

Page 2 -- **Foreword** Page 8 -- **Report by the Supervisory Board**
 Page 10 -- **Corporate strategy** Page 13 -- **Investor relations**
 Page 17 -- **Contents / financial information**
 Page 18 -- **Management report**
 Page 30 -- **Financial information / Group**
 Page 56 -- **AG balance sheets**
 Page 57 -- **AG income statements** and **AG statement of cash flows**
 Page 58 -- **Terminology** Page 61 -- **Summary of equity interests**

KEY FIGURES GROUP

	01.01.-31.12.2003 € million	01.01.-31.12.2004 € million
Sales	114.3	246.9
of which in-house productions	87.0	186.0
of which third-party productions	27.3	60.9
EBITDA	52.0	100.9
Gross profit	3.6	32.3
EBIT	-11.8	14.8
Net income/loss for the year	-9.9	7.0
Investments in film assets	129.3	69.0
Depreciation of film assets	61.4	84.3
	31.12.2003	31.12.2004
Film assets	158.9	143.5
Equity	64.2	70.9
Balance sheet total	315.9	305.2
Employees (number)	270	235
Earnings per share in €	-0.78	0.55

Dear shareholders,
dear friends of Constantin Film AG,

2004 was an eventful and very successful year for Constantin Film AG. A more positive market environment than in 2003, a stronger Constantin Film product range and our effective business strategy helped us to reinforce and expand the leading position we hold on the German distribution and production market.

All in all, 2004 was the third most successful year in German theatrical history. Box office admissions in Germany were only higher in 2001 and 2002. The industry succeeded in increasing box office admissions by 5.2 per cent over the previous year to 156.7 million last year (according to FFA). This increase was attributable to a considerable extent to the very popular German films: they accounted for an impressive 23.8 per cent of total admissions.

The 2004 fiscal year

Constantin Film's business developed very successfully in all areas of the company's operations last year. The 5-stage plan announced by the Chairman of our Management Board, Mr Fred Kogel, in August 2003 to broaden the basis of Constantin's business was

implemented to full effect for the first time in 2004 and produced substantial success. Crucial foundations for continuing the successful development of our company have been laid by adopting this strategy, which involves the addition of licence trading, in-house exploitation of video/DVD rights and an increase in TV service productions (TV entertainment in particular) to production and distribution, our two classic areas of operation.

Our theatrical films in 2004

Constantin Film released a total of 20 films to German theatres in 2004, 7 of them in-house and co-productions and 13 of them licensed films, and reached a market share of 14.7 per cent with 22.4 million box office admissions. This market share puts us in 4th place among distributors in Germany. Which means that we were again the only independent distributor to match the success of the major US studios, ahead of Sony Columbia and Twentieth Century Fox. We topped the list of independent German distributors by a long way too.

Four films distributed by Constantin Film were among the top 10 films of German origin in 2004. The German theatrical comedy **Dreamship Surprise – Period 1** by and with box office favourite Michael "Bully" Herbig

came in 1st. The blockbuster of the year was distributed by Constantin Film and has recorded the sensational number of 9.2 million enthusiastic admissions since it was released to theatres on July 22, 2004. The successful comedy trio of Michael "Bully" Herbig, Rick Kavanian and Christian Tramitz from **Manitou's Shoe** and Constantin Film have set another record in their successful partnership with this space persiflage: no one in Germany has ever managed before to reach more than 20 million theatrical admissions with two separate film themes, i.e. with films that are not a sequel.

The Bernd Eichinger production **Downfall**, directed by Oliver Hirschbiegel (**The Experiment**) with Bruno Ganz (**Luther**), Alexandra Maria Lara (**Nackt**), Juliane Köhler (**Nowhere in Africa**), Corinna Harfouch (**Bibi Blocksberg**), Ulrich Noethen (**Das fliegende Klassenzimmer**), Ulrich Noethen (**Das fliegende Klassenzimmer**), Heino Ferch (**Der Tunnel**), Thomas Kretschmann (**U-571**) and many others in the leading parts, was the third most successful German film in 2004. This unique major German theatrical production based on the bestseller of the same name by Professor Dr Joachim Fest and on the records kept by Hitler's secretary Traudl Junge that were published by Melissa Müller with the title "Bis zur letzten Stunde" has reached more than 4.5 million admissions since it was

released to theatres all over Germany on September 16, 2004. **Downfall** won prizes in three main categories when the Bavarian Film Awards 2004 were held on January 14, 2005: Bernd Eichinger received the "producer's prize", Bruno Ganz won the prize in the "best actor" category, while the coveted audience prize went to the film about the final days of the Third Reich too.

A very special highlight was the Oscar nomination in January 2005 by the *Academy of Motion Picture Arts and Sciences* in the category of "best foreign language film", when **Downfall** was chosen from 49 different entries from all over the world. This artistic success is being accompanied by excellent figures at box offices outside Germany too, where **Downfall** has succeeded in reaching top positions in the theatrical charts in all the international markets where it has been released so far – even though it is being shown in the original German version with subtitles in some cases.

Bibi Blocksberg und das Geheimnis der blauen Eulen (director: Franziska Buch) starring Sidonie von Krosigk (**Bibi Blocksberg**), Katja Riemann (**The Women of Rosenstrasse**), Ulrich Noethen (**Sams in Gefahr**) and Corinna Harfouch (**Vera Brühne**) was one of the top 10 German films too. The Uschi Reich production by

Bavaria Film was released to German theatres by Constantin Film on September 30, 2004. It has attracted more than 1.2 million enthusiastic admissions and is a further demonstration of our skills and leading position in the family entertainment field.

Constantin Film's art house strategy, which was introduced three years ago, was very successful again in 2004, so that the company is in the meantime market leader in this audience segment in Germany too. In the first half of the 2004 distribution year, the Oscar-winning film **Lost in Translation** (director: Sofia Coppola) that was distributed by Constantin Film registered 1.1 million box office admissions, while the sensational screen epic **The Passion of the Christ** (director: Mel Gibson) achieved an excellent 1.6 million admissions and **The Chorus** (director: Christophe Barratier) has captivated more than 980,000 cinema-goers so far.

Our international in-house production **Resident Evil: Apocalypse** (director: Alexander Witt), with Milla Jovovich (**Resident Evil**) in the leading part, caused a stir when it was released to US theatres on September 10, 2004. The action thriller started on 3,200 screens in the USA and Canada and generated box office receipts of more than USD 24 million on its

first weekend, when it headed the charts. This is the third most successful September theatrical release ever in the USA and the most successful US release by a Constantin Film production. The film set a record in Japan too, with box office receipts of more than USD 23 million. The film was released to theatres in Germany on September 23, 2004 and achieved more than 400,000 admissions. So far, **Resident Evil: Apocalypse** has generated impressive worldwide box office receipts of about USD 130 million and is as a result even more successful than **Resident Evil**, the first part produced by Constantin Film.

New productions

Production of 7 in-house and co-produced theatrical films and 14 TV films began last year.

Shooting of the new Helmut Dietl film **Vom Suchen und Finden der Liebe** started in the spring of 2004 in a co-production with Diana Film GmbH, Medienfonds German Film Production GmbH & Co. Filmproduktions und Beteiligungs KG (GFP) and Fanes Film GmbH. Star director Helmut Dietl paints a film portrait of the trials and tribulations of worldly and heavenly love that is both pointed and entertaining. Alexandra Maria Lara (**Nackt**) and Moritz Bleibtreu (**The Experiment**) play the main roles. The romantic comedy has already attracted

more than 580,000 enthusiastic visitors since it was released to German theatres on January 27, 2005.

Filming of our German in-house theatrical production **Siegfried** (director: Sven Unterwaldt jr.) with the popular comedy star Tom Gerhardt (**Hausmeister Krause**) in the lead began in the summer. This comedy about German mythology associated with the River Rhine will probably be released to theatres in July 2005.

Shooting of Corinne Hofmann's bestseller **The White Maasai** started in Kenya with Hermine Huntgeburth (**Bibi Blocksberg**) as director in the third quarter of 2004 too. This authentic love story between a white woman and a Maasai warrior, with Nina Hoss (**Das Mädchen Rosemarie**) in the leading part, is being produced for Constantin Film by Professor Dr Günter Rohrbach, who is one of the most successful producers in Germany with films like **The Boat** or **Schtonk!**.

The new production **Der Fischer und seine Frau – Warum Frauen nie genug bekommen können** by successful director Doris Dörrie (**Nackt, Bin ich schön?, Männer**) was completed in the autumn of 2004 in co-operation with Fanes Film GmbH and megaherz GmbH. Constantin Film is planning to release this romantic comedy starring Alexandra Maria Lara (**Downfall**), Christian Ulmen (**Herr Lehmann**) and

Simon Verhoeven (**Mädchen Mädchen 2 – Loft oder Liebe**) to German theatres in the autumn of 2005.

The international in-house production **The Dark** (director: John Fawcett) was filmed by our subsidiary Impact Pictures Ltd. in London and on the Isle of Man in the second quarter of 2004. This horror thriller is the third film we have co-operated on with Jeremy Bolt and Paul Anderson following the two previous international productions **Resident Evil** and **Resident Evil: Apocalypse**. The scheduled theatrical release date for **The Dark** with Sean Bean (**Troy**) and Maria Bello (**Coyote Ugly**) is the autumn of 2005.

Another highlight in our 2004 production programme was the shooting of the international theatrical blockbuster **Fantastic Four** (director: Tim Story). The film based on the Marvel Comic of the same name, including Jessica Alba (**Dark Angel**), Michael Chiklis (**Carlo's Wake**) and Chris Evans (**The Perfect Score**) is being produced by Constantin Film together with the US studio Twentieth Century Fox. **Fantastic Four** is being released to German theatres in the summer of 2005.

TV productions

Our subsidiary MOOVIE – the art of entertainment GmbH completed the shooting of 13 new programmes

for the second series of **Bewegte Männer** (director: Michael Zens) successfully in the first quarter of 2004. Filming of the TV movie **21 Liebesbriefe** (director: Nina Krosse) with Katja Flint (**Marlene**) and Günther Maria Halmer (**Das Wunder von Lengede**) in the leading parts began in the spring of 2004. An impressive 5.12 million viewers (total market share of 15.3 per cent) saw the film when it was aired by the ZDF television channel on October 11, 2004. The three-part family saga **Die Patriarchin** (director: Carlo Rola) for ZDF with Iris Berben playing the lead, which was also filmed last year, proved to be a spectacular success when it was broadcast in January of this year. The first instalment attracted 8.17 million enthusiastic viewers on January 3, 2005 (market share: 22.7 per cent). The market share went up to 24.3 per cent two days later when the second instalment was watched by 8.26 million viewers. The ratings increased again to an outstanding 9.38 million viewers and a market share of 24.1 per cent when the third part was aired. The production by MOOVIE was by far the most popular programme on all three days it was shown.

The Constantin Film subsidiary Rat Pack Filmproduktion GmbH finished shooting the two-part programme **Das Blut der Templer** for ProSieben successfully in 2004. The director was Florian Baxmeyer, who received the "students' Oscar" in the "honorary foreign film"

category in 2003 for his film **The Red Jacket**. 4.5 and 3.7 million viewers watched the two parts when they were aired on December 9 and 10, 2004, which represents a market share of 14.9 and 12.2 per cent respectively. We completed ten new programmes for the second series of the TV production **Kalkofes Mattscheibe** (director and cast: Oliver Kalkofe) and the second series of the ten-part sitcom **Was nicht passt, wird passend gemacht** (director: Matthias Lehmann) for ProSieben together with Rat Pack.

Following the outstanding success of the first part of the ZDF series **Kommissarin Lukas** with Ulrike Kriener (**Die Klasse von '99**) in the leading part, our subsidiary Olga Film GmbH completed the shooting of two more programmes in the third quarter of 2004. The second programme, which was broadcast on October 16, 2004, performed convincingly with 5.29 million viewers and a total market share of 17.9 per cent. The third programme, which was aired on October 30, 2004, also produced impressive results with 5.94 million viewers and a total market share of 19.7 per cent.

Filming of the TV thriller **Die Stimmen 3** (director: Rainer Matsutani) was completed successfully in the last quarter of 2004. Its two "predecessors" **Die Stimmen** (5.88 million viewers; market share: 26.4 per cent) and

Untreu aka **Die Stimmen 2** (5.41 million viewers; market share: 21.8 per cent) produced excellent results in the target group of importance to advertisers when it was first shown on RTL. **Die Stimmen 3** is to be aired in the spring of 2005. Shooting of the Olga Film production **Liebe Amelie** (director: Maris Pfeiffer) with Maria Kwiatkowsky (**En garde**) in the lead also finished. This TV drama is being shown by WDR this year.

In co-operation with AllMedia Pictures GmbH, we filmed the first series (8 programmes) of the new SAT.1 series **Typisch Sophie**, with Sophie Schütt, Jochen Horst and Bernhard Schir in the main roles, in the third quarter of 2004. The series was shown in prime time on SAT.1 starting in October 2004. Preparations for the second series have already begun.

In the show and entertainment production operations, Constantin Entertainment GmbH as one of the leading German show and entertainment production companies continued to expand its market position last year. The company's very good performance and the generally positive development of the market in the TV entertainment field are confirmation of the strategy adopted by the Management Board to expand the TV service production segment. Six daily TV formats supplied by Constantin Entertainment, including the SAT.1 crime documentaries **Lenßen & Partner** and

K 11 – Kommissare im Einsatz as well as the successful court shows **Das Strafgericht** (RTL), **Richter Alexander Hold** (SAT.1) and the new production **Das Geständnis** (ProSieben) reached top ratings in the target group of importance to advertisers in their particular slots in 2004. The prime time shows **Die Hit Giganten**, **Frauentausch, clever! – Die Show, die Wissen schafft** and **Die Dreisten Drei** were also successful. Constantin Entertainment now produces a total of 19 show and entertainment programmes and formats for practically all the major German TV stations.

Home entertainment

Constantin Film AG's résumé about the home entertainment operations in 2004 is also positive and the company sees this as confirmation of its decision to start in-house marketing of home entertainment, which was introduced in co-operation with Highlight Communications AG and the sales organisation of Paramount Home Entertainment on January 1, 2004. Constantin Film already succeeded in recording an initial highlight at the beginning of the year with the release of **Werner – Gekotzt wird später!** as well as with the collectors' edition containing the Werner films I – IV that Werner fans had been waiting for. Marketing of the martial arts masterpiece **Hero** was a similar success: it was sold more than 150,000 times

following its release in February. The focal point in the programme in the spring was the release of the children's film **Sams in Gefahr**. The third quarter of 2004 was dominated by the keenly awaited release of the film **The Passion of the Christ** directed by Mel Gibson, more than 300,000 copies of which were sold by the end of the year. Further highlights were the release of **Lost in Translation**, which is already being described as a cult film, and the reinterpretation of the classic horror film **The Texas Chainsaw Massacre** directed by Michael Bay, which was popular mainly with a young horror audience. We released another highlight in the autumn of 2004 with the intelligent and romantic love story **Eternal Sunshine of the Spotless Mind** featuring such top performers as Jim Carrey (**Bruce Almighty**) and Kate Winslet (**Titanic**). Constantin Film brought 2004 to a successful end by releasing the high school comedy **Mädchen Mädchen 2 – Loft oder Liebe** for rental at video stores in December.

Licence trading

We succeeded in expanding the licence trading operations substantially in February 2004 by entering into a strategic alliance in the pay TV field. The conclusion of a general licence contract and extensive package deals between Constantin Film Verleih GmbH and Premiere Fernsehen GmbH & Co. KG about the exploitation of pay TV rights has enabled us to optimise

our TV exploitation activities considerably. For the first time since the previous outline agreements with KirchMedia expired, sales contracts with various major TV stations were negotiated and concluded successfully with effect from July 1, 2004 in the free TV sector too.

In the 2004 fiscal year, Constantin Film AG even managed to exceed the targets it revised upwards in both the summer and the autumn. The company generated sales of € 246.9 million, which corresponds to an increase of 116 per cent over the previous year. The gross profit improved by € 28.7 million to € 32.3 million and EBIT were substantially positive at € 14.8 million.

Prospects for 2005

Constantin Film will probably be releasing at least 20 films, 8 of them in-house and co-productions and 12 of them licensed productions, to German theatres in 2005.

The highlights of our distribution programme are our in-house and co-productions **Vom Suchen und Finden der Liebe**, **Fantastic Four**, **Siegfried**, **The White Maasai** and **Der Fischer und seine Frau – Warum Frauen nie genug bekommen können**.

As far as our licensed productions are concerned, we are particularly looking forward to the Easter surprise **Im Rennstall ist das Zebra los!** (director: Frederik Du Chau). Such audience favourites as Iris Berben, Jeanette Biedermann, Mario Adorf, Moritz Bleibtreu, Ottfried Fischer, Günther Jauch, Heiner Lauterbach, Oliver Pocher and Christian Tramitz lend their voices to the animal stars of this theatrical event for the entire family.

Die Bluthochzeit (director: Dominique Deruddere), a new thriller by the successful producers of **The Experiment**, is being released to German theatres in April. Armin Rohde (**Das Sams**), Uwe Ochsenknecht (**Luther**) and Ulrike Kriener (**Mädchen Mädchen!**) can be seen in the main roles in this film of the popular comic of the same name.

In view of an attractive distribution programme, intensive development and production activities and the ongoing integration of all the company's operations, we can expect to make further progress in the current year.

We are therefore planning sales of € 190 million and positive EBIT of at least € 9 million in 2005.

Dear shareholders,
dear friends of Constantin Film AG,

There was plenty to be encouraged by in the past fiscal year. It was an extremely good year for Constantin Film. The price of our share increased impressively and Constantin Film AG succeeded in confirming its position as one of the most important German media companies and in increasing the lead it holds among German distributors thanks to a responsible company policy and the successful implementation of the new corporate strategy.

The clear alignment of our company with a focus on our core business operations in production, distribution and trading, our team of creative and qualified staff and the proven contacts we have established and maintained over decades to key people and companies in the film business all over the world are important factors that will help us to be successful in the coming year too.

