY NOTES

8.1 Stock option plan

There are two stock option plans at Constantin Film AG at the present time. Stock options are issued to employees in both stock option plans. The granting of stock options has no impact on either the balance sheets or the income statements.

The 1st stock option plan was introduced in connection with the IPO; no new stock options were issued in 2001 on the basis of this plan. The options that have already been issued on the basis of this 1st stock option plan have a remaining term of three to four years. This 1st stock option plan was replaced by a new 2nd stock option plan in the 2001 fiscal year; stock options were issued to employees on the basis of this new plan for the first time in the 2001 fiscal year.

8.1.1 1999 stock option plan

The 1st stock option plan introduced in 1999 was changed in the 2001 fiscal year by a resolution passed at the shareholders' meeting. The change related to the concept behind the success target and was necessary to avoid personnel expenses completely or to minimise such expenses in the possible case of a change in the accounting rules.

The options which have been issued on the basis of the 1st stock option plan that was introduced in 1999 have a term of five years and enable the company' staff to exercise one third of their options two, three and four years respectively after the options were granted. This means that the options issued in 1999 will expire at the end of 2004 at the latest. The options issued in 2000 will therefore expire at the end of 2005 at the latest.

The price of € 29.00 at which the options can be exercised applies to the 386,500 shares granted up to December 31, 1999. The price at which the options for the 37,400 shares granted to new employees in 2000 can be exercised corresponds to the average stock exchange price of the share during the last ten stock exchange trading days before they were granted, i.e. before October 2, 2000, which was € 39.91.

The options granted entitle the company's employees to buy a total of 423,900 shares – 161,500 of them being reserved for the Management Board. 28,500 option rights have already expired in accordance with the rules of the stock option plan. This means that 395,400 options are still in force. The options can be exercised if the average market price of the company share exceeds the price at which the options can be exercised by at least 15 per cent during the last ten stock exchange trading days before the options are exercised, i.e. amounts to at least € 33.35 for the options granted in 1999 and to at least € 45.90 for the options granted in 2000. Another fundamental rule is that the option can only be exercised as long as the owner of the option has an unterminated employment contract. Conditional capital totalling € 423,900 (see 5.12) is available to permit the option rights granted on the basis of the 1999 stock option plan to be exercised.

| | Number in 1999 | Number in 2000 | Number in 2001 | Number in 2001 |
|-------------------------------------|-------------------|-------------------|-------------------|-------------------|
| Options issued as per 01.01. | 0 | 386,500 | 412,400 | 0 |
| Additions in the fiscal year | 386,500 | 37,400 | 0 | 350,000 |
| Options granted | 386,500 | 423,900 | 412,400 | 350,000 |
| Options exercised | 0 | 0 | 0 | 0 |
| Options expired | 0 | -11,500 | -17,000 | -7,500 |
| Options issued as per 31.12. | 386,500 | 412,400 | 395,400 | 342,500 |

| | 31.12.1999 | 31.12.2000 | 31.12.2001 | 31.12.2001 |
|--------------------------------------|------------|---------------|---------------|------------|
| Exercise price in € | 29.00 | 29.00 / 39.91 | 29.00 / 39.91 | 9.72 |
| Share price in € | 45.00 | 19.00 | 4.15 | 4.15 |
| Options issued (number) | 386,500 | 412,400 | 395,400 | 342,500 |
| Remaining term of the options | 5 | 4-5 | 3-4 | 5 |
| Options that can be exercised | 0 | 0 | 0 | 0 |

8.1.2 2001 stock option plan

The options which have been and will be issued on the basis of the 2nd stock option plan that was introduced in 2001 have a term of five years and enable the company' staff to exercise one third of their options two, three and four years respectively after the options were granted. This means that the options issued for the first time in 2001 will expire at the end of 2006 at the latest.

The price at which the 350,000 options issued in 2001 can be exercised corresponds to the average stock exchange price of the company share during the last ten stock exchange trading days before they were granted (August 27, 2001), i.e. € 9.72.

The options granted entitle the company's employees to buy a total of 350,000 shares – 120,000 of them being reserved for the Management Board. 7,500 option rights have already expired in accordance with the rules of the stock option plan. This means that 342,500 options are still in force. The options can be exercised if the stock exchange price of the company share exceeds the price at which the options can be exercised by at least 15 per cent on at least one day before the option is exercised, i.e. has amounted to at least € 11.18 for the options granted in 2001. Another fundamental rule is that the option can only be exercised as long as the owner of the option has an unterminated employment contract. Conditional capital totalling € 600,000 (see 5.12) is available to permit the option rights granted on the basis of the 2001 stock option plan to be exercised.

8.2 Financial commitments and contingent liabilities

The Group leases and rents vehicles, equipment and buildings that are all subject to operating lease contracts. Leasing and rental expenditure in the 2000 and 2001 fiscal years amounted to € 735,000 and € 798,000. In connection with the purchase of film licences, the company is liable for letters of credit amounting to € 3.423 million issued by the Bayerische Landesbank.

There is also a rent guarantee for business premises rented by Constantin Film AG amounting to € 135,000. The Group has in addition issued two guarantees for contract productions with a total value of € 3.261 million to RTL Television GmbH and ZDF.

The following table is a summary of future minimum payments within the framework of operating lease / rental agreements that have initial or remaining periods of notice of more than one year:

FUTURE RENT AND LEASING FEE PAYMENTS / in € thousand

| | 31.12.2000 | 31.12.2001 |
|---|--------------|--------------|
| Remaining term up to 1 year | 3 | 110 |
| Remaining term 1-5 years | 863 | 3,670 |
| Remaining term more than 5 years | 167 | 0 |
| Total | 1,033 | 3,780 |

The Group obtains access to future film rights by concluding package deals, output deals and individual licence contracts. Package deals involve the acquisition of a package of specific films, while the exploitation rights to a specific number of future films by a certain producer are acquired before production in output deals. In some cases special agreements are also concluded, according to which the buyer of the rights is, for example, granted a right of first negotiation and last refusal. This means that the producer has an obligation to offer a film to the potential rights buyer, while the latter has the right to negotiate and buy first.

Output deals involve an obligation to buy a film made by the producer on the contractually agreed conditions. This means that the conclusion of output deals leads to financial commitments for the future. The output deal with Mandalay Pictures LLC was terminated by Constantin Film Verleih GmbH with effect from December 31, 2001. The financial commitments from output deals in future years will therefore be decreasing. The estimated commitments arising from licence purchase contracts for 2002 amount to € 45.000 million. The impact on the asset situation, financial position and results from 2003 onwards cannot be estimated with sufficient certainty at the present time.

Apart from arbitration proceedings about commitments to accept a film, which do not have a considerable impact on the economic situation of Constantin Film AG and its subsidiaries, no legal proceedings are pending at the present time or have been threatened to the Constantin Group.

8.3 Financing instruments

The Constantin Group concludes hedging contracts (with particular emphasis on the US dollar) in order to reduce the currency translation risks of its business operations. These derivative financing instruments are arranged with banks. The financing instruments relate to foreign currency flows that are planned in future for film projects. The Group does not hold and issue any derivative financing instruments for trading purposes. The Constantin Group makes sure that the amount and term of the basic business transaction and the hedging contract are the same. The strict conditions for hedge accounting in accordance with IAS 39 do not, however, exist. Two hedging contracts were in force on the balance sheet date that have a total positive market value of €7.426 million. The market value was determined on the basis of the exchange rate on the qualifying date. This valuation led in accordance with IAS 39 to income of €520,000 that has an effect on the income statements. IAS 39 was applied for the first time in the 2001 fiscal year.

