

Interim Report by the Board of Directors of MME MOVIEMENT AG as of 20 July 2009 pursuant to Section 37x of the German Securities Trading Act (WpHG)

General economic conditions

The global economy is still struggling in a recession. Though extensive government schemes to support the financial sector and to revive the economy have been able to stop the negative trend, further development remains uncertain. As reported by the German Federal Statistical Office on 26 May 2009, in the first quarter of 2009 German economic output declined again compared to the previous quarter for the fourth time in a row. Adjusted by price, seasonal and calendar effects, the gross domestic product was 3.8 percent lower than in the fourth quarter of 2008.

For the remaining part of the year and for 2010, institutes do not expect any major recovery. In view of the ongoing economic and financial crisis, the German Federal Bank has massively reduced its forecast for this year's economic development in Germany. As the German Federal Bank reported on 5 June 2009 in its semi-annual forecast, it now predicts a real decline of the gross domestic product by 6.2 percent. For the coming year too the German Federal Bank has greatly reduced its outlook. For 2010, it now expects GDP to stagnate.

The general economic situation also affects the advertising industry. According to Nielsen Media Research, gross advertising investments in above-the-line media in the first quarter of 2009 amounted to EUR 4.7 billion, a decrease of 2.5 percent compared to the prior year. The reluctance of companies to invest is leaving a visible dent in the European TV advertising markets. The TV segment recorded a 2.7-percent decline in advertising revenues. Both the RTL Group and the ProSiebenSAT.1 Media Group fear a slump in net advertising income of up to 15 percent for the year 2009 as a whole.

Business development

In the first ten months of the current financial year 2008/2009, MME MOVIEMENT benefited in particular from programmes established over several years and was able to safeguard basic utilisation of its production operations. Apart from popular daytime formats on Sat.1 – "Richterin Barbara Salesch", "Zwei bei Kallwass" and "Niedrig und Kuhnt" – this mainly includes the successful evening programmes "Bauer sucht Frau", "Einsatz in vier Wänden" and "Helfer mit Herz". Similarly, show programmes produced by the subsidiary white balance, such as the quiz shows with Jörg Pilawa and the ZDF show "Das will ich wissen", which is presented by Markus Lanz, were able to attract an above-average number of viewers.

Unfortunately, newly developed programmes like "Die beste Idee" (SAT.1), "Die singende Firma" (RTL), and "Die Talentsucher" (Vox) have not gained the audience levels desired and will most likely be discontinued.

Despite the difficult market environment, filmpool has received two large orders from RTL on the basis of successful pilots. Thus the shooting of the eight-episode fictional detective series under the working title "Countdown" has just begun. Moreover, two new daily programmes for the afternoon have been in production since mid-June.

Personnel changes

Over the past months, the composition of the Board of Directors has changed. Stefan Oelze took up his role on the Board of Directors on 1 April 2009 according to contract, and will take over the executive responsibilities of Gisela Marx entirely as of 1 September 2009, following the transition period. At the same time, Stefan Oelze has also been appointed director of filmpool Film- und Fernsehproduktion GmbH. On 30 April 2009, Christoph Post resigned from the Board of Directors and from the management of MME Entertainment GmbH. In the meantime, Katrin Löschburg has been appointed director of this company alongside Jörg A. Hoppe.

Martin Hoffmann has announced that, at the end of his Board of Directors contract on 31 August 2010, he will take over a new position as director of the Berlin Philharmonic and will quit the TV industry.

Outlook

The German economy is in a recession that might last for the whole of 2009. At present, even short-term economic trends are extremely difficult to predict. Thus the framework conditions for forecasts have become more difficult.

MME MOVIEMENT generates around 70 percent of its revenues from TV broadcasting organisations financed by advertising. Owing to the economic uncertainty, these broadcasters are currently noticing an unexpected reluctance to make commitments on the part of their advertising customers. Extremely low visibility with respect to income for the large broadcasting families RTL Group and ProSiebenSat.1 is resulting in a significant reluctance to order new programmes. Due to the possibility of making programme schedules more economical by airing more repeats or cost-effective licensed goods, this change in behaviour is having a particularly negative effect on the German production industry.

It is true that we have succeeded in gradually increasing the share of revenue received from public TV broadcasters over the past years, which has resulted in a more balanced customer profile. Nevertheless, in terms of revenue and income, we still depend heavily on broadcasters financed by advertising.

In consideration of all information we currently have access to and subject to the assumption that the programmes presently in production will be implemented smoothly in the next six weeks until the end of the financial year, we expect annual revenues of about EUR 80 million. This represents a decline of about 8 percent over the prior year. Despite continuous price pressure from broadcasters, we expect our current operations to yield an EBITDA margin of approximately 5 percent before possible one-off expenses in connection with restructuring measures.