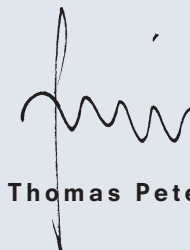
We would like to thank you for the confidence you have placed in us and the loyalty you have demonstrated.



► **Fred Kogel** / Chairman of the Management Board,
licence trading, legal affairs,
human resources, investor relations and
TV entertainment



► **Hanns Beese** / finance and accounting



► **Thomas Peter Friedl** / sales, marketing
and central services



► **Martin Moszkowicz** / production



► **Franz Woodtli** / home entertainment



REPORT BY THE SUPERVISORY BOARD

The Supervisory Board carried out its advisory and control assignment throughout the 2004 fiscal year. The Management Board kept the Supervisory Board informed promptly and in detail by providing oral and written reports. The Supervisory Board and the Management Board remained in close contact above and beyond this as well.

The Supervisory Board held a total of five meetings in the 2004 fiscal year, at which as well as in written decision-making processes it made an intensive review of all the main issues of business policy, particularly the economic and financial development of the company, strategy and planning, important business events and business transactions that required its approval on the basis of reports by the Management Board, discussing these issues with the Management Board too.

The subjects that the Supervisory Board focussed on in particular during the 2004 fiscal year included the international production **Perfume – The Story of a Murderer**, the conclusion of credit contracts and the negotiations about the output deal with the ProSiebenSat.1 Group concerning the exploitation of free TV rights. The Supervisory Board also reviewed the ongoing development of corporate governance by the company and its compliance with the recommendations of the German Corporate Governance Code. The statement specified in § 161 of the German Companies Act (AktG) that has been

issued by the Management Board and the Supervisory Board of Constantin Film AG is being made available to the shareholders on a permanent basis in the Internet (www.constantinfilm.de).

Following the end of both the 2003 fiscal year and the 2004 fiscal year, the Audit Committee reviewed the financial statements of Constantin Film AG and the Group, checked the risk monitoring system and discussed the audit reports with the auditor. The Committee met a total of three times in the 2004 fiscal year.

At the request of the Supervisory Board, KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft, Munich, audited the bookkeeping records, the financial statements, the consolidated financial statements and the combined management report about the company and the Group for the 2004 fiscal year. On the basis of his audit, the auditor issued an unqualified certificate in each case. The financial statements, the consolidated financial statements and the combined management report about the company and the Group as well as the audit reports by the auditor were submitted to and examined by the Supervisory Board. The Supervisory Board discussed these documents in detail at the meeting it held for this purpose in the presence of the auditor, who presented a report about the main outcome of his audit. The Supervisory Board approved the results of the audit. No objections to the financial statements,

the consolidated financial statements and the combined management report about the company and the Group for the 2004 fiscal year were raised after the Supervisory Board subsequently completed its own internal review either. At its meeting on March 29, 2005, the Supervisory Board approved the financial statements of Constantin Film AG submitted by the Management Board and the consolidated financial statements; the financial statements of Constantin Film AG have therefore been adopted.

The Management Board compiled its report about the relationships between the company and affiliated companies and submitted it to the Supervisory Board with the report prepared about it by the auditor. The auditor issued the following unqualified certificate:

“On the basis of the audit and evaluation we have made in accordance with professional standards, we confirm that

1. the factual details of the report are correct,
2. the payments made by the company in respect of the legal transactions listed in the report were not unreasonably high,
3. there are no reasons to make a significantly different assessment from the Management Board with respect to the measures outlined in the report.”

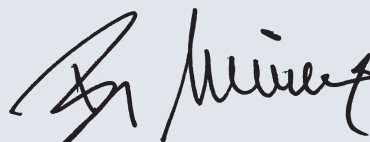
The auditor attended the meetings held by the Supervisory Board to discuss the report about the relationships to affiliated companies and presented a report about the main results of his audit. The Supervisory Board saw no need to raise any objections after it completed its review of the report by the Management Board and the audit report by the auditor; the Supervisory Board approves the results of the audit by the auditor. Following the completion of its review, the Supervisory Board does not have any objections to the report issued by the Management Board about the relationships between Constantin Film AG and affiliated companies.

Mr Marco Syfrig resigned from the Supervisory Board with effect from the end of February 24, 2004. In a resolution passed by the Annual Shareholders' Meeting of the company that was held on May 5, 2004, Mr Bernhard Burgener, Chairman of the Board of Highlight Communications Aktiengesellschaft, Pfäffikon, Switzerland, was elected to be a member of the Supervisory Board. Mr Franz Woodtli resigned from the Supervisory Board with effect from May 6, 2004. On August 19, 2004, the registration court appointed Dr Paul Graf, businessman, Zeiningen, Switzerland, to be a temporary member of the Supervisory Board in order to complete the number of six members of the Supervisory Board stipulated by the articles of association until the Annual Shareholders'

Meeting holds an election. Mr Marc Conrad resigned from the Supervisory Board of the company with effect from September 22, 2004. Since then, the Supervisory Board has consisted of five members and will be completed again by the election of the sixth member on the occasion of the next Annual Shareholders' Meeting in 2005.

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 to all the company staff for their hard work in 2004.

Munich, March 2005



► **Bernd Eichinger** / Chairman of the Supervisory Board

MEMBERS OF THE SUPERVISORY BOARD*

Bernd Eichinger / Chairman // Film producer

Martin Wagner / Deputy Chairman // Lawyer

Bernhard Burgener // Chairman of the Board of
Highlight Communications AG

Dr Paul Graf // Businessman

Professor Dr Günter Rohrbach // Independent producer

* See also the notes to the consolidated financial statements,
page 54

COMPANY PORTRAIT – STRENGTHS AND STRATEGY

Over the past 25 years, Constantin Film has positioned itself in both the German media community and the international film industry as the most successful independent German producer and distributor.

Constantin Film is a name that is closely associated with the film producer Bernd Eichinger, who took over responsibility for the company in 1979 and has developed it steadily ever since then. Bernd Eichinger has in the meantime withdrawn from the day-to-day business operations of Constantin Film AG and now acts as the company's most important producer and the Chairman of its Supervisory Board.

Constantin Film succeeded in making a name for itself on the international film production market too as long as 20 years ago with such international in-house productions as **The Neverending Story** or **The Name of the Rose**. They were followed by further global hits such as **The House of the Spirits** or the action horror thriller **Resident Evil** in 2002 and the sequel **Resident Evil: Apocalypse** last year, which have again proved to be popular at box offices all over the world with receipts together of more than USD 230 million.

Four of the top 10 German blockbusters of the last 20 years were produced by Constantin Film; 21 of the top 50 German theatrical films since 1985 were released to theatres by the company. Eleven of the 25 most successful theatrical films of the past ten years were distributed by Constantin Film (source: Top 50 List since 1985, SPIO statistics).

Constantin Film AG with its subsidiaries and associated companies has established itself as by far the most successful independent German production and distribution company since it was founded in 1979 and went public in 1999. We continued to expand our exceptional market position and broaden our business base considerably in 2004 by the systematic addition to these two classic areas of operation of licence trading, in-house DVD/video exploitation and intensified TV service production, with a particular focus on TV entertainment.

Constantin Film led the independent German distribution market by a long way in 2000, 2001 and 2002. In the 2003 distribution year, we occupied 2nd place due to a difficult overall market situation and a poorer product range. In 2004, we managed to top the list of independent German distributors comfortably again, with more than 22 million

admissions and an outstanding market share of 14.7 per cent. Every second ticket that was bought at theatres last year for a German film was for a film distributed by Constantin Film.

The film highlights that Constantin Film has released in recent years include the most successful German film ever (**Manitou's Shoe**) and last year's sensational blockbuster **Dreamship Surprise – Period 1**. Bernd Eichinger's production **Downfall**, that was nominated for an Oscar, was a box office success, as were our German in-house productions **Nowhere in Africa**, **Mädchen, Mädchen!**, **Harte Jungs**, **Knallharte Jungs**, **Erkan & Stefan** and **Werner – Gekotzt wird später!**. Excellent admission figures have been recorded with the family entertainment productions **Bibi Blocksberg**, **Emil und die Detektive**, **Das fliegende Klassenzimmer** and **Sams in Gefahr** in recent years too. We reached top positions in the theatrical charts with the distribution of such international blockbusters as **The Sixth Sense** and **American Pie** – the most successful film in 2000 – or **Sleepy Hollow**. The new art house strategy that we introduced in 2001 has also developed extremely well right from the start, making us German market leader in this sector within a very short time too with such films as **Lost in Translation**, **The Passion of the Christ**,

8 Women or **The Chorus**, a film that was also nominated for an Oscar.

One of Constantin Film's most important strategic objectives is and remains the expansion of national and international in-house production operations. This enables us to become more independent from third-party products and thus from other producers. What this means specifically for 2005 is that we intend to complete six to eight film productions in the German-speaking theatrical in-house and co-production field and probably up to four productions at the international level. International products have become increasingly important in our in-house production operations in recent years and this area will be continuing to grow in the next few years too.

Our in-house and co-production partners include many well-known and experienced German producers, such as Bavaria Filmverleih- und Produktions-GmbH, Sönke Wortmann's Little Shark Entertainment, Ulrich Limmer's collina Filmproduktion GmbH and Helmut Dietl's Diana Film GmbH. Our subsidiaries Olga Film GmbH, MOOVIE – the art of entertainment GmbH, Rat Pack Filmproduktion GmbH, Westside Filmproduktion GmbH and Constantin Entertainment GmbH are important partners too. It is particularly important to us

in this context to forge close ties between successful German artists and our company. We are therefore delighted that we are able to continue our extremely productive co-operation with Michael "Bully" Herbig following **Manitou's Shoe** and **Dreamship Surprise – Period 1** and started to shoot **Hui Buh – Das Schlossgespenst**, a theatrical highlight for the entire family with "Bully" playing the leading part, in the spring. In our international projects, we count on successful co-operation with our subsidiary Impact Pictures Ltd. Longstanding intensive contacts to the most important nationally and internationally respected authors, directors and actors are another elementary feature of our successful film business.

Constantin Film has an effective and successful structure in the production operations for fiction TV programmes, thanks – for example – to its subsidiaries Olga Film, MOOVIE, Rat Pack Filmproduktion and Westside Filmproduktion. Constantin Entertainment GmbH, which has been part of the Constantin Group since September 2003, is one of the German market leaders in the TV show and entertainment production operations.

We obtain the roughly 20 films per year that are required to make our distribution business a success

not only from our very important in-house production operations but also from the acquisition of individual licences (known as pick-ups) from our many long-standing production partners in Germany and elsewhere. The strategic significance of this licence trading has increased enormously, not only because of the expansion of our own capabilities but also because of market developments. Since the licence market for film rights has cooled down more and more in the past two years, not least of all because of the large reduction in the number of German competitors, it is possible to buy individual films on a pick-up basis at reasonable conditions again. We distributed the final three films from output deals to German theatres in 2004 and do not have any firm distribution commitments any more now.

Another positive development is the intensification of our TV licence sales. Whereas the licensing of practically all of Constantin Film's TV rights was carried out by KirchMedia in the past, Constantin Film AG has been responsible for complete exploitation at all rights levels since July 1, 2004. In this context, Constantin Film Verleih GmbH, a subsidiary of Constantin Film AG, concluded a general licence contract and several package deals with Premiere Fernsehen GmbH & Co. KG about the exploitation of pay

TV rights in February 2004. The contracts cover all the in-house and co-productions that are made by Constantin Film AG and its subsidiaries between January 1, 2004 and December 31, 2006 as well as further films from Constantin Film's entire distribution programme.

In addition to this, we already started to co-operate with T-Online in the video-on-demand (VOD) field in October 2003.

The very good contacts to all TV stations make sure that our high-quality products sell consistently well in free TV.

In February 2005, we were able to conclude an output deal with the ProSiebenSat.1 Group about the exploitation of free TV rights too. The agreement covers the national and international in-house and co-productions by Constantin Film AG and its subsidiaries that start to be filmed between July 1, 2004 and December 31, 2006. ProSiebenSat.1 has also acquired numerous international theatrical hits from Constantin Film.

An important strategic broadening of the core business has been achieved with the in-house marketing of

home entertainment as well. In co-operation with Highlight Communications AG and the sales organisation of Paramount Home Entertainment, Constantin Film is exploiting what is in the meantime the stable number of 20 to 25 video and DVD rights from in-house productions and licensed films independently. After we entered the market on January 1, 2004, we have succeeded in establishing the "Constantin Film" brand as one of the leading independent programme suppliers on the German-speaking home entertainment market.

Personnel and structural changes

Mr Franz Woodtli joined the Management Board to take over responsibility for the new area of home entertainment operations on May 7, 2004. Franz Woodtli is an expert in the video/DVD business. From 1990 to 2004, he was Sales Director of the two Rainbow companies in Switzerland and Austria, which belong to Highlight Communications AG.

Dr Daniel Wiest, Chief Financial Officer of Constantin Film AG, left the company after five successful years on May 31, 2004. On October 11, 2004, Mr Hanns Beese took over the position of Chief Financial Officer of Constantin Film AG. Hanns Beese is an experienced manager, who has held positions at such companies as

Deutsche Post AG, as Group CFO of MG Metal & Commodity Group in Frankfurt and London, as a member of the Management Board of MG plc, London, and as CFO of GOINDUSTRY AG, Munich, as a result of which he has developed sound know-how about the international and national controlling and financing business.

Constantin Film AG disposed of its 51% interest in the multimedia agency INNOVUM Smart Products GmbH with effect from October 1, 2004. In the context of the ongoing review that is made of the strategic portfolio held by Constantin Film, the shares were sold to one of the current directors of INNOVUM Smart Products GmbH in agreement with the management.

Constantin Film AG also sold its shares in Hahn Film AG (25.1%) to the majority shareholder in March 2004.

▶ PERFORMANCE COMPARISON

from 13.09.1999 to 31.12.2004 / in per cent



13.09.1999 / Issue price € 29.00

31.12.2004 / Final price € 8.48

- Constantin Film Xetra weighted
- SDAX Performance Index weighted
- Prime Media Performance Index weighted

▶ PERFORMANCE COMPARISON

from 31.12.2003 to 31.12.2004 / in per cent



31.12.2003 / Final price € 3.92

31.12.2004 / Final price € 8.48

▶ SECURITIES IDENTIFICATION NUMBER 580 080

▶ INTERNATIONAL SECURITIES IDENTIFICATION NUMBER ISIN:
DE0005800809

THE STOCK MARKET IN 2004: MORE STABLE DEVELOPMENT AND RECORD LEVEL AT THE END OF THE YEAR

Following an extremely unsettled year in 2003, the stock market developed comparatively stably in the past calendar year, although some setbacks were experienced in the course of what was overall a positive development. After an optimistic start to the new year, the stock markets all over the world were depressed by terrorist attacks in Madrid in March 2004. Fear of an economic downswing in China and the high oil price led to uncertainty in the summer and autumn. In November, however, the US presidential election stimulated the international stock markets and several indices reached new highs for the year thanks to the good mood and lively trading. The fact that the price of crude oil decreased encouraged the markets too, so that a year-end rally soon began and the stock markets were able to end the year on a positive note.

In Japan, the Nikkei index rose 7.0 per cent over the year; the Dow Jones blue chip index in the USA went up 3.8 per cent, while the Nasdaq technology index increased by 8.9 per cent. In Germany, the DAX closed at 4,256 points on December 31, 2004, growth of 7.3 per cent over the same time the previous year. The other indices performed considerably better than the DAX in the last stock market year. The MDAX, for example, ended the 2004 stock market year at 5,378 points – a new all-time high that marked an increase of almost 20 per cent over the previous year. The SDAX, the index for minor stocks, also performed disproportionately well, recording growth of almost 20 per cent too. 2004 was a disappointing stock market year for technology and fast-growing companies, on the other hand. The TecDax was the only significant German index to report a small drop of 3.8 per cent.

THE CONSTANTIN FILM SHARE

The price of the Constantin Film share, which is listed in the Prime Standard, developed very encouragingly in 2004. It continued to move sideways until mid-February, but then the Golden Globe awards and the Oscar nominations for a number of films from the Constantin Film distribution programme as well as the announcement of the conclusion of a licence contract with the Premiere Fernsehen about the exploitation of pay TV rights stimulated the share.

The successful theatrical exploitation of **Lost in Translation** and **The Passion of the Christ** contributed to the positive mood in the spring too. In the summer, the extremely successful films **Dreamship Surprise – Period 1** and **Downfall** – in German theatres – and global TV exploitation of **Resident Evil 1** followed. The two increases in the sales and EBIT forecast for 2004 as a whole certainly helped the share to perform exceptionally strongly in the second half of the year too. The Constantin Film share ended trading for the year on December 30 at a high for the year of € 8.48, having recorded impressive growth of 116 per cent within 12 months (December 31, 2003: € 3.92). The Prime Media Performance Index rose by 13 per cent over the same period.

Contact with institutional and private investors, financial analysts and representatives of the business press was again maintained throughout the stock exchange year in 2004 with the help of roadshows, telephone conferences and regular press releases. In November 2004, the management held the annual conference for analysts at the German Equity Forum organised in Frankfurt by Deutsche Börse and KfW Mittelstandsbank.

The positive development of the share was reflected in the reports produced by analysts too. The Constantin Film share was followed by three teams of analysts in the fourth quarter of 2004 – two of the current reports recommend that the share is bought, while one analyst thinks that it should be kept.

▶ **PRICES** / in €, indicating the final Xetra prices

Number of shares on 31.12.2004	12,742,600
Issue price on 13.09.1999	29.00
Year-end price in 1999	42.50
Year-end price in 2000	19.29
Year-end price in 2001	4.04
Year-end price in 2002	2.56
Year-end price in 2003	3.92
Highest price on 30.12.2004	8.48
Lowest price on 07.01.2004	3.92
Year-end price in 2004	8.48

THE CONSTANTIN FILM AG SHAREHOLDER STRUCTURE

The total number of shares in Constantin Film AG was 12,742,600 on December 31, 2004. Bernd Eichinger held 25.07 per cent and Highlight Communications AG 57.98 per cent. The free float, i.e. the proportion of the shares that is traded freely, was 16.95 per cent.