8.4 Connections to related parties

The Management Board and the Supervisory Board of Constantin Film AG, Constantin Holding GmbH & Co. KG and their partners / shareholders are potential related parties as defined by IAS 24. The members of the Management Board receive annual remuneration consisting of fixed and variable elements (see 8.6).

Constantin Holding GmbH & Co. KG holds 7,958,333 shares of the total subscribed capital of Constantin Film AG consisting of 12,742,600 shares (62.45 per cent). On the balance sheet date, Mr Bernd Eichinger owned 40.05 per cent of Constantin Holding GmbH & Co. KG, while Kirch Beteiligungs GmbH & Co. KG (Kirch Group) had an interest of 33.77 per cent and EM.TV & Merchandising AG (EM.TV) held 26.18 per cent.

The Group purchased licence rights from companies in the Kirch Group to exploit them in German-speaking countries. Constantin Film AG at the same time sold individual licence rights to third-party productions and in-house productions to affiliated companies of the Kirch Group (including ProSiebenSat.1 Media AG), particularly TV rights.

The following table summarises the business relationships and transactions with companies in the Kirch Group. The transactions with related companies are carried out at arm's length.

| | 31.12.2000 € thousand | 31.12.2001 € thousand |
|--|--------------------------|--------------------------|
| Receivables from KirchMedia GmbH & Co. KGaA | 2,093 | 5,303 |
| Receivables from ProSiebenSat.1 Media AG | 2,158 | 1,523 |
| Sales to KirchMedia GmbH & Co. KGaA | 11,462 | 29,153 |
| Sales to ProSiebenSat.1 Media AG | 14,684 | 11,073 |
| Liabilities to KirchMedia GmbH & Co. KGaA | 367 | 7,959 |
| Liabilities to ProSiebenSat.1 Media AG | 0 | 0 |
| Advance payments received from KirchMedia GmbH & Co. KGaA | 39,706 | 22,430 |
| Advance payments received from ProSiebenSat.1 Media AG | 7,500 | 394 |
| Expenditure on services by KirchMedia GmbH & Co. KGaA | 4,120 | 8,730 |
| Expenditure on services by ProSiebenSat.1 Media AG | 0 | 126 |

8.5 Events since the balance sheet date

No special events have occurred since the balance sheet date that have an impact on the economic situation of the Group.

8.6 Board members

Mr Bernd Eichinger (film businessman and producer) left the Management Board of Constantin Film AG at the end of March 2001.

8.6.1 Management Board of Constantin Film AG

The Management Board of Constantin Film AG has four members at the moment:

Mr Thomas P. Friedl / film businessman

Mr Jochen Kamlah / film businessman and lawyer

Mr Martin Moszkowicz / businessman and producer

Mr Dr Daniel Wiest / economics graduate
(spokesman for the Management Board)

Dr Daniel Wiest is a member of the Supervisory Board of Hahn Film AG.

The members of the Management Board are appointed for a period of three to five years.

The total remuneration paid to the Management Board (January 01 to December 31, 2001) amounted to € 1.717 million (previous year: € 1.641 million).

8.6.2 Supervisory Board of Constantin Film AG

Mr Thomas Haffa (entrepreneur) resigned from the Supervisory Board of Constantin Film AG with effect from December 31, 2001.

The total remuneration paid to the Supervisory Board amounted to € 83,000 in 2001 (previous year: € 75,000).

The Supervisory Board consists of six members:

| | Main profession | Membership of other Supervisory Boards |
|--|---|---|
| Fred Kogel Chairman of the Supervisory Board | Deputy Chairman of the Board of KirchMedia GmbH & Co. KGaA | H.O.T. Networks AG |
| Professor Dr Mathias Schwarz Deputy Chairman (up to 12.07.2001) | Lawyer and auditor | EM.TV & Merchandising AG (up to 01.08.2001) Interscent AG Junior.TV GmbH (up to 08.10.2001) SynergyOnline AG |
| Thomas Haffa (up to 31.12.2001) | Entrepreneur | None |
| Franz Jung | Member of the Board of Commerzbank AG, München | Bavaria Filmkunst GmbH |
| Professor Dr Günter Rohrbach (since 13.07.2001) | Independent producer | None |
| Stephan Sager | Film businessman | Teleclub AG, Switzerland |
| Herbert Schroder | Director of KirchMedia GmbH & Co. KGaA | H.O.T. Networks AG HSE Home Shopping Europe AG |
| Werner E. Klatten (since 11.02.2002/for information) | Board Chairman of EM.TV & Merchandising AG | None |

Munich, March 2002

► The Management Board

AUDIT OPINION

We have audited the consolidated annual accounts – consisting of the balance sheets, income statements, statement of changes in equity, statement of cash flows and notes – prepared by Constantin Film Aktiengesellschaft, Munich, for the fiscal year that started on January 1, 2001 and ended on December 31, 2001. The company's management board is responsible for the preparation and contents of the consolidated annual accounts in accordance with the International Accounting Standards (IAS). Our assignment is to make a judgement about the consolidated annual accounts on the basis of the audit we have completed.

We have made our audit of the consolidated annual accounts in accordance with German auditing regulations and observing the principles governing the proper conduct of audits as issued by the German Institute of Auditors (IDW). According to these rules, the audit must be planned and implemented in such a way that it can be assessed with sufficient certainty whether the consolidated annual accounts are free of major inaccuracies. Information about the Group's business operations and its economic and legal environment as well as expectations about possible mistakes are taken into account when specifying the audit procedures. The supporting evidence confirming the values and other information provided in the consolidated annual accounts are checked by taking random samples in the

course of the audit. The audit consists of an evaluation of the accounting principles applied, an analysis of the main elements of Group management by the legal representatives and an assessment of the overall presentation of the consolidated annual accounts. We are of the opinion that our audit forms a reliable enough basis for making a sound judgement.

We are convinced that the consolidated annual accounts comply with the IAS and provide an accurate and true picture of the asset situation, financial position and profitability of the Group and of the flow of funds in the fiscal year.

Our audit, which also included the management report about the company and the Group prepared by the management board for the fiscal year that started on January 1, 2001 and ended on December 31, 2001, has not led to any objections being raised. We are convinced that the management report about the company and the Group provides an appropriate overall description of the situation of the Group and presents the possible future risks in an accurate way. We also confirm that the consolidated annual accounts and the management report about the company and the Group for the fiscal year that started on January 1, 2001 and ended on December 31, 2001 satisfy the conditions for exemption of the company from the obligation to prepare consolidated annual accounts and a con-

solidated management report in accordance with German legislation.

Munich, March 8, 2002

▶ **KPMG Deutsche Treuhand-Gesellschaft**
Aktiengesellschaft / Wirtschaftsprüfungsgesellschaft
Kilgert / Auditor
Dr Lütticke / Auditor

Our opinion must be obtained again before the consolidated annual accounts and/or the management report about the company and the Group are published or disclosed in a form that deviates from the confirmed version (including translation into different languages), if our certificate is quoted or attention is drawn to our audit in this context; we for our part draw attention in particular to § 328 of the HGB.