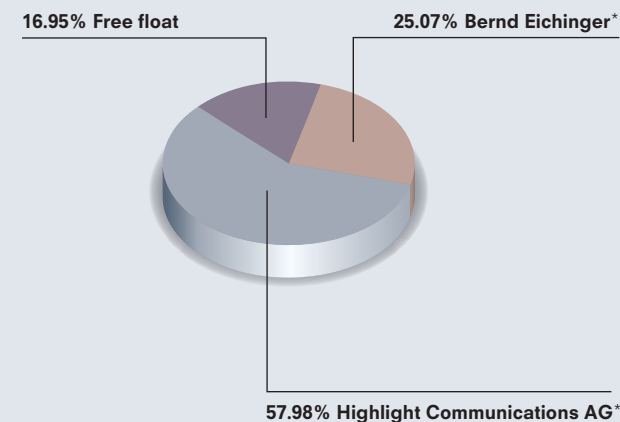
Highlight Communications AG committed itself to limit its holding in Constantin Film AG to a maximum of 50.10 per cent in the shareholders' agreement that was concluded on June 5, 2003. The free float is to be increased to 24.83 per cent by selling the 7.88 per cent of the shares that were acquired additionally via the mandatory offer in such a way that the market is not disrupted.

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

The Supervisory Board member Professor Dr Günter Rohrbach sold 1,000 Constantin Film AG shares on November 12, 2004. The members of the Management and Supervisory Boards of the company did not carry out any other securities business transactions in the period between January 1, 2004 and December 31, 2004. The company did not hold any of its own shares on December 31, 2004.

The members of the Management and Supervisory Boards held the following shares and options on December 31, 2004: Fred Kogel 6,150 shares, Thomas Peter Friedl 29,400 options, Martin Moszkowicz 32,000 options, Bernd Eichinger 3,194,630 shares, Dr Paul Graf 500 shares. Mr Marc Conrad continued to own 1,500 shares at the time when he resigned from the Supervisory Board of the company on September 22, 2004.

▶ SHAREHOLDER STRUCTURE AS PER 31.12.2004



* The shares were pooled by a shareholders' agreement of June 5, 2003.

Page 18 onwards	-- Management report about the company and the Group
Page 18	-- General economic situation in Germany in 2004
Page 18	-- Market development
Page 20 onwards	-- Position of the Group
Page 20	-- Production operations
Page 21	-- Film distribution and licence trading operations
Page 22	-- Results generated in the Group
Page 24	-- Financial position of the Group
Page 24	-- Financing
Page 25	-- Human resources
Page 25 onwards	-- Position of the AG
Page 25	-- Risks and probable development
Page 27	-- Development of the accounting systems
Page 27	-- Report about the relationships to affiliated companies
Page 27	-- Events after the balance sheet date
Page 27	-- Prospects

Page 30	-- Consolidated balance sheets
Page 31	-- Consolidated income statements
Page 32	-- Consolidated statement of cash flows
Page 33	-- Consolidated statement of changes in equity
Pages 34/35	-- Consolidated statement of changes in fixed assets
Page 36 onwards	-- Notes to the consolidated financial statements
Page 55	-- Audit opinion

Page 56	-- AG balance sheets
Page 57	-- AG income statements
Page 57	-- AG statement of cash flows

Page 58 onwards	-- Terminology
Page 61	-- Summary of equity interests

MANAGEMENT REPORT ABOUT THE COMPANY AND THE GROUP

GENERAL ECONOMIC SITUATION IN GERMANY IN 2004

A positive economic trend was apparent in 2004. The German Gross Domestic Product (GDP) was substantially higher than in the previous year in real terms: on average over the year it was up 1.6 per cent. This is the highest growth since 2000 and therefore marks the end of the three-year stagnation phase.

Two thirds of the increase in added value in Germany are attributable to the extremely good performance by the German economy in export business. Driven by global economic growth, exports rose by 10.0 per cent to € 730.9 billion. Imports were 7.4 per cent higher at € 574.2 billion, so that the foreign trade surplus reached the record level of € 156.7 billion.

Domestic demand continued to lag behind last year, however. Expenditure on private consumption remained poor and decreased in real terms (-0.4 per cent). Two of the reasons for this were the difficult situation on the employment market and a net wage increase that was still too low.

The number of people in employment increased again in 2004 for the first time in three years. Economic output last year was achieved by 38.4 million employed persons; this was 128,000 or 0.3 per cent more than a year before.

According to the German employment authorities, the average number of unemployed in 2004 was 4.38 million, which was an increase of 4,300 over the previous year. This meant that the unemployment rate remained unchanged at 10.5 per cent.

The inflation rate increased in 2004 by comparison with the previous year. According to calculations made by the German statistical authorities, the consumer price index for Germany rose by an average of 1.6 per cent in 2004; the figure for the previous year was an increase of 1.1 per cent.

Experts are forecasting that the economy will continue to recover in 2005. Economists are working on the assumption that domestic demand, which has been poor up to now, will be improving too. However, since this improvement will not be large enough to compensate for the anticipated weakening of the export boom, economic growth of about 1 per cent is expected.

MARKET DEVELOPMENT

Theatrical market

2004 was a successful year for the theatrical industry and an excellent year for German films. According to the FFA statistics, 156.7 million box office admissions were recorded in 2004, which was 5.2 per cent or 7.8 million admissions more than in the previous year. Sales totalled € 892.9 million, which was € 42.9 million more than in the previous year; this represents an increase of 5.0 per cent.

This third-best performance since the reunification of Germany was attributable to a considerable extent to the strength of the national product. 36.7 million theatrical film fans watched a German film, so that an outstanding market share of 23.8 per cent (previous year: 17.5 per cent) was achieved – a level that has never been as high before since the FFA started to record data in 1990. And as many as three German films reached leading positions in the top 10: the film **Dreamship Surprise – Period 1** that was distributed by Constantin Film, the Otto film **7 Zwerge – Männer allein im Wald** and the Constantin Film in-house production **Downfall**.

Another record figure confirms the success of German films: four German films achieved more than 1 million box office admissions in 2002; this number increased to five in 2003, while as many as six German films attracted more than a million box office admissions in 2004. All in all, they were seen by 24.5 million theatrical film fans. Like its predecessor **Manitou's Shoe**, **Dreamship Surprise – Period 1** left all the other hit films behind it and was by a long way the film that recorded the most box office admissions in the year ahead of all the US productions with 9.2 million admissions.

German films are proving to be more attractive than ever before at the international level too. **Gegen die Wand**, which won the Berlinale last year, was awarded the German and European Film Prize too; **Die fetten Jahre sind vorbei** received an enthusiastic reception in Cannes and was given the critics' prize in 2004. The

Oscar nominations for **Downfall** and **The Story of the Weeping Camel** are further evidence of the new variety German films are offering and are making sure that demand from abroad is increasingly immensely. **Downfall** made the best theatrical start by a German film in France for years. **The Story of the Weeping Camel** has been watched almost as often in the USA and France as it has here in Germany so far. And even Japanese film fans are interested in **Gegen die Wand**.

There was a definite trend towards smaller theatres in the theatrical industry in 2004. While the number of theatres remained almost unchanged at 4,870 (plus 2) – 147 new theatres were opened or existing ones reopened, whereas 145 were closed – the number of seats decreased by 14,000. According to FFA, these figures conceal a serious change in the theatrical environment.

The average ticket price was € 5.70 in 2004, which was the same as in the previous year. Statistically speaking, every inhabitant of Germany bought 1.9 theatre tickets.

The German film industry succeeded in making some progress for the first time last year where piracy is concerned too. In spite of substantial equipment upgrading by consumers with DSL connections and DVD recorders, the illegal distribution of copyright material via the Internet and by recording films on CDs increased by a relatively small amount. The third representative survey made by FFA (Brenner-Studie 3, 2004) on the basis of special interviews by GfK AG (a company specialising in consumer, market and sales

research) with 10,000 participants shows that the feared explosion of film copying has evidently been prevented. 10.3 million films were downloaded in the first half of 2004, for example – moderate growth of 10 per cent over the same but somewhat longer period in the previous year, in view of the fact that more and more households have a CD burner and broadband Internet access. Another positive factor is that downloading before the German theatrical release date has decreased considerably and that illegal copies are appearing later. The film industry attributes its partial success to a number of concerted activities, including the closing of gaps in the distribution chain as well as in the delivery and showing of films. The prosecution of offenders by GVU (the German association for the prosecution of copyright infringements) is having an effect here too.

TV market

The upward trend on the German advertising market, which was apparent throughout the last year, points to a further hesitant recovery and gradual stabilisation. According to the gross advertising statistics published by Nielsen Media Research GmbH, gross advertising investments in the classic media in 2004 amounted to € 18.2 billion, which corresponds to an increase of 5.8 per cent over the previous year.

The television industry again generated the highest advertising sales of the classic media (€ 7.7 billion) and recorded growth of 3.7 per cent over 2003. Cost pressure at the stations remained as high as ever. As in the previous year, this had the particular effect of order

and budget restrictions in in-house productions and licence acquisition business.

The German television market continues to be characterised by an oligopolistic structure consisting of 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 (including arte, Kinderkanal, Phoenix and 3sat), the ProSiebenSat.1 Media AG Group (including Kabel1 and N24) and the RTL Group, to which the stations RTL, RTLII, Super RTL, VOX and n-tv belong. It remains to be seen what effect the increasing digitisation of television has on the TV market.

According to television research carried out by GfK, the first and third channels operated by ARD were the ones watched most in Germany in 2004. The first channel accounted for 14 per cent of total television viewing last year, thus making sure that the ARD was the overall market leader. All the "third channels" together followed a short distance behind with a total market share of 13.9 per cent. RTL and ZDF shared third place with 13.8 per cent of television consumption each, followed by SAT.1 (10.3 per cent), ProSieben (7 per cent) and RTLII (4.9 per cent).

Average television consumption rose for the fifth year in a row last year. Daily viewing reached a new record of 210 minutes. The average time each German spent watching television every day in 2003 was 203 minutes. According to figures compiled by GfK, the largest increase among the individual target groups was by

older viewers. The over 50s spent an average of 274 minutes watching television every day in 2004, an increase of 12 minutes over the previous year. TV consumption by 14- to 49-year-olds, the target group of importance to the advertising industry, also increased by 3 to 185 minutes last year.

Video/DVD market

The home entertainment market reported substantial growth again in 2004. As GfK has revealed on behalf of BVV (the German audiovisual media association), the home entertainment market in Germany reached total sales of € 1.7 billion in 2004; this represents further growth of 12.3 per cent. Total sales in Germany in the same period in 2003 were € 1.6 billion.

Sales in 2004 continued to be driven by DVDs, with sales of which alone € 1.3 billion or 75.7 per cent of the total market were generated. By comparison with the previous year (€ 1.1 billion), this corresponds to growth by value of 25.6 per cent. With sales of more than 90.2 million DVDs, this market recorded impressive growth of 40.7 per cent by volume too. Another encouraging factor in this context was consumer buying frequency, which was increased to 5.0 (VHS: 2.2).

Rental business by video stores benefitted from the positive trend on the market as a whole, reaching growth by value of 1.4 per cent to total sales of € 306.4 million for the first time again after severe losses in the previous years. In a similar way to the market for bought videos, the proportion of sales

accounted for by VHS cassettes dropped to only 11.1 per cent (€ 34.0 million), however.

POSITION OF THE GROUP

PRODUCTION OPERATIONS

Project development

More than 80 German and English film projects are currently at different stages of development by Constantin Film and its subsidiaries. Our English and American Group companies act as a particularly valuable interface to the international production market in this context.

Theatrical productions

A start was made on filming 7 in-house and co-productions in 2004, including the new Tom Gerhardt comedy **Siegfried**, the film of the million-selling book **The White Maasai** and the romantic comedy by the successful director Doris Dörrie **Der Fischer und seine Frau – Warum Frauen nie genug bekommen können**.

Our subsidiary Rat Pack Filmproduktion GmbH produced the tragicomedy **Strike**.

We produced the international horror thriller **The Dark** together with our subsidiary Impact Pictures Ltd.

Constantin Film successfully completed shooting of the new Helmut Dietl film **Vom Suchen und Finden der Liebe** in a co-production with Diana Film GmbH,

Medienfonds German Film Production GmbH & Co. Filmproduktions und Beteiligungs KG (GFP) and Fanes Film GmbH. The romantic comedy has already reached more than 580,000 admissions since it was released to German theatres on January 27, 2005.

We produced the international theatrical blockbuster **Fantastic Four** together with the US studio Twentieth Century Fox. This film based on the Marvel Comic of the same name is being released to German theatres in the summer of 2005.

TV productions

We filmed the first programmes for the new SAT.1 series **Typisch Sophie**, with Sophie Schütt, Jochen Horst and Bernhard Schir in the leading parts, in co-operation with AllMedia Pictures GmbH.

Our subsidiary MOOVIE – the art of entertainment GmbH successfully completed the shooting not only of the second series of **Bewegte Männer** (director: Michael Zens) with 13 new programmes but also of the TV movie **21 Liebesbriefe** (director: Nina Krosse) featuring Katja Flint and Günther Maria Halmer in the main roles. MOOVIE also produced the ZDF family saga **Die Patriarchin** (director: Carlo Rola) starring Iris Berben last year. The three-part film was an outstanding success when it was shown in January 2005: 8.17 million enthusiastic viewers watched part I (market share: 22.7 per cent), part II attracted 8.26 million viewers (market share: 24.3 per cent) and the ratings for part III were even better at 9.38 million (market share: 24.1 per cent).

The Constantin Film subsidiary Rat Pack Filmproduktion GmbH completed shooting of the two-part film **Das Blut der Templer** (director: Florian Baxmeyer) for ProSieben in 2004. The second series of the TV production **Kalkofes Mattscheibe** (director and cast: Oliver Kalkofe) and of the ten-part sitcom **Was nicht passt, wird passend gemacht** (director: Matthias Lehmann) were made for ProSieben too.

Our subsidiary Olga Film GmbH finished the filming of two more programmes for the ZDF series **Kommissarin Lucas** with Ulrike Kriener in the leading part. Shooting of the TV thriller **Die Stimmen 3** (director: Rainer Matsutani) was completed successfully in the last quarter of 2004. It is scheduled to be broadcast in the spring of 2005. Shooting of the Olga Film production **Liebe Amelie** (director: Maris Pfeiffer) with Maria Kwiatkowsky in the lead ended too.

In the show and entertainment production operations, Constantin Entertainment GmbH produced 6 daily TV formats, including the SAT.1 crime documentaries **Lenßen & Partner** and **K 11 – Kommissare im Einsatz** as well as the successful court shows **Das Strafgericht** (RTL), **Richter Alexander Hold** (SAT.1) and the new production **Das Geständnis** (ProSieben). The prime time shows **Die Hit Giganten**, **Frauentausch, clever! – Die Show, die Wissen schafft** and **Die Dreisten Drei** were successful too.

FILM DISTRIBUTION AND LICENCE TRADING OPERATIONS

Theatrical distribution

Constantin Film distributed 20 films in the year under review, with which 22.4 million theatrical admissions were achieved. Four of these films were among the top 10 German films in 2004.

By far the most successful film in 2004 was the German theatrical comedy **Dreamship Surprise – Period 1** by and with Michael "Bully" Herbig with more than 9 million admissions.

The Bernd Eichinger production **Downfall** (director: Oliver Hirschbiegel) has recorded more than 4.5 million admissions since it was released to theatres throughout Germany on September 16, 2004.

The German family entertainment production **Bibi Blocksberg und das Geheimnis der blauen Eulen** (director: Franziska Buch) by Bavaria Film featuring Sidonie von Krosigk succeeded in reaching the top 10 German theatrical films in 2004, as did the high school comedy **Mädchen Mädchen 2 – Loft oder Liebe** produced by our subsidiary Olga Film.

Mel Gibson's screen epic **The Passion of the Christ** with 1.6 million admissions and the Oscar-winning film **Lost in Translation** (director: Sofia Coppola) we distributed with 1.1 million admissions were extremely successful. Another positive surprise was **The Chorus** by Christophe Barratier with more than 980,000 admissions.

We also released such films as our international in-house production **Resident Evil: Apocalypse** (director: Alexander Witt), Oliver Stone's screen epic **Alexander** and **The Motorcycle Diaries**, a story filmed by Walter Salles.

Theatrical exploitation

The sales generated in theatrical distribution amounted to € 71.613 million (previous year: € 18.818 million) in the year under review and accounted for 29 per cent of total sales volume. Total theatrical sales were € 52.795 million higher than in the previous year. The increase is attributable to the tremendous theatrical success of **Dreamship Surprise – Period 1** and **Downfall** as well as to the very good performances by such art house productions as **Lost in Translation** and **The Chorus**. All in all, these figures demonstrate the impressive strength of the films – both the Constantin in-house productions and the third-party films distributed in 2004.

Video/DVD exploitation

The Constantin Group generated sales of € 22.728 million (previous year: € 16.890 million) in the video/DVD segment in 2004. In the year under review, the Constantin Group started in-house exploitation of video rights in Germany in co-operation with Highlight Communications AG. The sales obtained as a result amounted to € 10.976 million. The remaining sales were accounted for by the licensing of video rights to other rights exploiters as well as by global video distribution sales. The sales included in this segment are attributable primarily to the international exploitation of **Wrong Turn** as well as to

the national exploitation of the films **The Passion of the Christ**, **Lost in Translation** and Michael Bay's **The Texas Chainsaw Massacre**.

TV exploitation

Sales from the licensing of the TV rights to theatrical films are not realised until legal or contractually agreed holdback periods have expired (with pay TV 15 to 18 months after theatrical release, with free TV after 24 to 32 months). The TV sales in 2004 were attributable to films that were released to theatres in 2002 and 2003 as well as to revenue from licences for purely TV productions.