The original audit opinion in German, which relates exclusively to the financial statements and management report of Constantin Film AG in German, is the only authoritative version of the audit opinion.

| | |
|-----------------|---|
| Page 52 | -- AG balance sheets |
| Page 53 | -- AG income statements |
| Page 53 | -- AG statement of cash flows |
| Page 54 | -- AG statement of changes in fixed assets |
| Page 55 onwards | -- Notes to the AG financial statements |

| | |
|---------|--|
| Page 58 | -- Summary of the equity interests held by Constantin Film AG |
|---------|--|

| | |
|-----------------|-----------------------|
| Page 64 onwards | -- Terminology |
|-----------------|-----------------------|

| | |
|---------|--|
| Page 69 | -- Summary of the equity interests as of January 01, 2002 |
|---------|--|

| ASSETS / HGB | 31.12.2000 € thousand | 31.12.2001 € thousand |
|--|--------------------------|--------------------------|
| A. Fixed assets | | |
| I. Intangible assets | 130 | 155 |
| II. Tangible assets | 328 | 277 |
| III. Financial assets | | |
| 1. Shares in affiliated companies | 3,516 | 7,295 |
| 2. Equity investments | 1,035 | 0 |
| Total fixed assets | 5,009 | 7,727 |
| B. Film assets | 8,511 | 0 |
| C. Current assets | | |
| I. Receivables and other current assets | | |
| 1. Trade receivables | 0 | 0 |
| 2. Receivables from affiliated companies | 36,213 | 33,362 |
| 3. Receivables from companies in which an equity interest is held | 0 | 196 |
| 4. Other assets | 1,089 | 1,616 |
| II. Cash in hand and at banks, cheques and at banks, cheques | 41,367 | 1,926 |
| Total current assets | 78,669 | 37,100 |
| D. Prepaid expenses | 11 | 66 |
| Total assets | 92,200 | 44,893 |

| EQUITY AND LIABILITIES / HGB | 31.12.2000 € thousand | 31.12.2001 € thousand |
|---|--------------------------|--------------------------|
| A. Equity | | |
| I. Subscribed capital | 12,644 | 12,743 |
| II. Capital reserves | 72,854 | 72,854 |
| III. Revenue reserves | 0 | 0 |
| IV. Loss carried forward | -6,344 | -5,115 |
| V. Net profit/loss for the year | 1,229 | -45,922 |
| Total equity | 80,383 | 34,560 |
| B. Provisions | | |
| Tax provisions | 0 | 0 |
| Other provisions | 1,514 | 1,080 |
| Total provisions | 1,514 | 1,080 |
| C. Liabilities | | |
| 1. Liabilities to banks of which due within 1 year: € 7.503 million (previous year: € 0) | 0 | 7,503 |
| 2. Advance payments received of which due within 1 year: € 0 (previous year: € 6.673 million) | 6,673 | 0 |
| 3. Trade payables of which due within 1 year: € 150,000 (previous year: € 1.299 million) | 1,299 | 150 |
| 4. Liabilities to affiliated companies of which due within 1 year: € 1.186 million (previous year: € 454,000) | 454 | 1,186 |
| 5. Other liabilities of which due within 1 year: € 414,000 (previous year: € 1.877 million) of which from taxes: € 94,000 (previous year: € 1.679 million) of which in connection with social security: € 61,000 (previous year: € 59,000) | 1,877 | 414 |
| Total liabilities | 10,303 | 9,253 |
| Total equity and liabilities | 92,200 | 44,893 |



INCOME STATEMENTS / HGB

01.01.-31.12.2000 01.01.-31.12.2001
€ thousand € thousand

| | 01.01.-31.12.2000 | 01.01.-31.12.2001 |
|--|-------------------|-------------------|
| | € thousand | € thousand |
| Sales | 15,782 | 0 |
| Costs of goods sold | 12,496 | 0 |
| Gross profit on sales | 3,286 | 0 |
| Selling expenses | 684 | 0 |
| General administration expenses | 7,459 | 7,659 |
| Other operating income | 3,149 | 2,231 |
| Other operating expenses | 1,683 | 1,553 |
| Income from equity interests | 22 | 0 |
| Income from profit transfer agreements | 16,565 | 28 |
| other interest and similar income | 2,461 | 2,788 |
| of which from affiliated companies € 2.165 million | | |
| Amortisation of financial assets | 0 | 4,366 |
| Interest and similar expenses | 28 | 57 |
| of which to affiliated companies € 0 | | |
| Costs of loss absorption | 14,236 | 37,333 |
| Income from continuing operations | 1,393 | -45,921 |
| Extraordinary expenditure | 152 | 0 |
| Taxes on income | 11 | 0 |
| Other taxes | 1 | 1 |
| Net income/loss for the year | 1,229 | -45,922 |

STATEMENT OF CASH FLOWS / HGB*

01.01.-31.12.2000 01.01.-31.12.2001
€ thousand € thousand

| | 01.01.-31.12.2000 | 01.01.-31.12.2001 |
|--|-------------------|-------------------|
| | € thousand | € thousand |
| Net profit/loss for the year | 1,229 | -45,922 |
| Amortisation and depreciation of fixed assets | 238 | 4,600 |
| Increase/decrease in provisions | -985 | 2 |
| Loss on the disposal of fixed assets | 6 | 10 |
| Increase in trade receivables and other assets that cannot be allocated to investing or financing activities | -17,808 | -315 |
| Decrease in film assets | 11,987 | 0 |
| Decrease in trade liabilities and other liabilities that cannot be allocated to investing or financing activities | -6,403 | -702 |
| Cash flows from current activities | -11,736 | -42,327 |
| Outflow of funds for investments in tangible assets | -295 | -134 |
| Outflow of funds for investments in intangible assets | -124 | -83 |
| Outflow of funds for investments in financial assets | -1,367 | -4,400 |
| Cash flows from financing activities | -1,786 | -4,617 |
| Inflow of funds from equity additions | 0 | 0 |
| Inflow of funds from loans obtained | 0 | 7,503 |
| Outflow of funds for the repayment of loans | -614 | 0 |
| Cash flows from financing activities | -614 | 7,503 |
| Change in cash and cash equivalents affecting payment | -14,136 | -39,441 |
| Funds at the beginning of the period | 55,503 | 41,367 |
| Funds at the end of the period | 41,367 | 1,926 |

* The statement of cash flows is not part of the audited annual accounts

STATEMENT OF CHANGES IN
FIXED ASSETS (HGB) / in € thousand

| | Acquisition or production costs | | | | Accumulated depreciation | | | | Book value | | |
|---|---------------------------------|--------------|------------------|-----------|--------------------------|--------------------------|---|-----------|--------------------------|--------------|--------------|
| | Balance on 01.01.2001 | Additions | Reclassification | Disposals | Balance on 31.12.2001 | Balance on 01.01.2001 | Depreciation in the current fiscal year | Disposals | Balance on 31.12.2001 | 31.12.2000 | 31.12.2001 |
| I. Intangible assets | | | | | | | | | | | |
| Software | 259 | 13 | 0 | 3 | 269 | 129 | 57 | 1 | 185 | 130 | 84 |
| Advance payments made | 0 | 71 | 0 | 0 | 71 | 0 | 0 | 0 | 0 | 0 | 71 |
| | 259 | 84 | 0 | 3 | 340 | 129 | 57 | 1 | 185 | 130 | 155 |
| II. Tangible assets | | | | | | | | | | | |
| 1. Buildings on third-party land | 612 | 0 | 0 | 0 | 612 | 558 | 43 | 0 | 601 | 54 | 11 |
| 2. Other equipment, operating and office equipment | 854 | 134 | 0 | 62 | 926 | 580 | 134 | 54 | 660 | 274 | 266 |
| | 1,466 | 134 | 0 | 62 | 1,538 | 1,138 | 177 | 54 | 1,261 | 328 | 277 |
| III. Financial assets | | | | | | | | | | | |
| Shares in affiliated companies | 3,516 | 2,744 | 1,035 | 0 | 7,295 | 0 | 0 | 0 | 0 | 3,516 | 7,295 |
| Equity investments | 1,035 | 4,366 | -1,035 | 0 | 4,366 | 0 | 4,366 | 0 | 4,366 | 1,035 | 0 |
| | 4,551 | 7,110 | 0 | 0 | 11,661 | 0 | 4,366 | 0 | 4,366 | 4,551 | 7,295 |
| | 6,276 | 7,328 | 0 | 65 | 13,539 | 1,267 | 4,600 | 55 | 5,812 | 5,009 | 7,727 |

NOTES TO THE FINANCIAL STATEMENTS OF CONSTANTIN FILM AG FOR THE 2001 FISCAL YEAR

1. PRELIMINARY REMARKS

1.1 Information about the company

Constantin Film has been in existence since 1977. In 1999, Constantin Film GmbH & Co. Verleih KG transferred the distribution operations and the subsidiaries assigned to the distribution and production operations to Constantin Film AG with economic effect from January 1, 1999.

The distribution operations that were still part of Constantin Film AG were transferred to Constantin Film Verleih GmbH with effect from January 1, 2001 in accordance with a resolution passed at the Annual Shareholders' Meeting on July 12, 2001 by separation and transfer as stipulated by German legislation on company transformation. In this process of separation and transfer, the separated distribution operations – including all the assets and liabilities – were transferred in their entirety to Constantin Film Verleih GmbH in accordance with the separation and take-over contract. All the other assets and liabilities that are not assigned to the distribution operations remain at Constantin Film AG.

Constantin Film AG compiles consolidated financial statements in accordance with the rules stipulated by the International Accounting Standards (IAS) and in accordance with the conditions for admission to the Neuer Markt in Frankfurt. These consolidated financial statements comply with the exemption requirements laid down in § 292 a of the HGB (German Commercial Code).

1.2 Accounting principles applied

The financial statements of Constantin Film AG as of December 31, 2001 have been prepared in accordance with the stipulations of the German Commercial Code (HGB) for large limited companies with appropriate application of § 267, Paragraph 3, Sentence 2, of the HGB as well as with the supplementary regulations of §§ 150 ff of the German Companies Act (AktG).

1.3 Comparability with the previous year

The accounts are only comparable to the previous year to a very limited extent, because the distribution and licence trading business division was transferred to Constantin Film Verleih GmbH in 2000 and 2001 and did not therefore generate sales any more in 2001.

1.4 Balance sheets

The intangible assets are carried at acquisition cost and are amortised over their probable useful life on a pro rata basis using the straight-line method.

The tangible assets are capitalised at their cost of acquisition or manufacture and are depreciated over their probable useful life on a scheduled basis using the straight-line method. The simplification rule included in R44 Paragraph 2 of German income tax legislation (EStR) is applied.

Minor-value assets are written off immediately and are eliminated as disposals in the year of acquisition.

Financial assets are carried at acquisition cost, less write-downs to the lower present value if applicable.

To ensure clarity in the presentation of the balance sheets, licence rights in the previous year are disclosed as film assets in a separate item between fixed assets and current assets.

In connection with the transfer of the film assets from Constantin Film AG to Constantin Film Verleih GmbH, all of the rights have in the meantime been transferred to Constantin Film Verleih GmbH.

Receivables and other assets are carried at their nominal amount. Write-downs are made to take account of specific individual risks that can be identified.

Where the annual financial statements include items in foreign currencies, these items are translated into € on the basis of the exchange rate on the transaction date. Items are included in the balance sheet on the basis of the exchange rate on the balance sheet date, adopting a conservative approach.

The other provisions have been formed in accordance with the stipulations of § 249 of the HGB and are based on prudent business judgement. Liabilities are carried at their redemption value.

1.5 Income statements

The income statements have been prepared by the cost of sales method in accordance with § 275, Paragraph 3, of the HGB. The change in method by comparison with the previous year is due in particular to the better international comparability of the cost of sales method, the better information provided to the shareholders and simplified reconciliation of the income statements of the Group companies with the IAS consolidated income statements. The relevant figures for the previous years have been adjusted accordingly.

2. EXPLANATORY NOTES ABOUT INDIVIDUAL ITEMS IN THE BALANCE SHEETS

2.1 Fixed assets

The development of the fixed assets and depreciation charges has been summarised in the AG fixed assets table (see page 54).

2.2 Interests in affiliated companies

Constantin Film AG holds the percentages of the shares in the capital of the following companies detailed in the table Summary of the equity interests held by Constantin Film AG on page 69 (see also the equity interest summary on page 58).

CONSTANTIN SCRIPT & DEVELOPMENT GMBH, MUNICH

Buying and selling of ideas, treatments, scripts and other preparatory work for the implementation of audiovisual productions, development and processing of appropriate materials and production of or involvement in audiovisual productions and marketing of such rights and productions in Germany and other countries apart from America.

CONSTANTIN MEDIA GMBH AUDIOVISUELLE PRODUKTIONEN, MUNICH

Buying and selling of ideas, treatments, scripts and other preparatory work for the implementation of audiovisual productions, development and processing of appropriate materials and production of or involvement in audiovisual productions and marketing of such rights and productions in the USA.

CONSTANTIN FILM DEVELOPMENT INC., LOS ANGELES

Provision of advice on the buying of rights and assistance in the development of projects in the USA in particular as well as generation of filmable rights and arrangement of co-operation agreements with film studios.

CONSTANTIN FILM PRODUKTION GMBH, MUNICH

Production of cinema and television films of all kinds as well as activities of all kinds in the film and television field.

CONSTANTIN FILM INTERNATIONAL GMBH, MUNICH

Production and/or exploitation of international film and television productions.

OLGA FILM GMBH, MUNICH

Development, production and exploitation of film and television productions as well as other audiovisual productions. Acquisition and sale of rights to materials.

**MOOVIE – THE ART OF ENTERTAINMENT
FILMGESELLSCHAFT MBH, BERLIN**

Acquisition, production and exploitation of feature films, television productions, music rights and books.

ENGRAM PICTURES GMBH, MUNICH

Production and marketing of feature, advertising and television films of all kinds. Constantin Film AG acquired further shares in the company in 2001 and increased its interest in Engram Pictures to 75.5 per cent.