The TV sales totalled € 39.245 million (previous year: € 31.284 million), € 34.217 million (previous year: € 19.819 million) of them being accounted for by in-house and co-produced films. The sales from the licensing of TV rights to in-house and co-produced films include such films as **Resident Evil 1** (national and international), **Nackt** and **Erkan & Stefan 2**. The sales from the licensing of TV in-house and co-productions like **Das Blut der Templer**, **Die Patriarchin** and **Reiche Witwen küssen besser** as well as the sitcoms **Bewegte Männer 2** and **Hausmeister Krause 4** are shown in this segment too. The main contributors to the income from the licensing of the TV rights to third-party productions were films like **8 Women**, **Herz im Kopf** and **Mr Bones**.

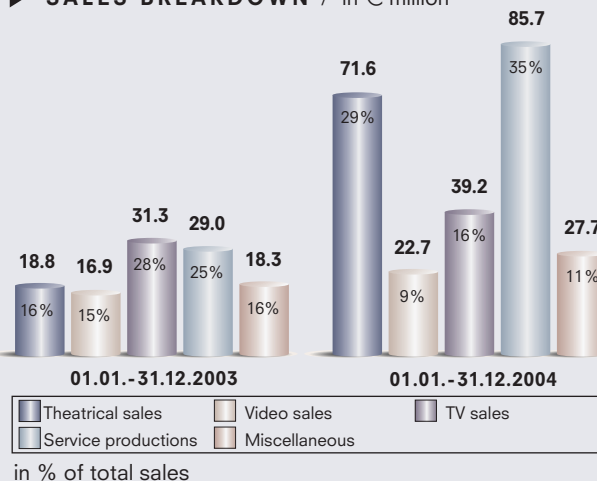
Sales with service productions amounted to € 85.749 million in the year under review (previous year: € 28.968 million) and correspond to 35 per cent of total sales; they include the TV productions by our subsidiaries Olga Film GmbH, MOOVIE – the art of entertainment GmbH, Rat Pack Filmproduktion GmbH and Westside Filmproduktion GmbH as well as the revenues from the marketing of the non-fiction productions by Constantin Entertainment GmbH, which was consolidated for the first time in September 2003.

RESULTS GENERATED IN THE CONSTANTIN FILM AG GROUP

The Constantin Film Group recorded sales of € 246.915 million in the 2004 fiscal year (previous year: € 114.316 million). This is an increase of 116 per cent over the previous year. The service production operations were the biggest source of sales in 2004, contributing € 85.749 million (see the notes to the consolidated financial statements, page 49).

The other sales totalled € 27.580 million in 2004 (previous year: € 18.356 million). The subsidies received amounted to € 16.886 million (previous year: € 9.552 million). The other sales also include the sales of € 1.154 million by INNOVUM Smart Products GmbH up to October 21, 2004 (previous year, January 1 to December 31, 2003: € 2.269 million).

▶ SALES BREAKDOWN / in € million



► **CONSOLIDATED INCOME STATEMENTS** / in € thousand **01.01.-31.12.2003** **01.01.-31.12.2004**

Sales	114,316	246,915
Costs of goods sold	105,026	214,482
Risk provision for films from subsequent years	5,711	126
Gross profit on sales	3,579	32,307
Selling expenses	2,640	1,675
General administration expenses	13,257	15,182
Other operating income	3,065	2,343
Other operating expenses	209	1,181
Amortisation of goodwill	1,574	1,214
Depreciation of tangible assets and amortisation of other intangible assets	758	610
EBIT	-11,794	14,788
Interest income	449	366
Interest expenditure	307	812
Income/expenditure from/by associated companies and other equity interests	11	0
Exchange rate profits/losses	-1,912	3,178
Result before tax and minority interests	-13,553	17,520
Taxes on income	4,835	-8,701
Other taxes	-227	-46
Result before minority interests	-8,945	8,773
Minority interests	-966	-1,734
Net income/loss for the year	-9,911	7,039
Earnings per share in €	-0.78	0.55
Average number of shares in circulation	12,742,600	12,742,600

The costs of goods sold include depreciation charges which are risk provision for films that are being exploited in subsequent years. This risk provision amounts to € 126,000 (previous year: € 5.711 million).

The earnings before interest and taxes (EBIT) amounted to € 14.788 million. Corrected for the risk provision for films in subsequent years, EBIT totalled € 14.914 million. This very positive result is attributable essentially to the great success of the theatrical operations, the very good results achieved in the TV entertainment operations and the international marketing of our in-house productions. INNOVUM Smart Products GmbH was deconsolidated in the fourth quarter, when the shares were sold. Including the pro rata share of the result for the year, deconsolidation led to a loss of € 1.311 million.

EBITDA amounted to € 100.941 million (previous year: € 51.954 million).

The interest expenditure of € 812,000 (previous year: € 307,000) was incurred mainly due to the non-capitalisable financing costs in connection with the high investments in film assets. The interest balance amounted to € -446,000 (previous year: € 142,000). Valuation of the foreign currency items led to an exchange rate gain of € 3.178 million (previous year: € -1.912 million). After allowing for these factors in the financial result, earnings before taxes and minority interests amounted to € 17.520 million (previous year: -13.553 million).

The main deferred tax effects were due to capitalisation of the film production costs (deferred tax expenditure), the increase in the accumulated tax losses at Constantin Film AG of € 5.363 million and the differences in sales realisation between the German Commercial Code (HGB) and IFRS (deferred tax income). The total deferred tax expenditure amounted to € -4.355 million.

A net income for the year of € 7.039 million (previous year: € -9.911 million) was made after deduction of taxes on income of € -8.701 million (previous year: € 4.835 million) and after taking the minority interests into account.

FINANCIAL POSITION OF THE CONSTANTIN FILM AG GROUP

The balance sheet total amounted to € 305.242 million on December 31, 2004, which is € 10.684 million lower than in the previous year (€ 315.926 million).

The current assets amounted to € 135.797 million (previous year: € 119.424 million).

The film assets totalled € 143.543 million on December 31, 2004 and were therefore 10 per cent lower than in the previous year (€ 158.867 million). The reduction is due mainly to the exploitation of in-house and co-productions from 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 € 49.458 million on December 31, 2004 (previous year: € 108.442 million). This means that the volume invested in in-house productions decreased by 54 per cent over the previous year. The investments in the year under review included such theatrical films as **The Dark** (international in-house theatrical production), **Der Fischer und seine Frau – Warum Frauen nie genug bekommen können**, **The White Maasai**, **Siegfried** and **Vom Suchen und Finden der Liebe** as well as the in-house TV productions **Das Blut der Templer**, **Die Patriarchin** and **Die Verabredung**. Depreciation of in-house productions amounted to € 69.292 million. Film assets attributable to in-house productions therefore decreased by € 19.834 million (15 per cent) to € 114.915 million compared with the previous year.

€ 19.547 million were invested in the acquisition of exploitation rights for distribution and licence trading (previous year: € 20.884 million). The investments in third-party films were offset by depreciation totalling € 15.037 million. The film assets attributable to third-party productions amounted to € 28.628 million on December 31, 2004 as a result (previous year: € 24.118 million).

Fixed assets were € 4.006 million lower than in the previous year. The change over the previous year is attributable mainly to the sale of a property in the USA and deconsolidation of INNOVUM Smart Products GmbH.

▶ CONSOLIDATED FINANCIAL POSITION / in € thousand

	2003	2004
Balance sheet total	315,926	305,242
Equity	64,232	70,936
Total film assets	158,867	143,543
Film assets / in-house productions	134,749	114,915
Film assets / third-party productions	24,118	28,628
Investments in film assets	129,326	69,005
Depreciation of film assets	61,416	84,329
Funds	65,883	85,345
Funds minus liabilities to banks	-21,283	10,405

FINANCING

The Constantin Film Group had cash and cash equivalents of € 85.345 million on December 31, 2004 (previous year: € 65.883 million), while bank liabilities totalled € 74.940 million (previous year: € 87.166 million). Net liquidity was € 31.688 million higher than on December 31, 2003. This change corresponds essentially to the inflows from the investments in film assets in the previous year.

Equity increased by € 6.704 million by comparison with the previous year and amounted to € 70.936 million on December 31, 2004. See the statement of changes in equity on page 33 for a detailed explanation. The theoretical equity ratio is 23 per cent (previous year: 20 per cent). If the cash and cash equivalents and the bank liabilities on December 31, 2004 as well as the film assets and the advance payments received are balanced, the adjusted equity ratio is 51 per cent (previous year: 41 per cent).

HUMAN RESOURCES

The Group had a total of 235 employees (excluding Management Board members) on December 31, 2004. Staff with temporary contracts to carry out specific projects are included in the total number if their employment contracts still have at least 6 months to run on the qualifying date.

POSITION OF THE AG

FINANCIAL STATEMENTS OF CONSTANTIN FILM AG (HGB)

The financial statements of Constantin Film AG were prepared in accordance with the provisions of German commercial law and the supplementary provisions of the German Companies Act (AktG).

The position and development of the company can be found in the following summary.

	2003 € thousand	2004 € thousand
Balance sheet total	68,067	75,768
Equity	58,857	49,807
Equity of total capital	86%	66%
Income from continuing operations	-13,401	-9,049
Net income/loss for the year	-13,606	-9,050

RESULTS GENERATED BY CONSTANTIN FILM AG

The general administration expenses and the other operating expenses amounted to € 8.106 million and € 1.133 million. The other operating income and interest balance totalled € 3.950 million and € 782,000. Due to the profit and loss transfer agreements between Constantin Film AG and its subsidiaries, there was expenditure from loss transfers amounting to € 31.615 million and income from profit transfers of € 26.010 million. The income from continuing operations amounted to € -9.049 million. All in all, Constantin Film AG reported a net loss for the year of € -9.050 million in the past fiscal year. The positive result for the year generated by successful exploitation throughout the entire added-value chain (cinema, video/DVD and TV) was reduced by the high costs of goods sold of in-house productions (**Der Fischer und seine Frau – Warum Frauen nie genug bekommen können, The White Maasai, The Dark**), which it was not yet possible to realise in the year under review.

FINANCIAL POSITION OF CONSTANTIN FILM AG

The balance sheet total amounted to € 75.768 million on December 31, 2004 (previous year: € 68.067 million), which is € 7.701 million higher than in the previous year.

Fixed assets were € 2.134 million lower than in the previous year. The change over the previous year is attributable mainly to the sale of the shares in

Constantin Film Development Inc. within the Constantin Group as well as to the sale of the shares in INNOVUM Smart Products GmbH.

The current assets amounted to € 65.523 million (previous year: € 55.672 million). They consist mainly of receivables from affiliated companies relating to loans, taxes and result transfers.

RISKS AND PROBABLE DEVELOPMENT

The information presented below applies to both the Constantin Group and Constantin Film AG.

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 profitability of the company are difficult to estimate. Risks can develop because of changes in the market situation affecting the companies exploiting rights in the theatre, video/DVD and TV fields. Changes in media legislation, the advertising market and the form of TV broadcasting rights (pay TV, TV on demand) can, for example, influence what films are selected 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 could, finally, cause changes to be made in sales markets.

In the year under review, the Constantin Group broadened the added-value chain by adding the in-house exploitation of video rights and now sells the free TV rights directly to the TV stations following the expiry of a general buying agreement. This may lead to higher exploitation risks, but it also makes it possible to avoid having to pass profit potential on to other market players. The Constantin Group managed to continue strengthening the good business relationships to all television stations and to achieve the planned synergy benefits with Highlight Communications AG in the video field.

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 global sales channels of their own in addition to large film studios. 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, even in a recessionary market environment. It will be able to adapt flexibly to changes in the competitive situation in the future as well. 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 profitability.

The growing amount of piracy may lead to significant sales shortfalls. The increase in the number of illegal copies could have the effect that the number of box office admissions decreases and that the licence prices for home entertainment and the TV exploitation of films go down in future. Making viewers more aware of the situation, expanding legal Internet opportunities and supporting various associations that represent our interests are measures that Constantin Film has already taken. These measures combined with the aggressive prosecution of offenders led to a considerable reduction in piracy in 2004.

2. Financial risks

The in-house and co-production of theatrical and television films and the marketing of them are expensive and involve financial risks. The production costs of an average German theatrical film amount to between € 3 million and € 7 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. 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 Group's business, financial position and profitability. The production of a

film can in addition lead to budget overruns that the company has to pay. Thanks to its experience in film production, the Constantin Group 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/or 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.

The Constantin Group could face interest rate change risks in the in-house marketing of TV rights, if there is a lengthy period of time between the acquisition of the rights and payment by the TV stations. This potential interest rate change risk is monitored actively and is if necessary hedged by means of suitable financial instruments.

Risks can arise in connection with the creditworthiness of the contractual partners in the marketing and/or licensing of film rights in the various exploitation phases (cinema, video/DVD, TV). These risks are minimised by restricting business transactions to contractual partners with an excellent credit standing, so they are not considered to be material. There is no apparent concentration of default risks from business relationships to individual debtors or debtor groups.

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

Most of the licences that Constantin Film buys on the international film markets and the production costs of international films are charged in US dollars. The sales generated in exploiting the licences obtained are, on the other hand, received mainly in euros. The revenues from the exploitation of our international film productions are received essentially in US dollars. Fluctuations in the €/USD exchange rate in both directions can have an effect on the company's business operations, financial position and profitability – particularly operating margins – and lead to both exchange rate profits and losses. As in the past, the Constantin Group is trying to minimise the risk of exchange rate losses by taking advantage of suitable derivative financial instruments. No guarantee can, however, be given that the hedging transactions carried out by the company will be successful in every case. Constantin Film also tries to specify upper limits for exchange rates in licence purchasing contracts that are transacted on the basis of US dollars.

DEVELOPMENT OF THE ACCOUNTING SYSTEMS

Thanks to the experienced staff in the accounting department, it was again possible in 2004 to make sure that the Constantin Film quarterly reports and 2004 financial statements were completed by the required deadlines. Development of the risk management system that has been built up in recent years is being continued steadily, 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.

REPORT ABOUT THE RELATIONSHIPS TO AFFILIATED COMPANIES

The Management Board compiled its report about the relationships between the company and affiliated companies and stated in it "that Constantin Film AG received an appropriate consideration for every legal transaction and for every measure that was taken or not taken and is covered by this report about the relationships to affiliated companies and was not disadvantaged by the fact that a measure was taken or not taken."

The auditor issued an unqualified certificate in accordance with § 313 paragraph 3 of the German Companies Act (AktG).

The review of the report by the Supervisory Board did not lead to any objections being made. The Supervisory Board therefore agrees with the findings of the auditor. No objections need as a result to be raised about the statement made by the Management Board about the relationships between the company and affiliated companies.

EVENTS AFTER THE BALANCE SHEET DATE

In February 2005, we were able to conclude an output deal with the ProSiebenSat.1 Group about the exploitation of free TV rights. The agreement covers the national and international in-house and co-

productions by Constantin Film AG and its subsidiaries shooting of which has started or starts in the period between July 1, 2004 and December 31, 2006.

The revolving syndicate loan for film productions amounting to USD 140.000 million, which was concluded in 2001, is expiring in 2005. With effect from February 25, 2005, the Constantin Group replaced it by a new revolving syndicate loan for USD 100.000 million with a term of 5 years, which safeguards the planned growth in production volume for the medium term too. There are also licence trading and working capital credit lines of € 23.000 million.

PROSPECTS

So far we are planning 20 theatrical releases in the 2005 distribution year: 8 national and international in-house and co-productions as well as 12 licensed films.

We released the Olga Film / Constantin Film / Seven Pictures production **Napola – Elite für den Führer** to German theatres in January this year. The film was directed by Dennis Gansel, who received the "director's prize" at the Bavarian Film Awards on January 14, 2005 for the excellence of his performance, and is a moving drama in the setting of Adolf Hitler's infamous schools for the elite. Max Riemelt (**Mädchen Mädchen 2**), Tom Schilling (**Crazy**) and Justus von Dohnányi (**Downfall**) play the main roles.

In April we are releasing **Die Bluthochzeit** (director: Oscar nominee Dominique Deruddere), the new thriller

by the successful producer team Marc Conrad and Norbert Preuss, who already attracted an enthusiastic audience of millions with **The Experiment**. Armin Rohde (**Sams in Gefahr**), Uwe Ochsenknecht (**Vom Suchen und Finden der Liebe**) and Ulrike Kriener (**Erleuchtung garantiert**) can be seen in the leading parts in this film of the successful comic of the same name by Huppen/van Hamme (cult editions).

The theatrical release of our German in-house production **Siegfried** with comedy star Tom Gerhardt (**Ballermann 6**) is scheduled for July 2005. With the new comedy by the successful director Sven Unterwaldt jr, who attracted an enthusiastic theatrical audience of more than 6 million last year with **7 Zwerge – Männer allein im Wald**, we are at long last bringing the truth about Germany's most important hero to the big screen.

Another highlight in our distribution programme this year is our international co-production **Fantastic Four** (director: Tim Story), which Constantin Film is producing together with the US studio Twentieth Century Fox. This film, with Jessica Alba (**Dark Angel**), Michael Chiklis (**Carlo's Wake**) and Chris Evans (**The Perfect Score**) in the leading parts, is based on the bestselling Marvel Comic of the same name and is being released to German theatres in the summer of 2005.

In September we are releasing the Constantin Film in-house production **The White Maasai** to theatres all over Germany. This film of the book of the same name by Corinne Hofmann, that has sold millions since it appeared in 1998, tells the authentic love story of a young Swiss woman and an African tribal warrior. The film was shot where the story really happened in Kenya with Hermine Huntgeburth (**Bibi Blocksberg**) as director and Nina Hoss (**Nackt**) in the leading part and was produced for Constantin Film by the successful producer Professor Dr Günter Rohrbach (**Aimée & Jaguar**).

We are releasing **Der Fischer und seine Frau – Warum Frauen nie genug bekommen können** by the successful director Doris Dörrie (**Nackt, Bin ich Schön?, Männer**), an in-house production in co-operation with Fanes Film and megaherz, in the autumn too. Alexandra Maria Lara (**Vom Suchen und Finden der Liebe**), Christian Ulmen (**Herr Lehmann**) and Simon Verhoeven (**Das Wunder von Bern**) are playing the main roles in this romantic comedy.