HAHN FILM AG, BERLIN

Hahn Film AG specialises in productions in the animation field, where it is one of the leading European companies.

CONSTANTIN FILM VERLEIH GMBH, MUNICH

Marketing (particularly distribution) and exploitation / trading of licences and secondary rights to films (including television productions), other audiovisual and multimedia productions as well as the completion of activities directly or indirectly associated with marketing, licence trading or the exploitation of rights and secondary rights.

**CLASSIC MEDIA WERBEAGENTUR GMBH,
MUNICH**

Planning and implementation of marketing activities to promote in-house and third-party productions.

**CONSTANTIN INTERNATIONAL B.V.,
AMSTERDAM**

Implementation of international licence trading co-operation.

**CONSTANTIN MUSIC VERLAGS- GMBH,
MUNICH**

Production, reproduction and marketing of audio and video recording media of all kinds as well as all other music business transactions in Germany and abroad.

CONSTANTIN PROPAGANDA GMBH, MUNICH

Development, production and distribution of products and services of all kinds in the areas of advertising and marketing, particularly the production of advertising and Internet films, video clips and music videos.

CONSTANTIN INTER@CTIVE GMBH, MUNICH

Development, production and marketing of products and services of all kinds in the new media field, particularly the production of multimedia CD-ROMs, DVDs, Internet web sites and interactive software as well as the development, marketing and distribution of multimedia products of all kinds in the Internet.

INNOVUM SMART PRODUCTS GMBH, COLOGNE

INNOVUM Smart Products GmbH operates as a digital communication agency and trade marketing company. Constantin Film AG took over further shares in the company in the second quarter of 2001 and increased its interest to 51 per cent.

SUMMARY OF THE EQUITY INTERESTS HELD BY CONSTANTIN FILM AG

| Company | Equity 31.12.2001 in € thousand | Equity held by Constantin Film AG in % | Sales in 2001 in € thousand | Net income/ net loss in 2001 in € thousand |
|--|---------------------------------------|--|-----------------------------------|--|
| Constantin Script & Development GmbH , Munich* | 26 | 100 | 138 | -935 |
| Constantin Media GmbH audiovisuelle Produktionen , Munich* | 26 | 100 | 556 | -4,525 |
| Constantin Film Development Inc. , Los Angeles**/** | 2,306 | 100 | 3,599 | 1,385 |
| Constantin Film Produktion GmbH , Munich* | 102 | 100 | 23,053 | -13,396 |
| Constantin Film International GmbH , Munich* | 102 | 100 | 5,603 | -789 |
| Olga Film GmbH , Munich | 659 | 51 | 3,599 | 910 |
| MOOVIE – the art of entertainment Filmgesellschaft mbH , Berlin | -1,149 | 51 | 7,805 | 2,139 |
| Engram Pictures GmbH , Munich | -3,578 | 75.5 | 284 | -4,003 |
| Hahn Film AG , Berlin | -368 | 25.1 | 12,398 | -423 |
| Constantin Film Verleih GmbH , Munich* | 2,710 | 100 | 72,364 | -17,308 |
| Classic Media Werbeagentur GmbH , Munich* | 70 | 100 | 587 | 28 |
| Constantin International B.V. , Amsterdam** | -38 | 100 | 0 | -7 |
| Constantin Music Verlags- GmbH , Munich* | 47 | 100 | 123 | -39 |
| Constantin Propaganda GmbH , Munich* | 100 | 100 | 0 | -16 |
| Constantin Inter@ctive GmbH , Munich* | 99 | 100 | 33 | -169 |
| INNOVUM Smart Products GmbH , Cologne | 1,846 | 51 | 4,258 | 484 |

* The net income/loss for the year has been transferred to Constantin Film AG in accordance with profit/loss transfer agreements

** Provisional figures, not consolidated because of their minor importance

*** Translated using the rate on the qualifying date

See the notes to the consolidated financial statements 3.3, for more detailed information about the indirect equity interests held by Constantin Film AG.

2.3 Trade receivables

In accordance with a service contract concluded between Constantin Film AG and Constantin Film Verleih GmbH, all the trade receivables of Constantin Film AG were transferred to Constantin Film Verleih GmbH with effect from January 01, 2000.

2.4 Receivables from affiliated companies

The receivables from affiliated companies amounted to € 33.362 million as per December 31, 2001. They are attributable essentially to the cash pooling system agreed between the AG and the subsidiaries, which involves the pooling of all bank credit and debit balances at Constantin Film AG. All of the receivables are due for payment within one year.

2.5 Other assets

This item totals € 1.616 million and consists of the following main amounts:

| | 31.12.2001 € thousand |
|---|--------------------------|
| VAT receivables | 1,449 |
| Receivables from interest withholding tax | 96 |
| Miscellaneous | 71 |
| Total | 1,616 |

2.6 Equity

The subscribed capital increased by € 98,600 from € 12,644,000 to € 12,742,600 on the basis of a capital increase from authorised capital (see the notes to the consolidated financial statements, 5.10).

2.6.1 Number of shares

See the notes to the consolidated financial statements, 5.10.

2.6.2 Capital reserves

See the notes to the consolidated financial statements, 5.10.

2.6.3 Authorised capital

See the notes to the consolidated financial statements, 5.11.

2.6.4. Conditional capital

See the notes to the consolidated financial statements, 5.12.

2.6.5 Revenue reserves

No allocation was made to the legal reserves in accordance with § 150 AktG, because the capital reserves exceed one tenth of the subscribed capital.

2.6.6 Net loss for the year

Constantin Film AG recorded a net loss of € - 45.922 million in the past fiscal year. The net retained loss in 2000 amounted to € - 5.115 million, so that a net retained loss of € - 51.037 million was recorded as per December 31, 2001 due to the net loss generated in 2001. The net loss generated in 2001 is due essentially to the expansion of production operations at the subsidiaries. Costs of goods sold that cannot be capitalised under HGB rules were incurred for national and international in-house productions, such as the major film **Resident Evil**, and were charged in full as expenses. In view of the profit and loss transfer agreement between Constantin Film Produktion GmbH and Constantin Film AG, these expenses depressed the results of Constantin Film AG considerably in 2001. The revenues arising from these projects will not be received until 2002 onwards and can therefore only be included in the results in the following fiscal years in accordance with the realisation principle. The book values for projects that are in the process of development and for third-party productions were also adapted to the new valuation rules that apply within the Group. Additional costs of goods sold were incurred at the subsidiaries in the HGB financial statements too due to the adjustment of the book values of the third-party productions and the projects that are in the process of development.

2.7 Other provisions

The other provisions are accounted for essentially by provisions for holiday entitlements (€ 162,000), legal advice, auditing of the annual financial statements and outstanding invoices (€ 273,000) and tantièmes, supervisory board remuneration and quarterly reports (€ 517,000).

2.8 Liabilities

The trade liabilities of € 150,000 are due within one year. There are further liabilities to affiliated companies of € 1.186 million that are due within one year too. The other liabilities of € 414,000 include income / church tax liabilities of € 94,000 and social security contribution liabilities of € 61,000.

2.9 Credit lines

As the parent company of the Group, Constantin Film AG has short-term credit lines to cover requirements for further loans within the Constantin Film AG Group. Most of these amounts are secured by the assignment of receivables and by the transfer of film rights. See the notes to the consolidated financial statements, 5.6, for more details about this.