Im Rennstall ist das Zebra los! (director: Frederik Du Chau), the theatrical event for the entire family from the Constantin Film distribution programme, is already being released at Easter. Such audience favourites as Iris Berben, Jeanette Biedermann, Mario Adorf, Günther Jauch, Ottfried Fischer and Oliver Pocher lend their unique voices to the animal stars of the German version of this film, in which a zebra foal dreams of making a career for itself as a racehorse.

The international films with high-quality casts in our distribution programme this year include the action thriller **Assault on Precinct 13** with Ethan Hawke (**Before Sunset**) and Laurence Fishburne (**Matrix trilogy**) in the leading parts. The scheduled theatrical release date for this excitingly staged thriller by director Jean-François Richet is in the autumn.

We are currently planning a total of 5 to 6 German and 2 to 3 international theatrical in-house and co-productions for 2005, including the long-awaited Bernd Eichinger film of Patrick Süskind's global bestseller **The Perfume**. Ben Whishaw (**Enduring Love**), who at the age of only 24 recently captivated the theatrical world in London in the role of Hamlet, has agreed to play the leading part of "Grenouille". Shooting of **Perfume – The Story of a Murderer** under the direction of Tom Tykwer is scheduled for Spain, Southern France and Germany from July 2005 onwards.

We will be starting to film the international action thriller **Dead or Alive** under the direction of Corey Yuen (**Hero**) with our subsidiary Impact Pictures Ltd. at the end of April 2005.

The third part of the **Resident Evil** series, which has proved to be extremely successful at the international level, is also being developed: **Resident Evil: Afterlife**. Paul W.S. Anderson (**Resident Evil, Alien vs. Predator**) wrote the screenplay.

Our subsidiary Rat Pack Filmproduktion is currently shooting the film of the million-selling book and audio cassette **Hui Buh – Das Schlossgespenst**. Michael "Bully" Herbig will be playing and narrating the role of **Hui Buh** in the in-house production of the same name. Christoph Maria Herbst (**Der Wixxer**) and Rick Kavanian (**Dreamship Surprise – Period 1**) will be appearing in further parts in this film, which is being directed by Sebastian Niemann (**Das Jesus Video**).

The planned fiction TV productions include the fifth series of our long-running hit **Hausmeister Krause** with Tom Gerhardt (**Voll normaal**) in the leading part. Our subsidiary MOOVIE – the art of entertainment GmbH is currently preparing further programmes for the successful comedy series **Bewegte Männer**. Three new programmes are also being filmed for the popular ZDF crime series **Rosa Roth** (director: Carlo Rola).

Constantin Entertainment GmbH produced the moving and extremely successful SAT.1 charity gala **Deutschland hilft** right at the beginning of 2005 on January 3. Many German stars from the political, business, cultural and sports communities contributed to this live prime time programme a few days after the tsunami catastrophe in South-East Asia. Record donations of € 10.6 million had been made by the end of the programme.

In addition to the 6 successful daily formats it now produces, Constantin Entertainment will be

responsible for the following SAT.1 productions: a further series of the science show **clever! – Die Show, die Wissen schafft** (presenters: Barbara Eligmann and Wigald Boning), 8 new programmes for the prime time event **Die Hit Giganten** (presenter: Hugo Egon Balder) and a sequel to the exciting family event starring numerous celebrities **Stars am Limit** (presenter: Kai Pflaume). The romantic show for couples **Der große Tag der Liebe** is being produced for ARD and will be aired at 20:15 on April 7, 2005. The brand new real life documentary **Eure letzte Chance** is starting on ProSieben on April 4. Production of the new reality format **Die Superfrauchen – Einsatz für vier Pfoten** is planned for RTLII.

In our distribution operations, we are maintaining our successful strategy of combining national and international in-house and co-productions with high-quality third-party films again unchanged in 2005. We will be continuing to concentrate on our core business and on increasing the quality and volume of our national and international in-house productions. We have managed to implement the expansion of our added-value chain by the addition of TV entertainment, licence trading and home entertainment operations very successfully; Constantin Entertainment GmbH is, for example, now one of the leading entertainment production companies on the German market. By concluding output sales deals for our in-house and co-productions in free TV (ProSiebenSat.1) and pay TV (Premiere/Disney Channel) in 2004 and 2005, we have obtained the biggest German television suppliers

as long-term partners, while our newly established home entertainment operations will be increasing their sales substantially this year too by exploiting our successful distribution programme from 2004.

We are planning to continue the stable, positive development of the business in 2005.

Munich, March 2005

► The Management Board

ASSETS		1) 31.12.2003 € thousand	31.12.2004 € thousand	EQUITY AND LIABILITIES		1) 31.12.2003 € thousand	31.12.2004 € thousand
A. Current assets				A. Liabilities and deferred income			
I. Cheques, cash in hand and at banks	3.1	65,883	85,345	I. Liabilities to banks		87,166	74,940
II. Receivables	3.2/5.1			II. Trade payables	5.5	19,226	21,168
1. Trade receivables		23,381	19,468	III. Liabilities to affiliated/associated companies		1,730	13
2. Receivables from affiliated/associated companies		899	2,295	IV. Advance payments received and allocated sales	3.9/5.6	93,655	92,188
3. Receivables from banks ²⁾		5,571	5,483	V. Provisions	3.10		
III. Inventories: stocks of unfinished service productions		12,613	12,221	1. Tax provisions		2,524	2,786
IV. Other assets	3.2/5.2	10,897	10,798	2. Other provisions	5.7	25,524	22,285
V. Prepaid expenses		180	187	VI. Other liabilities	5.8	3,551	5,417
Total current assets		119,424	135,797	VII. Medium-/long-term loans		5,571	5,483
B. Film assets	3.3/5.3			Total liabilities and deferred income		238,947	224,280
I. In-house productions		134,749	114,915				
II. Third-party productions		24,118	28,628	B. Adjustment item for minority interests		1,888	2,771
Total film assets		158,867	143,543				
C. Fixed assets	5.4			C. Equity	3.11/5.10		
I. Intangible assets	3.4			I. Subscribed capital		12,743	12,743
1. Goodwill		7,570	6,356	II. Capital reserves		70,183	70,183
2. Others		227	181	III. Retained earnings		-8,783	-18,694
II. Tangible assets	3.5	3,632	878	IV. Accumulated other equity		0	-335
III. Financial assets	3.7	335	343	V. Net income/loss for the year		-9,911	7,039
Total fixed assets		11,764	7,758	Total equity		64,232	70,936
D. Deferred tax claims	3.14/5.9	25,871	18,144	D. Deferred tax liabilities	3.14/5.9	10,859	7,255
Total assets		315,926	305,242	Total equity and liabilities		315,926	305,242

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

2) This item was included in point A.I. in the previous year

		3) 01.10. - 31.12.2003 ⁴⁾ € thousand	01.10. - 31.12.2004 ⁴⁾ € thousand	01.01. - 31.12.2003 € thousand	01.01. - 31.12.2004 € thousand
Sales	3.12/6.1	43,908	71,401	114,316	246,915
Costs of goods sold ¹⁾	6.2	41,984	63,156	110,737	214,608
Gross profit on sales		1,924	8,245	3,579	32,307
Selling expenses		518	437	2,640	1,675
General administration expenses		3,600	3,770	13,257	15,182
Other operating income		544	818	3,065	2,343
Other operating expenses		63	1,078	209	1,181
Amortisation of goodwill		1,232	280	1,574	1,214
Depreciation of tangible assets and amortisation of other intangible assets	6.3	522	178	758	610
EBIT		-3,467	3,320	-11,794	14,788
Interest income		117	94	449	366
Interest expenditure	6.5	226	88	307	812
Income/expenditure from/by associated companies and other equity interests		-1	0	11	0
Exchange rate profits/losses	6.6	-738	1,485	-1,912	3,178
Result before tax and minority interests		-4,315	4,811	-13,553	17,520
Taxes on income	3.14/5.9	1,213	-2,551	4,835	-8,701
Other taxes		-13	-25	-227	-46
Result before minority interests		-3,115	2,235	-8,945	8,773
Minority interests		-989	-1,097	-966	-1,734
Net income/loss for the year		-4,104	1,138	-9,911	7,039
Earnings per share in €²⁾	6.7	-0.32	0.09	-0.78	0.55
Average number of shares in circulation		12,742,600	12,742,600	12,742,600	12,742,600

1) See the management report, page 23, for information

2) Undiluted = diluted

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

4) The quarterly figures are not part of the audited consolidated financial statements

	01.01. - 31.12.2003	01.01. - 31.12.2004
	€ thousand	€ thousand
Result before tax and minority interests	-13,553	8,773
Net income/loss for the year after minority interests	-9,911	7,039
Minority interests	966	1,734
Amortisation/depreciation of fixed assets	2,332	1,824
Losses on the disposal of fixed assets	42	441
Change in net working capital		
Change in trade receivables	-4,752	3,698
Other expenses not affecting payment	0	269
Change in the other non-interest bearing receivables and other assets	-2,755	-1,359
Additions to film assets / in-house productions	-108,442	-49,458
Depreciation of film assets / in-house productions	38,199	69,292
Additions to film assets / third-party productions	-20,884	-19,547
Depreciation of film assets / third-party productions	23,217	15,037
Change in trade payables	9,199	2,014
Change in advance payments received	21,229	-1,467
Change in non-interest bearing liabilities, provisions and other liabilities	4,608	-3,087
Change in deferred taxes	-5,405	4,355
Cash flows from ordinary activities	-52,357	30,785
Inflow of funds from disposals of fixed assets	221	2,387
Investments in other fixed assets	-581	-553
Investments in financial assets	-4,785	-145
Currency translation differences	303	-6
Cash flows from investing activities	-4,842	1,683
Inflow of funds from capital increases	69	0
Profit distributions	0	-721
Inflow/outflow of funds from principal repayments	-4	0
Change in liabilities to banks	32,315	-12,226
Currency translation differences	-560	0
Cash flows from financing activities	31,820	-12,947
Change in cash and cash equivalents	-25,379	19,521
Change in cash and cash equivalents due to changes in the companies consolidated	11,865	-59
Funds at the beginning of the period*	79,397	65,883
Funds at the end of the period*	65,883	85,345

* The figures for the previous year have been adjusted to improve comparability because of the inclusion of receivables from banks as a separate item

STATEMENT OF CHANGES IN EQUITY AS PER JANUARY 1, 2004 THROUGH DECEMBER 31, 2004 / in € thousand

	Subscribed capital	Capital reserves	Retained earnings	Accumulated other equity	Income/loss	Total equity 01.01.-31.12.2004	Total equity 01.01.-31.12.2003
On 01.01.	12,743	70,183	-18,694	0	0	64,232	74,703
Income/loss 01.01. – 31.03.					1,762	1,762	364
Currency translation difference/hedging			2			2	-261
On 31.03. ¹⁾	12,743	70,183	-18,692	0	1,762	65,996	74,806
Income/loss 01.04. – 30.06.					967	967	-3,005
Currency translation difference/hedging			19			19	-137
On 30.06. ¹⁾	12,743	70,183	-18,673	0	2,729	66,982	71,664
Income/loss 01.07. – 30.09.					3,172	3,172	-3,166
Currency translation difference/hedging			-52			-52	-16
On 30.09. ¹⁾	12,743	70,183	-18,725	0	5,901	70,102	68,482
Income/loss 01.10. – 31.12.					1,138	1,138	-4,104
Currency translation difference/hedging			31	-335 ²⁾		-304	-146
On 31.12.	12,743	70,183	-18,694	-335	7,039	70,936	64,232

¹⁾ The quarterly figures are not part of the audited consolidated financial statements

²⁾ After taxes of € 232,000

	Acquisition or production costs					31.12.2004 € thousand
	01.01.2004	Currency translation differences	Changes to the companies consolidated	Additions	Disposals	
	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	
I. Intangible assets						
1. Goodwill	10,467	0	0	0	1,568	8,899
2. Software	748	0	-329	71	8	482
3. Franchises, industrial rights	524	0	-207	60	2	375
	11,739	0	-536	131	1,578	9,756
II. Tangible assets						
1. Land and buildings, including buildings on third-party land	3,363	0	0	0	2,746	617
2. Other equipment, operating and office equipment	4,081	-24	-331	422	459	3,689
	7,444	-24	-331	422	3,205	4,306
III. Financial assets						
1. Equity investments in associated companies	4,379	0	0	0	4,379	0
2. Equity investments in other companies	294	0	0	0	0	294
3. Long-term investments	301	0	0	95	93	303
4. Other loans	43	0	0	4	0	47
	5,017	0	0	99	4,472	644
	24,200	-24	-867	652	9,255	14,706

Accumulated depreciation/amortisation						Book value	
01.01.2004	Currency translation differences	Changes to the companies consolidated	Additions	Disposals	31.12.2004	01.01.2004	31.12.2004
€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand	€ thousand
2,897	0	0	1,214	1,568	2,543	7,570	6,356
631	0	-297	25	0	359	117	123
414	0	-189	92	0	317	110	58
3,942	0	-486	1,331	1,568	3,219	7,797	6,537
915	0	0	0	298	617	2,448	0
2,897	-18	-239	493	322	2,811	1,184	878
3,812	-18	-239	493	620	3,428	3,632	878
4,379	0	0	0	4,379	0	0	0
294	0	0	0	0	294	0	0
9	0	0	0	2	7	292	296
0	0	0	0	0	0	43	47
4,682	0	0	0	4,381	301	335	343
12,436	-18	-725	1,824	6,569	6,948	11,764	7,758

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (IFRS) OF CONSTANTIN FILM AG FOR THE 2004 FISCAL YEAR

Constantin Film AG was admitted for trading on the Neuer Markt on September 13, 1999. Deutsche Börse admitted Constantin Film AG to the "Prime Standard" on January 1, 2003. The rules of the Prime Standard require financial statements to be prepared in accordance with one of the internationally recognised accounting codes IFRS or US GAAP or to be restated to an international standard from national accounts based on the German Commercial Code (HGB).

1. Application of the International Financial Reporting Standards (IFRS)

Constantin Film AG prepares its consolidated financial statements in accordance with § 292a of the HGB on the basis of the International Financial Reporting Standards (IFRS) and the interpretations by the International Financial Reporting Interpretations Committee (IFRIC) of the International Accounting Standards Board (IASB). 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 local rules to the international accounting standard IFRS and then compiles consolidated financial statements on this basis. The consolidated financial statements are compiled in accordance with uniform accounting and valuation principles.

The new standards (IFRS 1 to 5) and the existing standards in the revised form ("Improvement project") have not been applied prematurely.

The strict industry rules specified by US GAAP (SOP 00/2), which have been observed since the 2001 consolidated financial statements, are applied in film asset accounting and sales realisation as per December 31, 2004.

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 theatrical, video/DVD and television films. The Group's operations include the production of films and the exploitation of acquired film rights. The rights to these films are exploited at all the different stages, from theatres to video/DVD and television. The films produced in-house are often exploited all over the

world. Third-party productions are distributed essentially in German-speaking countries. The subsidiaries abroad are used in the implementation of international in-house productions. The Constantin Group also produces fiction and non-fiction products for TV stations.

2.1 Companies consolidated

The consolidated financial statements include Constantin Film AG as well as its main subsidiaries and associated companies. The following changes were made to the companies consolidated in the year under review:

INNOVUM SMART PRODUCTS GMBH

Constantin Film AG disposed of its 51% interest in INNOVUM Smart Products GmbH in the context of a management buyout. INNOVUM was deconsolidated on October 21, 2004 as a result of this sale. Including the pro rata share of the result for the year, this transaction led to a loss of € 1.311 million in the consolidated financial statements of Constantin Film AG.

HAHN FILM AG

Constantin Film AG sold its shares in Hahn Film AG (25.1%) to the majority shareholder in March 2004. The company was consolidated at equity until the shares were sold. Income of € 150,000 was generated in the context of the sale.

In addition to Constantin Film AG as the parent company, the following companies in which Constantin Film AG directly or indirectly holds an equity interest are consolidated:

Both alone and together, the following 10 subsidiaries (previous year: 8) had only a minor impact on the provision of an accurate and true picture of the asset

situation, financial position and profitability of the Group. These companies, in which indirect equity interests are held, are not therefore consolidated by Constantin Film AG:

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

		Company operations
Constantin Script & Development GmbH , Munich	100.0	Acquisition and development of material rights
Constantin Media GmbH audiovisuelle Produktionen , Munich	100.0	Acquisition and development of material rights
Constantin Film Development Inc. , Los Angeles/USA ^{1)/2)}	100.0	Acquisition and development of material rights
Constantin Film Produktion GmbH , Munich	100.0	Film and television production
Constantin Film International GmbH , Munich	100.0	International film production
Constantin Pictures GmbH , Munich ²⁾	100.0	International film and television production
Constantin Production Services Inc. , Los Angeles/USA ^{1)/2)}	100.0	International film production
Constantin Film (UK) Ltd. , London/Great Britain ^{1)/2)}	100.0	International film production
Constantin Entertainment GmbH , Ismaning ¹⁾	61.0	TV entertainment production
Olga Film GmbH , Munich ¹⁾	51.0	Film and television production
MOOVIE – the art of entertainment GmbH , Berlin ¹⁾	51.0	Film and television production
Rat Pack Filmproduktion GmbH , Munich ¹⁾	51.0	Film and television production
Westside Filmproduktion GmbH , Krefeld ¹⁾	51.0	Film and television production
Constantin Film Verleih GmbH , Munich	100.0	Licence trading and cinema distribution
Classic Media Werbeagentur GmbH , Munich	100.0	Advertising and event marketing
Constantin International B.V. , Amsterdam/NL ¹⁾	100.0	Licence trading
Constantin Music Verlags- GmbH , Munich	100.0	Exploitation of music rights
Constantin Propaganda GmbH , Munich	100.0	Licence trading
Constantin Inter@ctive GmbH , Munich	100.0	Development and production of Internet content

¹⁾ No profit/loss transfer agreement

²⁾ Indirect equity interest

(See also the summary of equity interests on page 61)

Société Nouvelle Torii S.A.R.L. , Paris/France
Laurentic Cement Garden Ltd. , London/Great Britain
Greenland Film Production A.B. , Stockholm/Sweden
Smilla Film A.S. , Copenhagen/Denmark
She's French LLC , Los Angeles/USA
ProCon Pictures LLC , Delaware/USA
Impact Pictures LLC , Delaware/USA
Impact Pictures Ltd. , London/Great Britain
The Dark Film Ltd. , London/Great Britain
Sheep Ltd. , Isle of Man/Great Britain

(See also the summary of equity interests on page 61)

2.2 Consolidation methods

The consolidated financial statements are based on the financial statements compiled in accordance with consistent valuation and accounting principles as per December 31, 2004 by the companies included and certified by the auditors and/or on the financial statements of the companies included reviewed in the context of the audit made of the consolidated financial statements.

Capital consolidation of the subsidiaries included has been carried out by the acquisition method (book value method) in accordance with IAS 22. The acquisition

costs are offset against the pro rata revalued equity of the subsidiary at the time of acquisition and establishment and/or at the time of inclusion for the first time in the consolidated financial statements in this context. Assets and liabilities are included at their present values. The remaining differences are capitalised in fixed assets as goodwill and are depreciated over a period of 15 years using the straight-line method in accordance with IAS 22.

Companies on which significant influence can be exercised (associated companies) have been valued by the equity method (book value method) in accordance with IAS 28.

Sales, expenses and income within the Group and receivables and liabilities between the consolidated companies have been eliminated. Appropriate adjustments have been made for profits generated in intra-group deliveries that are not realised by sale to third parties.

Deferred taxes are formed in connection with consolidation measures affecting the income statements that will probably cancel themselves out again in subsequent periods.

2.3 Currency translation

The Group currency is the euro. The financial statements of the companies included that are prepared in a foreign currency are translated into euros on the basis of the concept of the functional currency in accordance with IAS 21. The functional currency of all the consolidated companies outside Germany is the currency of the parent company of the Group, because the foreign companies are individual foreign units that are integrated in the business operations of the reporting company. All the monetary items are therefore translated at the exchange rates on the qualifying date and non-monetary items are translated at historical rates, while expenses and income are translated at the average exchange rates for the year. The currency translation adjustments resulting from this are included in the income statements in accordance with IAS 21.15.

Goodwill arising from the capital consolidation of foreign companies is translated at the exchange rates applicable at the time of acquisition and/or initial consolidation.

Currency translation within the Group was based on the following main exchange rates:

Country	Currency	Exchange rate on the qualifying date		Average exchange rate	
		31.12.2003	31.12.2004	2003	2004
USA	USD 1.00	0.7930	0.7330	0.8833	0.8040
Great Britain	GBP 1.00	1.4172	1.4144	1.4443	1.4749
Canada	CAD 1.00	0.6139	0.6091	0.6319	0.6185

3. ACCOUNTING AND VALUATION PRINCIPLES

3.1 Cash and cash equivalents

All the funds originally due within three months are classified by the Constantin Group as cash and cash equivalents for the purposes of the statement of cash flows in accordance with IAS 7. This item consists essentially of credit balances at banks and cash in hand.

3.2 Receivables and other assets

Receivables and other assets are included at their nominal value minus any appropriate specific individual provisions.

3.3 Film assets

Film asset accounting as per December 31, 2004 is carried out in the consolidated financial statements of Constantin Film AG in accordance with the strict US GAAP standards. The regulation SOP 00/2 has been applied since the 2001 fiscal year. Constantin Film AG has decided to implement this strict regulation with the 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 IFRS 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 production costs of films produced within the Group (in-house and co-productions) as well as costs of the development of new projects. Third-party productions generally involve theatrical, video/DVD and TV rights. In-house productions also include non-genuine service productions by the Group that are exploited by the Group.

Genuine service productions are included in the “inventories: stocks of unfinished service productions” item, provided that they have not been completed and supplied to the customer by the balance sheet date and have not therefore generated any sales yet. They are valued at their production costs.

The acquisition costs of third-party productions include the minimum guarantees. Full capitalisation is carried out when the material is supplied.

In-house productions are shown with their costs. What are known as “P&A costs” are not included in these costs; they are immediately charged as expenses when

they are incurred. The P&A costs include the costs that are incurred in film exploitation, such as press and marketing costs. The costs of producing copies of films are allocated and are charged as expenses when the relevant theatrical 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.

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 sales on which calculation of the depreciation charge is based include all the revenues generated with a film. In the case of the video sales, the video costs are eliminated from the external sales used to determine the depreciation charge. The maximum period for the revenue estimate amounts to ten years for the kind of films that are accounted for in the film assets of Constantin Film.

The estimate of total revenues is checked at the end of every quarter 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 costs or the book value of a film plus any P&A 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.

Capitalised costs of the development of new projects (particularly screenplay 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 costs of a project, the costs are written off completely.

3.4 Intangible assets

They include software and licences associated with it as well as goodwill that is attributable exclusively to capital consolidations.

Acquired intangible assets are carried at their acquisition costs. 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. A possible need to change the length of their useful life and to charge extraordinary depreciation is checked regularly (impairment test). Appropriate extraordinary depreciation charges are made if there are indications of a reduction in value.

3.5 Tangible assets

Tangible assets are valued at acquisition costs minus depreciation. Depreciation is made using the straight-line method. Extraordinary depreciation is made wherever necessary. Appropriate write-ups are made when the reasons no longer apply. Minor-value assets with acquisition costs of up to € 410.00 are written off immediately and are eliminated as disposals in the year of acquisition.

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
Buildings	27.5

3.6 Financial instruments

It is a fundamental rule at Constantin Film AG that derivative financial instruments are only used to hedge exchange rate and/or interest rate risks. According to IAS 39, all derivative financial instruments, such as foreign exchange future transactions, must be included in the financial statements at their market value, irrespective of the purpose or intention followed in concluding them. The changes in the market value of derivative financial instruments for which hedge accounting is applied are shown in equity as part of the accumulated other equity item, provided only cash flow hedges are involved. The purpose of cash flow hedges is to reduce possible fluctuations in future cash flows from firm commitments or forecast transactions. The market values included in the accumulated other equity are transferred at the same time that the basic transaction hedged is included in the accounts. Any part of the market changes that is not covered by the basic transaction is stated directly in earnings. If the preconditions for hedge accounting are not met, the complete value of derivative financial instruments at market prices is included in the costs of goods sold item in the income statements.

3.7 Financial assets

The equity interests in associated companies are valued by the equity method in accordance with IAS 28. On the basis of the acquisition costs at the time when the shares are purchased, the book value of each individual equity interest is increased or decreased by the changes in the equity of the associated

companies to the extent that they are accounted for by the shares held by Constantin Film AG.

The other equity interests, particularly shares in non-consolidated companies, are carried at acquisition costs, 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.

Long-term investments are allocated to the "Held to maturity" category in accordance with IAS 39. They are included at current acquisition costs minus any unscheduled depreciation charges.

The other loans are valued at their nominal value.

3.8 Liabilities

The liabilities are carried at their redemption value.

3.9 Advance payments received and allocated sales

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.

The allocated sales relate to sales already realised in accordance with HGB that are not realised until a later date under IFRS rules (see 4.3) because of their different treatment.

3.10 Provisions

The provisions take all identifiable commitments to third parties from a past event into account in accordance with IAS 37 as well as IAS 19, if appropriate. They are valued on the basis of the best possible estimate of the size of the commitment.

3.11 Equity

The breakdown and development of the equity can be found in the statement of changes in equity (see page 33) and the explanatory notes about the balance sheets (see 5.10 to 5.12).

3.12 Realisation of sales

Theatrical film sales start to be realised when the film is released to theatres. The size of the sales depends directly on the number of people who go to the theatre to watch it. The film rent paid to the distributor by the theatre operators is posted as the distribution share of the total theatre 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.

In the case of in-house video/DVD exploitation, the sales – which depend on the video cassettes and DVDs sold – are realised from the release date onwards. Sales generated by video/DVD and TV (pay and free TV) rights are realised from when the licence begins – generally 6 to 32 months after theatrical exploitation starts. In these forms of exploitation of the film rights, sales are realised when the relevant contractually agreed holdback period for exploitation has ended. This means that sales do not start to be

realised until licence availability begins in each case. Sales realisation with service productions starts when the material is supplied to the commissioning party. The “percentage of completion” method is not applied in the case of the service productions. This method complies with the requirements of the US GAAP standard SOP 00/2 too.

The Group generally receives a minimum guarantee for the exploitation rights sold (theatrical, video/DVD and TV rights) in global distribution. This guarantee is allocated to the different sales sources; realisation takes place when licence exploitation begins in each case. Allocation to the theatrical, video/DVD and TV rights is made at the following flat rates on the basis of past experience in accordance with corporate planning: 25 per cent for the theatrical right, 15 per cent for the video/DVD right and 60 per cent for the TV right. If the licence begin is close to the qualifying date, these flat rates are periodised. Sales are realised on theatrical release in territories without a holdback period. Sales realisation is based on the licence account settlements by the licensees in the case of global distribution sales without a minimum guarantee.

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 theatrical exploitation begins. Provided that repayment of the loan is likely, a provision the size of the probable repayment amount is charged as an expense.

3.13 Interest

With the exception of financing costs that can be allocated directly to the film assets, interest is booked as expenditure or income at the time when it is incurred.

3.14 Taxes on income and deferred taxes

The taxes on income are determined in accordance with IAS 12. According to these rules, all the tax liabilities or assets in the financial statements 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 tax assets and liabilities are included when an impact on tax can be expected in future that is attributable either to temporary differences between the book values of existing assets and liabilities according to IFRS and tax balance sheet figures or to existing accumulated losses and positive tax balances. Periodic reviews are made to determine whether the value of deferred tax assets is accurate. Deferred tax assets and liabilities are calculated on the basis of the tax rates that 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 tax 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.

3.15 Use of estimates

The preparation of financial statements in accordance with the IFRS requires the management to make assumptions and estimates that have an impact on amounts shown and notes associated with them. Although these estimates are made to the best of the management's knowledge on the basis of current information and activities, the actual results may deviate from these estimates.

4. INFORMATION IN ACCORDANCE WITH § 292A, PARAGRAPH 2, NO. 4B OF THE HGB

4.1 Background information

While the priorities in German law are prudence and creditor protection and while results can in addition be influenced by tax-motivated valuation (reverse authority), the IFRS aim more at the provision of information for existing and potential investors. This difference in approach leads to a number of variations in the accounting and valuation principles applied in the financial statements of Constantin Film AG (HGB) and the consolidated financial statements (IFRS).

4.2 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 than it is in the HGB. In contrast to the HGB, deferred tax assets from accumulated tax losses have to be capitalised as well. As far as their valuation is concerned, an examination has to be made whether realisation of

these credit balances is "probable". Under commercial law, deferred tax assets can be included in the financial statements. IFRS stipulates their inclusion.

4.3 Realisation of sales

As is the case with HGB accounting, sales generated with theatrical rights and from in-house video/DVD exploitation are realised in accordance with revenue inflow.

Where (national and international) video/DVD and TV exploitation rights are concerned, sales and the appropriate depreciation are realised according to SOP 00/2 when the contractual holdback period for exploitation has ended. Under HGB rules, sales of both kinds are realised when the material/rough cut is supplied. The same applies *mutatis mutandis* for the time when depreciation is charged.

The sales that are not yet realised in accordance with the IFRS are included in the accounts in equity and liabilities in accordance with SOP 00/2, point 8 and are shown in the item "Advance payments received and allocated sales".

4.4 In-house productions

Under SOP 00/2 rules, the development and 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.

4.5 Translation of receivables and payables in foreign currencies

According to IAS 21, receivables and payables in foreign currencies are translated at the exchange rate on the qualifying date and the changes in value resulting from this are posted to earnings. Although the realisation principle is a major element in the IFRS, "unrealised" profits have to be included in earnings reporting in certain cases – in contrast to German accounting law. The balance sheet items for receivables and payables in foreign currencies are, for example, valued at the exchange rates on the balance sheet date, even if this leads to the reporting of unrealised profits compared with the exchange rates when they originated.

4.6 Securities

According to IAS 39, securities ("investments") are allocated to the categories "Trading", "Available for sale" and "Held to maturity" depending on the holder's intentions with the securities. In contrast to HGB, unrealised profits are generally shown in the income statements (in the case of "Trading" securities) or in equity (in the case of "Available for sale" securities), so that these securities are always included in the balance sheet at market values. The current acquisition costs are not adjusted in the case of "Held to maturity" securities, except when there are permanent reductions in value.

4.7 Derivative accounting

Commercial regulations stipulate that derivative financial instruments – as pending transactions – are

only included in the statements if their valuation on the balance sheet date reveals that a loss is imminent. According to IAS 39, these derivatives are generally included with their market value on the balance sheet date. It is possible to show the market value outside the income statements directly in equity under certain circumstances (cash flow hedge). Inclusion of the pending secured basic transaction in the statements is also stipulated in some cases (fair value hedge). When there is no hedging context, the income and expenses arising from the valuation of the financial instruments are included in earnings.

4.8 Other provisions

According to IAS 37, provisions may only be formed if they relate to a commitment. Under HGB rules, provisions can also be formed with the purpose of taking future expenses into account as such in the past fiscal year. This is ruled out by IAS 37.

5. EXPLANATORY NOTES ABOUT THE BALANCE SHEETS

5.1 Receivables

The receivables are shown after deduction of allowances for bad debts.

“In-house productions” accounted for € 15.585 million of the trade receivables (previous year: € 17.805 million), while “third-party productions” accounted for € 3.883 million (€ 5.576 million).

The receivables from banks consist of short-term time deposits and are reserved for repayments of liabilities from the financing of film productions (see 5.8).

All the receivables are due for payment in up to one year.

5.2 Other assets

The other assets essentially include other loans. All the other assets are due for payment in up to one year.

Write-downs are made in respect of the items concerned where default risks are identifiable with individual other assets.

“In-house productions” accounted for € 8.645 million of the other assets (previous year: € 9.243 million), while “third-party productions” accounted for € 2.153 million (€ 1.654 million).

5.3 Film assets

The film assets can be broken down as follows:

	31.12.2003	31.12.2004
	€ thousand	€ thousand
In-house productions		
Films being exploited	40,137	62,251
Films being developed and produced	94,612	52,664
Total in-house productions	134,749	114,915
Third-party productions		
Films being exploited	12,043	21,055
Films being prepared and advance payments received	12,075	7,573
Total third-party productions	24,118	28,628
Film assets	158,867	143,543

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 and/or have not yet been supplied by producers.

The film assets developed as follows by comparison with the previous year:

► FILM ASSET MOVEMENTS* / in € thousand

	Acquisition or production costs				Accumulated depreciation/amortisation				Book value	
	01.01.2004	Additions	Disposals	31.12.2004	01.01.2004	Additions	Disposals	31.12.2004	01.01.2004	31.12.2004
In-house and co-productions	308,701	49,458	3,708	354,451	173,952	69,292	3,708	239,536	134,749	114,915
Third-party productions	176,851	19,547	0	196,398	152,733	15,037	0	167,770	24,118	28,628
	485,552	69,005	3,708	550,849	326,685	84,329	3,708	407,306	158,867	143,543

* The residual book values on 01.01.1999 form the basis for the acquisition or production costs

Disposal is assumed in the case of a complete write-off of screenplay rights.

Financing costs of € 573,000 (previous year: € 1.258 million) that could be allocated directly were capitalised in the 2004 fiscal year.

5.4 Fixed assets

Information on the development of the fixed assets is presented in the statement of changes in fixed assets (pages 34/35), which is part of the notes to the consolidated financial statements.

The goodwill of INNOVUM Smart Products GmbH was written off completely in the context of deconsolidation.

The reduction in tangible assets is attributable to the sale of a property in Los Angeles.

The disposal in the equity interests in associated companies is due to the sale of the shares in Hahn Film AG.

5.5 Trade payables

The trade payables are carried at their redemption value. € 16.946 million (previous year: € 12.904 million) of the trade payables were accounted for by "in-house productions" and € 4.222 million (previous year: € 6.322 million) by "third-party productions". All of the trade payables are due for payment within one year.

5.6 Advance payments received and allocated sales

This item includes advance payments and allocated TV and global distribution revenues. € 74.884 million (previous year: € 75.064 million) were accounted for by "in-house productions" and € 17.304 million (previous year: € 18.591 million) by "third-party productions".

The allocated sales amounted to € 7.083 million. The relevant receivables have already been shown in trade receivables, because the conditions for invoicing have been met; according to SOP 00/2, point 8, however, the sales have to be allocated.

5.7 Other provisions

The other provisions due within one year developed as follows:

▶ PROVISIONS / in € thousand	31.12.2003	Change in the companies consolidated	Required	Released	Added	31.12.2004
Provision for outstanding invoices and film expenses	16,595	0	12,090	4,506	8,271	8,270
Provision for profit-sharing schemes and licensor shares	3,412	0	2,898	514	2,261	2,261
Provision for conditional loan repayment	1,927	0	842	568	4,836	5,353
Provision for personnel expenses	1,973	-7	1,901	39	1,982	2,008
Miscellaneous	1,617	-14	818	533	4,141	4,393
Provisions	25,524	-21	18,549	6,160	21,491	22,285

The other provisions essentially include provisions for risks due to licence disputes.

€ 17.841 million (previous year: € 21.649 million) of the other provisions were accounted for by "in-house productions" and € 4.444 million (previous year: € 3.875 million) by "third-party productions".

5.8 Other liabilities and medium- and long-term loans

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

	31.12.2003	31.12.2004
	€ thousand	€ thousand
Financial commitment to Wrongfully Accused Production Limited Partnership and Wrongfully Accused Production Limited Partnership No. 2	5,571	5,483
Salaries, income tax, social security contributions	2,052	1,733
VAT/withholding tax	513	117
Other loans	470	1,996
Miscellaneous	516	1,571
Other liabilities and medium-/long-term loans	9,122	10,900

€ 9.820 million (previous year: € 8.583 million) of the item were accounted for by "in-house productions" and € 1.080 million (previous year: € 539,000) by "third-party productions".

€ 5.417 million (previous year: € 3.551 million) of the other liabilities and medium- and long-term loans shown are due for payment within one year, while € 5.483 million (previous year: € 5.571 million) are due in more than one year.