3. EXPLANATORY NOTES ABOUT INDIVIDUAL ITEMS IN THE INCOME STATEMENTS

3.1 Sales

It should be taken into account when analysing the sales figures that parts of the distribution and licence trading business were transferred to Constantin Film Verleih GmbH (100% controlled company) from Constantin Film AG back in 2000. The remaining licences were separated and transferred in 2001 so that no distribution and licence trading sales were generated.

3.2 Costs of goods sold

No costs of goods sold were incurred in the 2001 fiscal year.

3.3 Selling expenses

No selling expenses were incurred in the 2001 fiscal year.

3.4 General administration expenses

The general administration expenses total € 7.659 million. Personnel expenses account for € 4.929 million of this amount (total personnel expenses in the previous year: € 4.152 million). Depreciation of other equipment, operating and office equipment amounted to € 134,000. Buildings

on third-party land accounted for € 43,000. The software depreciation charge in 2001 was € 57,000. Rent expenditure for business premises was € 560,000. The other expenses and services totalled € 1.936 million.

Expenditure from other periods totalling € 326,000 was incurred in the year under review for other legal and tax advice and personnel expenditure.

3.5. Other operating income

The other operating income of € 2.231 million can be broken down as follows:

| | 31.12.2001 € thousand |
|--|--------------------------|
| Exchange rate income | 1,487 |
| Rental income / internal sales | 241 |
| Income from charged costs | 231 |
| Income from the release of provisions | 105 |
| Miscellaneous | 167 |
| Total | 2,231 |

The other operating income includes income from other periods due to the writing-off of liabilities and the release of provisions amounting to € 217,000.

3.6 Other operating expenses

This item includes the following main individual amounts:

| | 31.12.2001 € thousand |
|---|--------------------------|
| Exchange rate expenses | 1,308 |
| Costs of raising funds and money transactions | 38 |
| Miscellaneous | 207 |
| Total | 1,553 |

3.7 Depreciation of financial assets

The value of the interest in Hahn Film AG (25.1 per cent) of € 4.366 million was written-down 100 per cent in 2001 in accordance with § 252, Paragraph 2 Sentence 3, of the HGB. The reasons for this risk provision made by Constantin Film AG are the different economic situation on the animation market, the repeated postponement of the realisation of a major cinema film production and the additional equity needed by Hahn Film AG in connection with this.

3.8 Taxes on income

No taxes on income were incurred in the fiscal year under review.

4. ADDITIONAL INFORMATION

4.1 Contingent liabilities / other financial commitments

In connection with the purchase of film licences, the company is liable for letters of credit amounting to € 3.423 million issued by the Bayerische Landesbank. There is also a rent guarantee for business premises rented by the company amounting to € 135,000. Other financial commitments include rental contracts (€ 2.894 million) within the next five years and leasing contracts (€ 212,000) within the next four years.

Exchange rate hedging transactions were carried out with the sole purpose of safeguarding investments in film assets. The volume hedged totals USD 2,000,000. No transactions were carried out with derivative financial instruments for trading or similar purposes.

4.2 Number of employees

Constantin Film had an average of 48 employees in the period under review, adjusted for the effects of the transfers to Constantin Film Verleih GmbH (see the notes to the AG financial statements, 1.1). There were 48 employees on the qualifying date of December 31, 2001.

4.3 BOARD MEMBERS

4.3.1 The Management Board of Constantin Film AG

See the notes to the consolidated financial statements, 8.6.1.

4.3.2 The Supervisory Board of Constantin Film AG

See the notes to the consolidated financial statements, 8.6.2.

4.4 Consolidated financial statements

The company prepares consolidated financial statements in accordance with IAS and § 292 a of the HGB in its capacity as the parent company. Constantin Holding GmbH & Co. KG includes Constantin Film AG, Munich, in its IAS consolidated financial statements as a fully consolidated company.

Munich, March 2002

► The Management Board

AUDIT OPINION

We have audited the annual accounts (including the bookkeeping records) of Constantin Film Aktiengesellschaft as well as its management report about the company and the Group for the fiscal year that started on January 1, 2001 and ended on December 31, 2001. According to German commercial law and the supplementary stipulations of the company's articles of association, the company's management board is responsible for keeping the bookkeeping records and for compiling the annual accounts and management report. Our assignment is to make a judgement about the annual accounts (including the bookkeeping records and management report) on the basis of the audit we have completed.

We have made our audit of the annual accounts in accordance with § 317 of the German Commercial Code (HGB) and observing the principles governing the proper conduct of audits as issued by the German Institute of Auditors (IDW). According to these rules, the audit must be planned and implemented in such a way that inaccuracies and violations which have substantial impact on the picture of the asset situation, financial position and profitability of the company presented by the annual accounts (in compliance with the principles of proper bookkeeping) and the management report are

identified with sufficient certainty. Information about the company's business operations and its economic and legal environment as well as expectations about possible mistakes are taken into account when specifying the audit procedures. The effectiveness of the internal accounting control system and supporting evidence confirming the information provided in the bookkeeping records, annual accounts and management report are checked mainly by taking random samples in the course of the audit. The audit consists of an evaluation of the accounting principles applied, an analysis of the main elements of company management and an assessment of the overall presentation of the annual accounts and the management report. We are of the opinion that our audit forms a reliable enough basis for making a sound judgement.

Our audit has not led to any objections being raised.

We are convinced that the annual accounts comply with the principles of proper bookkeeping and provide an accurate and true picture of the asset situation, financial position and profitability of Constantin Film Aktiengesellschaft. The management report gives an appropriate overall description of the situation of the company and presents the possible future risks in an accurate way.

Munich, March 8, 2002

▶ **KPMG Deutsche Treuhand-Gesellschaft**
Aktiengesellschaft / Wirtschaftsprüfungsgesellschaft

Kilgert / auditor

Dr Lütticke / auditor

Our opinion must be obtained again before the annual accounts and/or the management report about the company and the Group are published or disclosed in a form that deviates from the confirmed version (including translation into different languages), if our certificate is quoted or attention is drawn to our audit in this context; we for our part draw attention in particular to § 328 of the HGB.

The original audit opinion in German, which relates exclusively to the financial statements and management report of Constantin Film AG in German, is the only authoritative version of the audit opinion.

▶ **AMERICAN OPTION**

Call or put option which – in contrast to a European option – can be exercised at any time during the contract period.

▶ **BACK END**

Share of the revenues generated in film exploitation.

▶ **BEARER SHARE**

A share that is issued to the bearer and is not registered by name in the company's books. Bearer shares can be transferred quickly and simply (by agreement and delivery) in accordance with § 929 of the German Civil Code (BGB).

▶ **BLOCKBUSTER**

A very successful film (box office receipts of at least about USD 100 million in the USA; audiences of at least 3 million in Germany).

▶ **BOX OFFICE**

Receipts from the sale of cinema tickets.

▶ **COMPLETION BOND INSURANCE**

Guarantee about the completion of a film that is given by special insurance companies.

▶ **CONTENT PROVIDER**

Owner and/or supplier of film and television rights.

▶ **CONTRACT PRODUCTION**

A film produced on the basis of a commission – e.g. by a TV station – to which the commissioning party receives all the rights (see also **Licence production**).