5.9 Taxes on income

The taxes on income relate to the parent company of the Group Constantin Film AG and the subsidiaries included in the Group. 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 Pictures 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 are pooled at the level of the parent company. Taxes are incurred at the level of the parent company alone.

The following consolidated companies remain independent taxpayers for the purposes of corporation tax and trade tax:

- ▶ Constantin Entertainment GmbH
- ▶ Olga Film GmbH
- ▶ MOOVIE – the art of entertainment GmbH
- ▶ Rat Pack Filmproduktion GmbH
- ▶ Westside Filmproduktion GmbH
- ▶ Constantin Film Development Inc.
- ▶ Constantin Production Services Inc.
- ▶ Constantin Film (UK) Ltd.
- ▶ Constantin International B.V.

A uniform corporation tax rate of 25 per cent has been used for the German Group companies in 2004. Reunification tax amounting to 5.5 per cent of the assessed corporation tax has to be paid in addition. 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 German companies included in the consolidated financial statements is between 17 and 20 per cent. The local rates for taxes on income applied for foreign Group companies vary between 29 and 40 per cent.

A composite tax rate of 40.86 per cent was used to calculate the deferred taxes for the German companies. The local tax rates applied to calculate the deferred taxes for the foreign companies vary between 29 and 40 per cent.

Tax revenue/expenditure for the 2003 and 2004 fiscal years is as follows:

	2003	2004
	€ thousand	€ thousand
Current tax revenue / expenditure	-570	-4,346
Deferred tax revenue / expenditure	5,405	-4,355
Taxes on income	4,835	-8,701

The deferred tax expenditure of € -4.355 million (previous year: € 5.405 million) shown can be broken down into tax assets and liabilities relating to temporary differences amounting to € -5.793 million (previous year: € -841,000) and tax assets relating to accumulated tax losses amounting to € 1.438 million (previous year: € 6.246 million).

The actual tax expenditure arising from the consolidated result generated by the Constantin Group can be reconciled to the calculated (theoretical) tax income as follows:

	2003	2004
	€ thousand	€ thousand
Theoretical tax income / expenditure (40.86%)	5,538	-7,159
Expenses and income with no tax impact and other effects (goodwill)	-1,502	242
Group effects	926	-360
Revaluation of accumulated losses	0	-1,430
Differences/foreign tax rates	-127	6
Actual tax income/expenditure	4,835	-8,701

The deferred taxes relate to the following items:

	2003	2004
	€ thousand	€ thousand
Deferred taxes (assets)		
Accumulated tax losses	12,101	13,539
Advance payments received	41,031	34,251
Miscellaneous	0	232
Deferred taxes (assets)	53,132	48,022
Deferred taxes (liabilities)		
Film assets/in-house productions	34,147	33,748
Film assets/third-party productions	3,331	3,385
Miscellaneous	642	0
Deferred taxes (liabilities)	38,120	37,133
Deferred taxes (net)	15,012	10,889

The deferred tax assets and liabilities from the Group companies are balanced in accordance with IAS 12. The deferred tax assets therefore amount to € 18.144 million (previous year: € 25.871 million), while the deferred tax liabilities total € 7.255 million (previous year: € 10.859 million).

The accumulated tax losses amounted to € 33.036 million (previous year: € 29.960 million) on December 31, 2004. The deferred tax assets relating to them amounted to € 13.539 million (previous year: € 12.101 million). The change in accumulated tax losses led to tax income of € 1.438 million (previous year: € 6.246 million) for the Group in the year under review.

It is assumed that the value of the deferred tax assets is accurate.

5.10 Equity

5.10.1 Subscribed capital

The subscribed capital continues to amount to € 12,742,600 and consists of 12,742,600 bearer ordinary shares with no par value, each of which accounts for € 1.00 of the subscribed capital.

5.10.2 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 are the same as in the previous year.

5.10.3 Retained earnings /accumulated other equity

See the statement of changes in equity, page 33 / 8.3, for the development of the items in the year under review.

5.11 Authorised capital

In accordance with a resolution passed at the shareholders' meeting on May 9, 2000, the Management Board has been authorised to increase the subscribed capital of Constantin Film AG by up to € 4,800,000 by May 8, 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) for 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 were used in 2001.

In accordance with a resolution passed at the shareholders' meeting on May 9, 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 8, 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 August 29, 2003, the existing conditional capital (1999) of € 423,900 was reduced to € 27,500. The purpose of this amount is to safeguard the subscription rights from the 1st employee stock option plan according to the resolution passed by the shareholders' meeting on August 18, 1999 (see 8.1.1).

In accordance with a resolution passed at the shareholders' meeting on August 29, 2003, the existing conditional capital (2001), the purpose of which is to safeguard the subscription rights from the 2nd employee stock option plan based on the authorisation given by the shareholders' meeting on July 12, 2001 (see 8.1.2), was reduced from € 600,000 to € 329,500. In accordance with a resolution passed at the shareholders' meeting on May 5, 2004, a further reduction to € 291,600 was decided.

In accordance with a resolution passed at the shareholders' meeting on August 29, 2003, the conditional capital of Constantin Film AG was increased in addition by up to € 600,000 (conditional capital / 2003). This conditional capital increase will only be made to the extent that subscription rights from the 3rd employee stock option plan are issued and the holders of these subscription rights exercise their option right (see 8.1.3).

The change in the conditional capitals / 1999 and 2001 as well as the new conditional capital / 2003 were entered in the commercial register on October 7, 2003. The reduction of the conditional capital (2001) was entered in the commercial register on May 14, 2004.

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 screenplay. 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 service productions. A customer commissions the Constantin Group to produce a film in both genuine and non-genuine service production. The right to the film

production is held and remains directly with the customer. The Group actually produces the film in genuine service production, while it acts as a service provider in the case of non-genuine service 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). The purchasing strategy is based fundamentally on the acquisition of individual licences (known as pick-ups) from our numerous longstanding production partners in Germany and other countries. Films can be bought via package deals and output deals in addition to the buying of rights to individual films. Since the licence market is cooling down more and more following the hype years, not least of all because of the large reduction in the number of German competitors for film rights, the Constantin Group has decided to buy individual films when the conditions are reasonable. First look agreements are also concluded between producers 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.

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", "depreciation" and "gross profit" as indicators to assess the success achieved by the two divisions.

It is not possible to provide a more detailed and accurate breakdown of the specific division expenses. The total sales figure includes proceeds of € 34.556 million (previous year: € 25.707 million) from the international exploitation of film rights. They can be broken down into the different territories as follows:

▶ **SALES SEGMENTATION BY COUNTRIES** / in € thousand

Europe (without Germany)	21,093
USA	7,891
Japan	2,154
Others	3,418

A breakdown of the film assets and other major balance sheet items by divisions is given in 5.1, 5.2, 5.3, 5.5, 5.6, 5.7 and 5.8.

► **BREAKDOWN BY DIVISIONS** / in € thousand

	2003	2004	2003	2004	2003	2004
	In-house and co-productions		Third-party productions		Total	
Sales:						
Theatrical sales	6,639	27,768	12,179	43,845	18,818	71,613
Video sales	14,099	11,160	2,791	11,568	16,890	22,728
TV sales	19,819	34,217	11,465	5,028	31,284	39,245
Service productions	28,968	85,749	0	0	28,968	85,749
Subsidies	8,723	16,390	829	496	9,552	16,886
Others	8,804	10,694	0	0	8,804	10,694
Total	87,052	185,978	27,264	60,937	114,316	246,915
Depreciation	38,199	69,292	23,217	15,037	61,416	84,329
Other costs of goods sold	36,345	95,765	12,976	34,514	49,321	130,279
Gross profit on sales	12,508	20,921	-8,929	11,386	3,579	32,307
Percentage of sales	14.4	11.2	-32.7	18.7	3.1	13.1
Selling expenses					2,640	1,675
General administration expenses					13,257	15,182
Other operating income					3,065	2,343
Other operating expenses					209	1,181
Amortisation of goodwill					1,574	1,214
Depreciation of tangible assets and amortisation of other intangible assets					758	610
EBIT					-11,794	14,788

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, of the costs of goods sold incurred in connection with video exploitation as well as of the costs of goods sold of service productions and – if applicable – of expenses relating to the

repayment of subsidies and licensor shares. This item also includes the costs of goods sold of INNOVUM Smart Products GmbH (until October 21, 2004). 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 and other intangible assets

The depreciation charges in this item relate to the administration field.

6.4 Personnel expenses

Wages and salaries in the year under review amounted to € 11.467 million (previous year: € 9.854 million). Social security expenditure amounted to € 1.501 million (previous year: € 1.274 million).

The Constantin Film AG Group had an average of 243 employees over the year (previous year: 183). (See also the human resources section of the management report, page 25).

6.5 Financial result

Interest expenses in the year under review amounted in total to € 812,000 (previous year: € 307,000). Interest income amounted to € 366,000 (previous year: € 449,000).

6.6 Currency translation

An exchange rate gain of € 3.178 million (previous year: € -1.912 million) was generated because of the valuation on the qualifying date of the transactions carried out in US dollars in the film assets and of the foreign currency portfolio in accordance with IAS 21.

6.7 Earnings per share

The undiluted earnings per share are calculated by dividing the proportion of earnings attributable to the

shareholders of Constantin Film AG by the weighted average number of shares in circulation during the fiscal year. The earnings per share are diluted by what are known as "potential shares". These include option rights, although they only dilute earnings when they have the consequence that shares are issued at a value lower than the average stock exchange price for the share. The exercise prices that apply in the case of the two active stock option plans at Constantin Film AG were higher than the average stock exchange price for the share on December 31, 2004. This means that the option rights are not potential shares, so they do not have any diluting effect. The earnings per share amounted to € 0.55 after € -0.78 in the previous year.

7. EXPLANATORY NOTES ABOUT THE STATEMENT OF CASH FLOWS

Income tax and interest payments are as follows:

	2003 € thousand	2004 € thousand
Payments received for taxes on income	40	0
Payments made for taxes on income	-601	-4,346
Interest payments received	449	366
Interest payments made including the capitalised amounts	-1,564	-1,385

Net Group liquidity increased by € 31.688 million over the previous year to € 10.405 million. The increase is mainly attributable to inflows from the high investments in film assets in 2003.

The following table shows the credit lines that are available to the Group.

DZ Bank AG, Bayerische Landesbank, Dresdner Bank AG		
syndicate loan, production financing	USD thousand	100,000
Bayerische Landesbank, licence trading, working capital	€ thousand	23,000

8. OTHER EXPLANATORY NOTES

8.1 Employee stock option plan

There are the employee stock option plans outlined below at Constantin Film AG at the present time, in which stock options are issued to employees. The granting of stock options has no impact on either the balance sheets or the income statements.

8.1.1 1999 stock option plan

The 1st stock option plan was introduced in connection with the IPO in 1999. The 1st stock option plan was terminated in the 2001 fiscal year, so that no more options have been issued on the basis of it. All the options still outstanding in connection with the 1st stock option plan were waived in the 2003 fiscal year (see 5.12).

8.1.2 2001 stock option plan

A 2nd stock option plan was agreed in the 2001 fiscal year, on the basis of which stock options were issued to employees from the 2001 fiscal year onwards. The 2nd stock option plan was terminated in the 2003 fiscal year, so that no more options are being issued on the basis of it. The options which were 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's 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 2001 will expire on August 27, 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's share during the last ten stock exchange trading days before they were granted, i.e. before August 27, 2001, which was € 9.72. No more options were issued in 2002.

The options issued entitle the company's employees to buy a total of 350,000 shares – 120,000 of them being reserved for the Management Board. The options can be exercised if the stock market price of the company share exceeded the exercise price by at least 15 per cent on at least one day before the options are exercised, i.e. amounted to at least € 11.18 in the case of the options issued in 2001. Another fundamental rule is that the option can only be exercised as long as the owner of the options has an unterminated employment contract; the options of staff who leave the company in

the course of a year therefore expire and have to be deducted again in each case. 101.600 option rights have already expired in accordance with these rules of the stock option plan. This means that 248,400 options are still in force. Conditional capital totalling € 291,600.00 (see 5.12) is available to permit the option rights granted on the basis of the 2001 stock option plan to be exercised.

8.1.3 2003 stock option plan

A 3rd stock option plan was agreed in the 2003 fiscal year. Up to the end of the 2004 fiscal year, no options

were issued in connection with the stock option plan introduced in 2003. The options which can be issued on the basis of the 3rd stock option plan that was introduced in 2003 have a term of five years and enable the company's staff to exercise one third of their options two, three and four years respectively after the options are granted.

The options issued in the 2003 stock option plan entitle the company's employees to buy a total of 600,000 shares – 200,000 of them being reserved for the Management Board. The options can be exercised if

the stock market price of the company share exceeded the original price by at least 15 per cent on at least one day before the options are exercised. The average stock market price of the company share during the last 10 stock exchange trading days before the option is granted is taken to be the original price. Another fundamental rule is that the option can only be exercised as long as the owner of the option has an untermiated employment contract. Conditional capital totalling € 600,000.00 (see 5.12) is available to permit the option rights granted on the basis of the 2003 stock option plan to be exercised.

► 2001 OPTION PLAN	Number in 2001	Number in 2002	Number in 2003	Number in 2004
Options granted	350,000	350,000	350,000	350,000
Options issued as per 01.01.	0	342,500	329,500	291,600
Additions in the fiscal year	350,000	0	0	0
Options exercised	0	0	0	0
Options expired	-7,500	-13,000	-37,900	-43,200
Options issued as per 31.12.	342,500	329,500	291,600	248,400
	31.12.2001	31.12.2002	31.12.2003	31.12.2004
Exercise price in €	9.72	9.72	9.72	9.72
Share price in €	4.15	2.56	3.92	8.48
Remaining term of the options (years)	5	4	3	2
Options that can be exercised	0	0	0	0

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 year under review amounted to € 2.007 million (previous year: € 1.295 million).

There is also a rent guarantee for the business premises rented by Constantin Film AG amounting to € 135,000 (previous year: € 135,000). The Group has in addition issued guarantees for service productions with a total value of € 2.556 million (previous year: € 3.584 million) to various TV stations.

The credit lines (revolving production loans and licence trading line) are secured by the film rights shown in the film assets and the proceeds of the exploitation of them.

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.

	2003 € thousand	2004 € thousand
Remaining term up to 1 year	752	1,071
Remaining term 1-5 years	2,831	1,981
Remaining term more than 5 years	0	0
Total	3,583	3,052

Constantin Film AG guarantees various banks the repayment of licence prices of GBP 49,442,000, which relate to the financing of international film productions. The guarantees have to be honoured if the banks with an excellent credit standing with which sufficient funds for repayment have been invested do not pay out this money.

The Group obtains access to future film rights by concluding licence contracts. Film purchasing and production preparations lead to financial commitments for the future that amount to about € 15.000 million (previous year: € 21.000 million). The impact on the asset situation, financial position and profitability from 2006 onwards cannot be estimated with sufficient certainty at the present time.

8.3 Derivative financial instruments

Management of the currency translation risk

The Constantin Group concludes hedging contracts (with particular emphasis on the US dollar) with a term that is generally less than one year in order to reduce the currency translation risks associated with its business operations. The derivative financial instruments are arranged with banks. The financial instruments relate to future foreign currency flows for film projects. The Group does not hold and issue any derivative financial instruments for trading purposes. The Constantin Group makes sure as a fundamental rule that the amount of the hedging contract does not exceed the basic business transaction.

Foreign exchange hedging contracts were in force on December 31, 2004. The strict conditions for hedge accounting in accordance with IAS 39 in a cash flow hedge relationship are met here. The hedging transactions relate to rights purchases as well as to anticipated income from international in-house productions.

The nominal amount of all the hedging contracts in force amounts to € 11.030 million. Market price valuation leads to an amount of € -567,000. Valuation was carried out on the basis of the exchange rate when the foreign exchange transaction was concluded and the forward rate on the balance sheet date. In accordance with IAS 39, the changes in market value

are shown in equity as part of the accumulated other equity.

Management of default and credit risks

The financial asset amount included in the financial statements indicates the maximum default risk, should contractors be unable to meet their contractual payment commitments, irrespective of existing securities. To minimise the default risk – depending on the nature and size of the service involved – the rule with all the supply relationships that are the basis for original financial instruments is that securities are demanded, credit information/references are obtained or historical data from the business relationships to date – particularly payment patterns – are used to avoid bad debts.

Write-downs are made in respect of the items concerned where default risks are identifiable with individual receivables.

In the case of derivative financial instruments, the Group is also exposed to a credit risk that materialises if contractual partners do not meet the contractual commitments. This credit risk is minimised by restricting the conclusion of business transactions to contractual partners with an excellent credit standing. The general credit risk is not therefore considered to be material. There is no apparent concentration of default risks from business relationships to individual debtors or debtor groups.

Management of the interest rate risk

Although the Group concentrates its financing on short- and medium-term financial liabilities, it protects itself against liquidity risks at the same time by means of longer-term general financing agreements.

8.4 Connections to related parties

The Management Board and the Supervisory Board of Constantin Film AG, the shareholders of the company that have a controlling and significant influence and the associated companies are the main related parties as defined by IAS 24. Since the shareholders Bernd Eichinger (25.07 per cent) and Highlight Communications AG (57.98 per cent) have this influence, they are related parties.

Supervisory Board member Professor Dr Günter Rohrbach sold his 1,000 shares in Constantin Film AG on November 12, 2004. The other members of the Management and Supervisory Boards held the same number of shares and options on December 31, 2004 as in the previous year: Fred Kogel 6,150 shares, Thomas Peter Friedl 29,400 options, Martin Moszkowicz 32,000 options, Bernd Eichinger 3,194,630 shares, Dr Paul Graf 500 shares. The 29,200 options held by Dr Daniel Wiest expired when he left the company on May 31, 2004. Mr Marc Conrad continued to own 1,500 shares when he resigned from the Supervisory Board of the company on September 22, 2004.

The members of the Management Board receive annual remuneration consisting of fixed and variable

elements. The total remuneration paid to the Management Board (January 1 to December 31, 2004) amounted to € 2.464 million (previous year: € 1.733 million).