▶ **COPYRIGHT**

Legal right about original material granted to an author etc. for a specific period of time.

▶ **DEFERRED TAXES**

In view of the differences between US GAAP and the German Commercial Code (HGB) in the determination of results (realisation of sales, depreciation of film assets according to revenue generation, capitalisation of film production costs), there are deviations from the actual assessment basis under German tax legislation. This difference involves an underlying deferred increase or decrease in the tax burden, which is expressed in the deferred tax items included in assets / liabilities.

▶ **DELISTING**

Exclusion of individual companies from the Neuer Markt. New rules have applied about the exclusion of companies from the Neuer Markt since October 01, 2001. Market capitalisation and the share price are used as quantitative criteria in these new rules, while the insolvency of a company is a qualitative criterion that justifies exclusion.

▶ **DIGITISATION**

Electronic conversion of analog text, image or sound information into computer-readable data.

▶ **DISTRIBUTION COSTS ("P&A")**

Costs incurred in connection with a cinema release, particularly for making copies of the film and advertising it (Prints & Advertising).

▶ **DVD**

Digital Versatile Disc
A new digital storage medium for films (similar to a CD).

▶ **EBITDA**

Earnings before interest, tax and depreciation amortisation.

▶ **EBIT**

Earnings before interest and tax.

▶ **EBT**

Earnings before tax.

▶ **EPS**

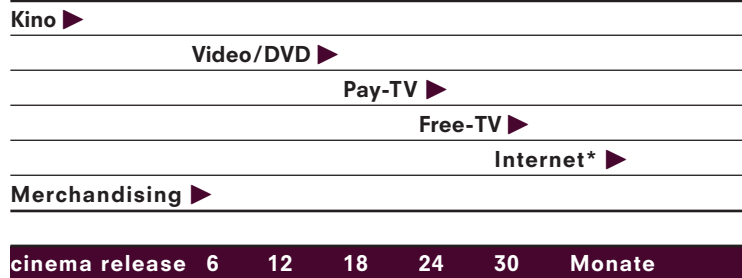
Earnings per share

The net profit attributable to one share. This figure is used to determine the price-earnings ratio.

▶ **EVENT MOVIE**

High-quality TV feature film that provides a cinema-like experience.

▶ **EXPLOITATION CHAIN
(ADDED-VALUE CHAIN)**



* Form of exploitation in the future

▶ **EXPLOITATION WINDOW**

Time available for a specific exploitation phase (see also **Exploitation chain**).

▶ **FAS 139**

(Financial Accounting Standard 139)

Accounting principle issued by the Financial Accounting Standards Board (FASB) that stipulates the application of SOP 00/2 for US GAAP.

▶ **FASB STATEMENT 34**

Financial Accounting Standards Board Statement 34

Rule about capitalisation of the financing costs that can be allocated directly to a film.

▶ **FILM STOCK (LIBRARY)**

Stock of film rights a producer and/or supplier has available.

▶ **FIRST LOOK DEAL**

Contract about the right of first refusal to films and/or rights.

▶ **FREE FLOAT**

Term used for the shares of an issue that are circulating on a market and do not therefore have a specific individual owner.

▶ **FREE TV**

Television that is financed by licence fees or advertising (see also **Pay TV**).

▶ **HEDGING**

Obtainment of protection against currency risks for unsettled items by undertaking an opposite risk in the form of a security instrument (hedge) that is intended and suitable for the provision of protection. The basic business transaction and the security instrument are considered to be a single valuation unit in **hedge accounting**.

▶ **IAS**

(International Accounting Standards)

Uniform international accounting rules issued by the International Accounting Standards Committee (IASC).

▶ **IMPAIRMENT TEST**

Review of the value of a film right on the basis of a comparison between the film investment and the estimate total revenues.

▶ **INDEPENDENT**

A producer who is not tied to a major studio.

▶ **INDIVIDUAL FILM FORECAST METHOD**

Depreciation method for film rights based on the ratio of the periodic sales to the total expected sales.

▶ **INTEGRATED MEDIA GROUP**

A corporate group with companies that cover the entire exploitation chain in addition to developing and producing films.

▶ **ISSUE**

The offering of securities for the first time – The purpose of an issue is the complete, risk-free and inexpensive placement of securities to obtain capital.

▶ **LABORATORY ACCESS LETTER**

Authorisation for copies to be made.

▶ **LIBRARY PRODUCT**

Productions with an initial release date that is at least three years before the date on which they are acquired.

▶ **LICENCE PRODUCTION**

An in-house production to which the producer holds all the rights and only licenses limited chronological and geographical exploitation rights (e. g. to TV stations) (see also **Contract production**).

▶ **LOCK-UP PERIOD**

Embargo period for existing shareholders. The shares held by existing shareholders may not be sold for six months following a new issue.

▶ **MAJOR STUDIO**

US studio companies with global marketing operations (Disney, Warner Bros., Columbia Tristar, Universal Pictures, Paramount, 20th Century Fox, MGM).

▶ **MARKET CAPITALISATION**

Stock market capitalisation, stock exchange value – Market price / value of a public limited company on the stock exchange. It is determined by multiplying the total number of shares by the stock exchange price per share.

▶ **MATERIAL RIGHTS**

Rights to film a "material" (e.g. a novel).

▶ **MEDIA & ENTERTAINMENT INDEX**

Ten industry indices, including the Media & Entertainment Index, were introduced on the Neuer Markt on May 15, 2000. The aim of the new index is to make this fast-growing, international part of the Frankfurt stock exchange more transparent and comparable and to give investors an opportunity to compare the development of different companies within the same industry.

▶ **MERCHANDISING**

Selling of products that tie in with films (e. g. T-shirts, toys).

▶ **MINIMUM GUARANTEE**

The purchase price for rights to a film that has to be paid even if it is not a success. A share of the proceeds of exploitation has to be paid as well if it is a success.

▶ **MULTI-CHANNEL SOURCING**

Making sure that a continuous flow of high-quality products is maintained by exploiting several different "channels":

1. National and international in-house production
 2. International output deals
 3. National and international first look deals and the acquisition of individual films.
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▶ **MULTIPLEX CINEMA**

A cinema with several (about six to 20) screening rooms of different sizes.

▶ **NEMAX 50**

The Neuer Markt section of the Frankfurt stock exchange, which was established in March 1997, represents a platform for fast-growing young companies. Deutsche Börse AG introduced the NEMAX 50 on July 01, 1999 in order to make this expanding part of the stock exchange more transparent to investors. This market index includes the 50 shares traded on the Neuer Markt that have the biggest capitalisation.

▶ **NEMAX ALL SHARE INDEX**

This index measures the development of the Neuer Markt, part of the stock exchange that contains both German and non-German companies.

▶ **NET PROFIT PARTICIPATION**

Share of the net profit of a film given e.g. to actors.

▶ **OUTPUT DEAL**

Licence agreement about all the films a producer and/or studio will be making within a specific period of time.

▶ **PACKAGE DEAL**

Licence agreement about a film package consisting of several different productions.

▶ **PAY PER VIEW**

Individual films or sports programmes that can only be received if the viewer pays a fee.

▶ **PAY TV**

Television programmes that can be received on payment of a monthly fee (see also **Free TV**).