The remuneration paid to the members of the Supervisory Board for their Supervisory Board activities and other services for the Constantin Group amounted in total to € 1.245 million (previous year: € 14.391 million) in 2004.

The sales of € 12.625 million and expenses of € 5.244 million recorded by the Constantin Film Group with Highlight Communications AG in 2004 relate essentially to the joint operation of the video business. There were receivables of € 2.295 million and liabilities of € 13,000 on December 31, 2004.

The amounts received by Bernd Eichinger are included in the total remuneration paid to the Supervisory Board and essentially include remuneration from the producer contract and screenplay fees.

Hahn Film AG was the only associated company. Constantin Film AG sold its shares in the company on March 9, 2004 with backdated effect from January 1, 2004 and granted Hahn Film AG a loan of € 150,000 in the context of the sale.

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 as per December 31, 2004.

8.6 BOARD MEMBERS

8.6.1 Management Board of Constantin Film AG

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

Mr Fred Kogel / lawyer and producer,

Chairman of the Management Board

Mr Hanns Beese / economics graduate (since October 11, 2004)

Mr Thomas Peter Friedl / film businessman

Mr Martin Moszkowicz / businessman and producer

Mr Franz Woodtli / businessman (since May 6, 2004)

Dr Daniel Wiest / economics graduate (until May 31, 2004)

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

8.6.2 Supervisory Board of Constantin Film AG

The Supervisory Board consists of five members at the present time (see also page 54).

8.7 Corporate governance

The Management Board and Supervisory Board of Constantin Film AG have issued the conformity statement about the German Corporate Governance Code required in accordance with § 161 of the German Companies Act (AktG) and have made it available to the shareholders on a permanent basis on the company website (www.constantinfilm.de).

	Main profession	Membership of other Supervisory Boards
Bernd Eichinger Chairman of the Supervisory Board (since 27.03.2003) (since 03.01.2003)	Film producer	None
Martin Wagner Deputy Chairman (since 29.08.2003) (since 23.07.2003)	Lawyer	Birkhäuser + GBC AG, Birkhäuser + GBC Spezialprodukte AG, CM CrossMedia AG (up to 05.05.2004), Eletta International AG, Eletta Level & Weighing AG (up to 07.12.2004), Escor Casinos & Entertainment SA, Highlight Communications AG, IPWR Institut für Politik, Wirtschaft und Recht AG, IWF Institut für Wirtschaftsförderung AG, Jean Frey AG, T.E.A.M. Television Event And Media Marketing AG (up to 01.03.2004), Team Football Marketing AG (up to 01.03.2004), Team Holding AG (up to 01.03.2004)
Bernhard Burgener (since 05.05.2004)	Chairman of the Board of Highlight Communications AG	Escor Casinos & Entertainment SA, Lechner Marmor AG, Rainbow Video AG, Team Holding AG, Team Football Marketing AG, T.E.A.M. Television Event And Media Marketing AG
Dr Paul Graf (since 19.08.2004)	Businessman	None
Professor Dr Günter Rohrbach (since 13.07.2001)	Independent producer	None
Marc Conrad (up to 22.09.2004)	Film producer	ish GmbH & Co. KG (up to 31.10.2004)
Marco Syfrig (up to 24.02.2004)	Lawyer	Crossmedia AG, Escor Casinos & Entertainment SA (up to 08.02.2004), Fumapharm AG, Highlight Communications AG (up to 08.02.2004), Taxpartner AG, T.E.A.M. Television Event And Media Marketing AG (up to 08.02.2004), Team Holding AG (up to 08.02.2004), Team Football Marketing AG (up to 08.02.2004)
Franz Woodtli (up to 05.05.2004)	Businessman	None

Munich, March 2005

▶ **The Management Board**

INDEPENDENT AUDITOR'S REPORT

We have audited the consolidated financial statements, comprising the balance sheet, the income statement and the statements of changes in shareholders' equity and cash flows as well as the notes to the financial statements prepared by Constantin Film Aktiengesellschaft, Munich, for the business year from January 1, 2004 to December 31, 2004. The preparation and the content of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit of the consolidated financial statements in accordance with German auditing regulations and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that it can be assessed with reasonable assurance whether the consolidated financial statements are free of material misstatements. Knowledge of the business activities and the economic and legal environment of the Group and evaluations of possible misstatements are taken into account in the

determination of audit procedures. The evidence supporting the amounts and disclosures in the consolidated financial statements is examined on a test basis within the framework of the audit. The audit includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position, results of operations and cash flows of the Constantin Film Group, for the business year in accordance with International Financial Reporting Standards.

Our audit, which also extends to the management report for the Company and the group prepared by the Company's management for the business year from January 1, 2004 to December 31, 2004, has not led to any reservations. In our opinion on the whole the management report for the company and the group provides a suitable understanding of the Group's position and suitably presents the risks of future development.

In addition, we confirm that the consolidated financial statements and the management report for the company and the group for the business year from January 1, 2004 to December 31, 2004 satisfy the conditions required for the Company's exemption from its duty to prepare consolidated financial statements and the group management report in accordance with German law.

Munich, March 18, 2005

▶ **KPMG Deutsche Treuhand-Gesellschaft**
Aktiengesellschaft / Wirtschaftsprüfungsgesellschaft
Kilgert / Independent Auditor
Zeitler / Independent Auditor

ASSETS / HGB	31.12.2003	31.12.2004
	€ thousand	€ thousand
A. Fixed assets		
I. Intangible assets	99	115
II. Tangible assets	150	150
III. Financial assets	12,070	9,920
Total fixed assets	12,319	10,185
B. Current assets		
I. Receivables and other current assets		
1. Receivables from affiliated companies	54,880	63,702
2. Other assets	789	1,784
II. Cash in hand and at banks, cheques	3	37
Total current assets	55,672	65,523
C. Prepaid expenses	76	60
Total assets	68,067	75,768

EQUITY AND LIABILITIES / HGB	31.12.2003	31.12.2004
	€ thousand	€ thousand
A. Equity		
I. Subscribed capital	12,743	12,743
II. Capital reserves	72,854	72,854
III. Retained earnings	0	0
IV. Accumulated losses	-13,134	-26,740
V. Net profit/loss for the year	-13,606	-9,050
Total equity	58,857	49,807
B. Provisions		
Other provisions	1,608	1,279
Total provisions	1,608	1,279
C. Liabilities		
1. Trade payables of which due within 1 year: € 0.244 million (previous year: € 0.186 million)	186	244
2. Liabilities to affiliated companies of which due within 1 year: € 24.213 million (previous year: € 7.210 million)	7,210	24,213
3. Other liabilities of which due within 1 year: € 0.225 million (previous year: € 0.206 million) of which from taxes € 0.143 million (previous year: € 0.143 million) of which in connection with social security: 0.067 million (previous year: € 0.052 million)	206	225
Total liabilities	7,602	24,682
Total equity and liabilities	68,067	75,768

INCOME STATEMENTS / HGB	01.01.-31.12.2003	01.01.-31.12.2004
	€ thousand	€ thousand
General administration expenses	8,374	8,106
Other operating income	4,016	3,950
Other operating expenses	26	1,133
Income from equity interests	0	1,063
Income from profit transfer agreements	1,566	26,010
Other interest and similar income of which from affiliated companies € 0.775 million (previous year: € 0.917 million)	932	785
Interest and similar expenses of which to affiliated companies € 0 (previous year: € 0)	1	3
Costs of loss absorption	11,514	31,615
Income from continuing operations	-13,401	-9,049
Other taxes	-205	-1
Net income/loss for the year	-13,606	-9,050

STATEMENT OF CASH FLOWS / HGB*	01.01.-31.12.2003	01.01.-31.12.2004
	€ thousand	€ thousand
Net profit/loss for the year	-13,606	-9,050
Amortisation and depreciation of fixed assets	159	49
Change in provisions	545	-329
Profit/loss on the disposal of fixed assets	6	1,157
Change in receivables and other assets that cannot be allocated to investing or financing activities	19,733	-9,801
Change in trade liabilities and other liabilities that cannot be allocated to investing or financing activities	-2,078	17,080
Cash flows from current activities	4,759	-894
Inflow of funds from disposals of fixed assets	0	1,077
Outflow of funds for investments in intangible assets	-74	-34
Outflow of funds for investments in tangible assets	-49	-66
Outflow of funds for investments in financial assets	-4,683	-49
Cash flows from investing activities	-4,806	928
Change in cash and cash equivalents affecting payment	-47	34
Funds at the beginning of the period	50	3
Funds at the end of the period	3	37

* The statement of cash flows is not part of the audited financial statements

▶ **ART HOUSE**

High-quality independent films for a sophisticated audience.

▶ **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 theatre tickets.

▶ **COMPLETION BOND INSURANCE**

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

▶ **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.

▶ **DISTRIBUTION COSTS ("P&A")**

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

▶ **EBIT**

Earnings before interest and tax.

▶ **EBITDA**

Earnings before interest, tax and depreciation amortisation.

▶ **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)**

Theatre ▶

Video/DVD ▶

Pay per view ▶

Video-on-demand (Internet) ▶

Free TV ▶

Pay TV ▶

▶ **Merchandising**

Theatre release 12 15 18 24 30 32 months

▶ **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.

▶ **FICTION PRODUCTIONS**

Productions that are based essentially on imaginary plot elements (e.g. feature films and TV series).

▶ **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**).

▶ **GERMAN CORPORATE GOVERNANCE CODE**

This Code presents major legal regulations about the management and monitoring of German companies with a stock market listing and includes internationally recognised standards for responsible corporate management.

▶ **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**.

▶ **IFRS**

(International Financial Reporting Standards)
International accounting standards that are issued by the International Accounting Standards Board (IASB).

▶ **IMPAIRMENT**

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

▶ **IMPROVEMENT PROJECT**

IASB project to revise the standards (see also www.iasb.org).

▶ **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.

▶ **INTERNATIONAL SECURITIES IDENTIFICATION NUMBER (ISIN)**

The ISIN was introduced as the primary identification code for securities on April 22, 2003.

▶ **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 **Service production**).

▶ **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.

▶ **MATCHING PRINCIPLE**

Principle of the accurate allocation of expenditure to the corresponding income.

▶ **MEDIA & ENTERTAINMENT INDEX**

Ten industry indices, including the Media & Entertainment Index, were introduced on the Neuer Markt on May 15, 2001. The aim of this 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.

▶ **MULTIPLEX THEATRE**

A theatre with several (about 6 to 20) screening rooms of different sizes.

▶ **NET PROFIT PARTICIPATION**

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

▶ **NON-FICTION TV PRODUCTIONS**

Productions that reproduce events which really happen (e.g. documentaries, quiz and game shows, documentary soap operas).

▶ **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**).

▶ **PER**

Price-earnings ratio – the ratio of the price of a share to the net earnings (EPS) attributable to the share.

▶ **PERCENTAGE OF COMPLETION METHOD**

Method for realisation of a percentage of profits according to the progress made in completion.

▶ **POST-PRODUCTION**

Completion of the film after shooting has finished.

▶ **PRIME STANDARD**

The Prime Standard is the quality segment with the most demanding information and transparency requirements, which was introduced on January 1, 2003 as part of the German stock market resegmentation exercise.

▶ **PRIME TIME PROGRAMME**

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

▶ **SECONDARY RIGHTS**

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

▶ **SERVICE 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**).

▶ **SOP 00/2**

(Statement of Position 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).

▶ **US GAAP**

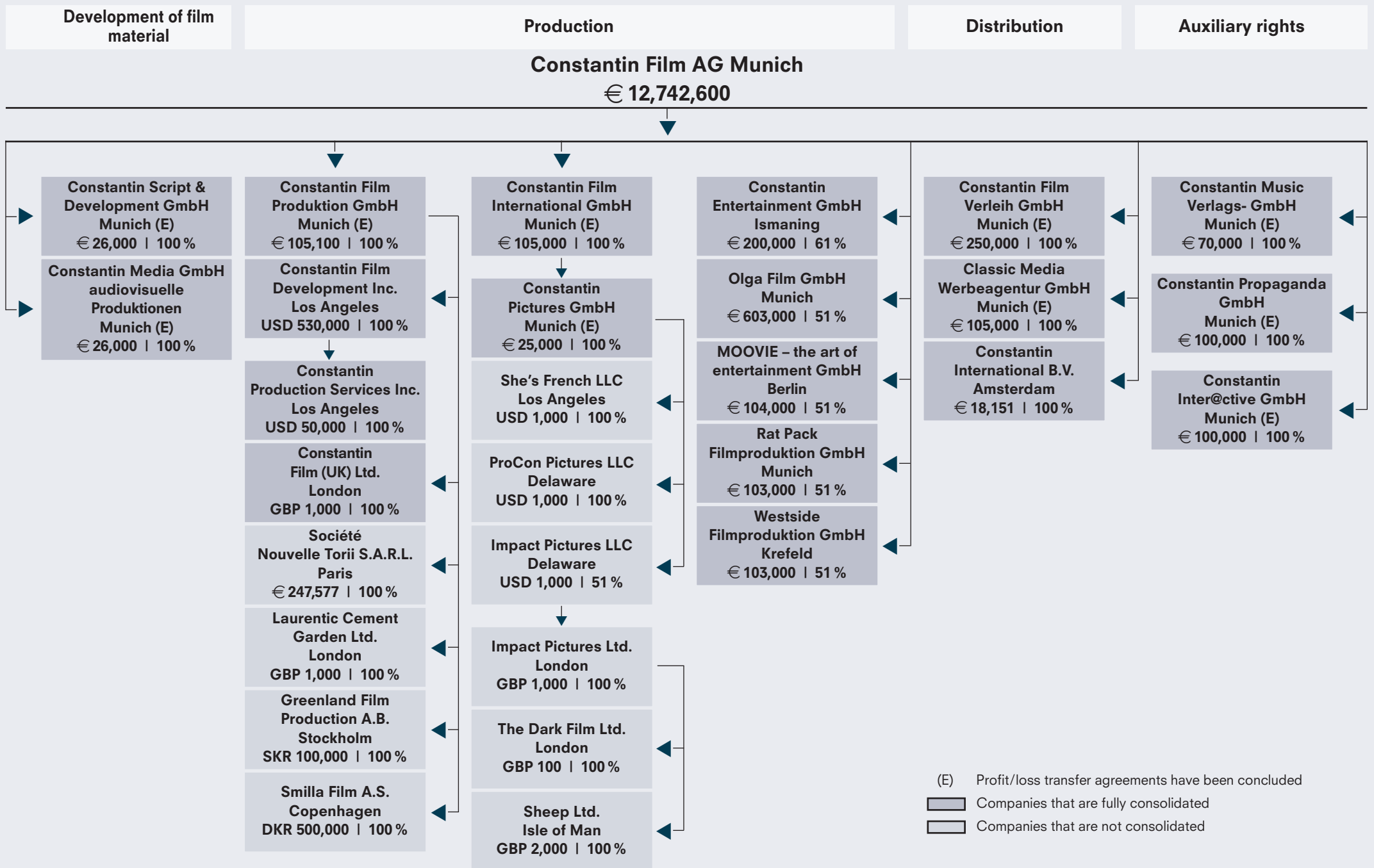
(Generally Accepted Accounting Principles)

US accounting principles – Deutsche Börse AG has stipulated that companies listed in the Prime Standard are required to publish financial statements in accordance with IFRS or US GAAP.

▶ **VIDEO-ON-DEMAND**

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

▶ **SUMMARY OF EQUITY INTERESTS** as of January 1, 2005



(E) Profit/loss transfer agreements have been concluded
 [Grey box] Companies that are fully consolidated
 [White box] Companies that are not consolidated

▶ **IMPORTANT DATES** / for 2005

- | | |
|---|---------------|
| ▶ Annual Shareholders' Meeting | May 12, 2005 |
| ▶ Publication of the results for the first three months | May 2005 |
| ▶ Publication of the results for the first six months | August 2005 |
| ▶ Publication of the results for the first nine months | November 2005 |
| ▶ DVFA analysts' conference | November 2005 |

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

▶ **SECURITIES IDENTIFICATION NUMBER 580 080**

▶ **CONTACT**

Constantin Film AG / Kaiserstrasse 39 / 80801 Munich / Germany / Phone +49 89/38 60 9-271 / Fax +49 89/38 60 9-196
E-mail investorrelations@constantin-film.de / www.constantinfilm.de

HOLLYWOOD



ANNUAL REPORT OF *Constantin Film* AG 2004

MANAGEMENT BOARD MEMBERS FRED KOGEL (CHAIRMAN) HANNS BEESE THOMAS PETER FRIEDL MARTIN MOSZKOWICZ FRANZ WOODTLI

SUPERVISORY BOARD MEMBERS BERND EICHINGER (CHAIRMAN) MARTIN WAGNER BERNHARD BURGNER DR PAUL GRAF PROFESSOR DR GÜNTER ROHRBACH

DEVELOPMENT OF THE FILM MATERIAL SCRIPTS CONSTANTIN SCRIPT & DEVELOPMENT GMBH CONSTANTIN MEDIA GMBH CONSTANTIN FILM DEVELOPMENT INC.

INTERNATIONAL AND GERMAN THEATRICAL PRODUCTION TV PRODUCTION CONSTANTIN FILM PRODUKTION GMBH CONSTANTIN FILM INTERNATIONAL GMBH

EQUITY INTERESTS CONSTANTIN ENTERTAINMENT GMBH OLGA FILM GMBH MOOVIE – THE ART OF ENTERTAINMENT GMBH
RAT PACK FILMPRODUKTION GMBH WESTSIDE FILMPRODUKTION GMBH

BUYING THEATRICAL DISTRIBUTION LICENCE TRADING FREE TV PAY TV VIDEO GLOBAL SALES CONSTANTIN FILM VERLEIH GMBH CLASSIC MEDIA WERBEAGENTUR GMBH CONSTANTIN INTERNATIONAL B.V.
SECONDARY RIGHTS EXPLOITATION MERCHANDISING MUSIC PRINT INTERNET CONSTANTIN MUSIC VERLAGS- GMBH CONSTANTIN PROPAGANDA GMBH CONSTANTIN INTER@CTIVE GMBH

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

Constantin Film 2004