▶ **POST-PRODUCTION**

Completion of the film after shooting has finished.

▶ **PRE-SALE**

Licence agreement about a feature film that is concluded before shooting begins, e.g. solely on the basis of the script, cast and budget.

▶ **PRIME TIME PROGRAMME**

Programme that can be shown when audiences are potentially largest (about 20.00 to 22.00).

▶ **RIGHT OF FIRST NEGOTIATION AND LAST REFUSAL**

Agreement by which a film is offered to the buyer first, who is also entitled to match the offers submitted by other prospective buyers even if his original offer is rejected.

▶ **SECONDARY RIGHTS**

Rights to audio and video recording media, secondary printing rights, merchandising rights.

▶ **SOP 00/2**

Statement of Opinion 00/2

Rule about the valuation and accounting of film rights for film producers and film traders issued by the American Institute of Certified Public Accountants (AICPA).

▶ **VIDEO-ON-DEMAND**

Films, for example, that are shown when specifically ordered.

▶ **SUMMARY OF EQUITY INTERESTS** as of January 01, 2001

Development of film material

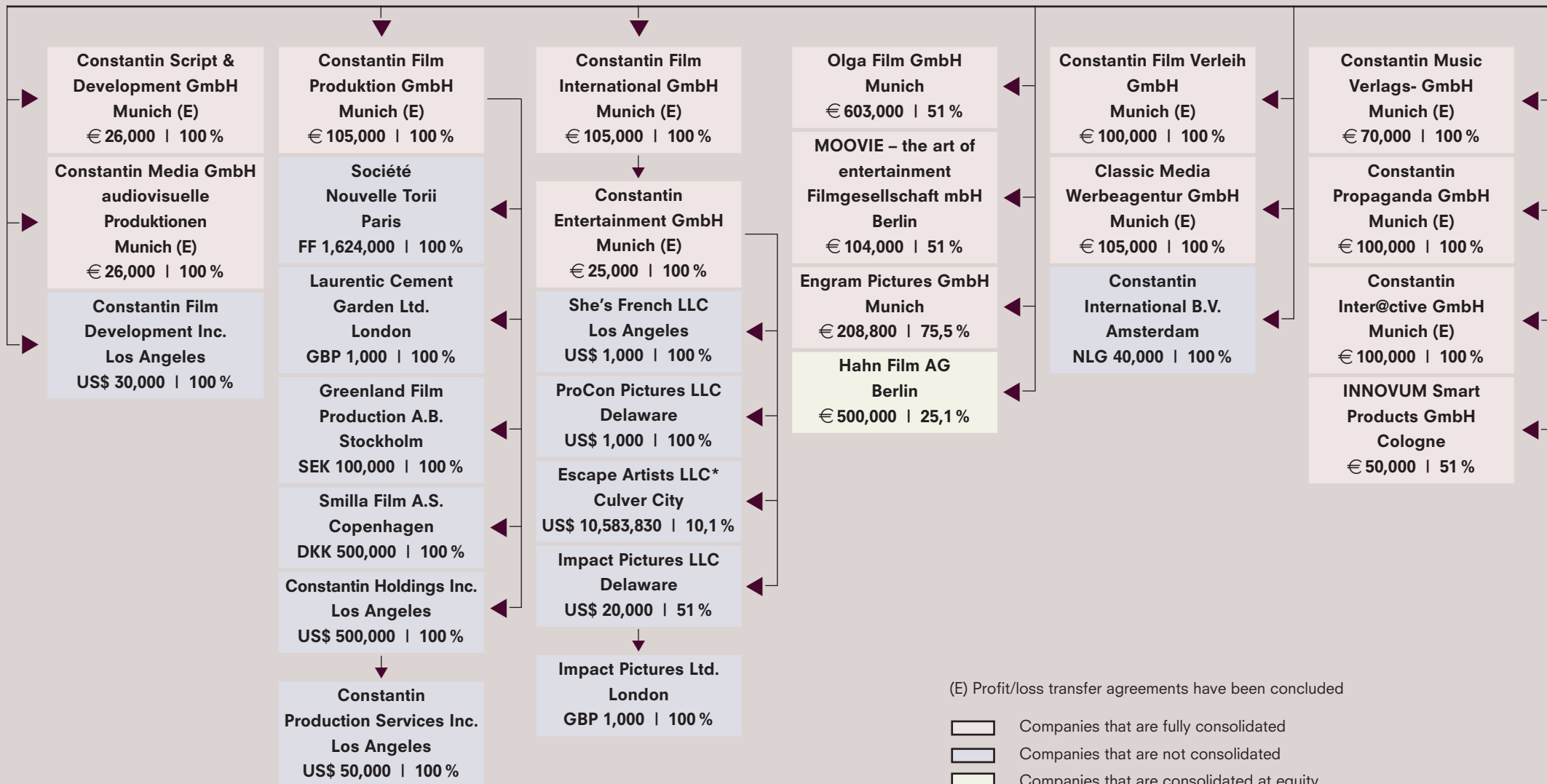
Production

Distribution

Auxiliary rights

Constantin Film AG Munich

€ 12,742,600



(E) Profit/loss transfer agreements have been concluded

- Companies that are fully consolidated
- Companies that are not consolidated
- Companies that are consolidated at equity

* Equity including additional capital payments

HOLLYWOOD



ANNUAL REPORT OF *Constantin Film* AG 2001

MANAGEMENT BOARD MEMBERS THOMAS P. FRIEDL JOCHEN KAMLAH MARTIN MOSZKOWICZ DR DANIEL WIEST
SUPERVISORY BOARD FRED KOEGL THOMAS HAFFA FRANZ JUNG PROFESSOR DR GÜNTER ROHRBACH STEPHAN SAGER HERBERT SCHRODER
DEVELOPMENT OF THE FILM MATERIAL SCRIPTS CONSTANTIN FILM DEVELOPMENT INC. CONSTANTIN MEDIA GMBH CONSTANTIN SCRIPT & DEVELOPMENT GMBH
INTERNATIONAL AND GERMAN CINEMA PRODUCTION TV PRODUCTION CONSTANTIN FILM PRODUKTION GMBH CONSTANTIN FILM INTERNATIONAL GMBH
EQUITY INTERESTS OLGA FILM GMBH MOOVIE – THE ART OF ENTERTAINMENT FILMGESELLSCHAFT MBH
ENGRAM PICTURES GMBH HAHN FILM AG INNOVUM SMART PRODUCTS GMBH BUYING CINEMA DISTRIBUTION LICENCE TRADING
FREE TV PAY TV VIDEO GLOBAL SALES CONSTANTIN FILM VERLEIH GMBH CLASSIC MEDIA WERBEAGENTUR GMBH
SECONDARY RIGHTS EXPLOITATION AND TRADING MERCHANDISING MUSIC PRINT INTERNET CONSTANTIN MUSIC VERLAGS- GMBH CONSTANTIN INTER@CTIVE GMBH

More Information about the company is available online: <http://www.constantinfilm.de>

▶ **INTERNATIONAL SECURITIES IDENTIFICATION NUMBER ISIN: DE0005800809**

▶ **SECURITY IDENTIFICATION NUMBER 580 080**

▶ **CONTACT**

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