



## **Ad hoc announcement 26.11.2002 17:06 h**

CDV Software Entertainment AG (WKN 548 812, Symbol OGG)


### **CDV reports on a successful 3rd quarter in 2002**

Today, CDV Software Entertainment AG, the publisher of computer games and application software, is announcing Group profits for the third quarter of the current financial year.

Following a relatively weak first half-year, the Karlsruhe publisher achieved sales before returns of about €10.5 million in the months from July to September (+113% - same period last year: about €5.0 million) and after returns of about €7.1 million (+50% - same period last year: about €4.7 million). This brought the company back to a profit at the EBIT level of €0.9 million (the same period last year showed a loss of about €0.1 million). Profit after tax was about €0.7 million (same period last year's figure was a loss of €13 thousand).

In the first nine months of the current financial year CDV has now achieved gross sales of about €20.3 million (+7% - same period last year: about 19.1 million), or about €14.9 million net sales (-9% - same period last year: about €16.4 million), respectively. The profit figure for the quarter is attributable to the product campaign initiated in August. "In September alone we had several attractive new releases to announce, which have now been evaluated internationally," says the CEO Wolfgang Gäbler. "Following the release of the strategy title 'American Conquest' on 15<sup>th</sup> November, last week we published two more PC games titles in Germany. We are looking forward with great excitement to the worldwide marketing and distribution of the promising titles 'Breed' and 'Imperium Galactica III' next year."

With €14.1 million in equity capital and €3.6 million in liquid funds, as well as securities forming part of its current assets (as of 30<sup>th</sup> September 2002) the company is still standing on solid financial foundations. CDV is well positioned in a difficult economic environment and will continue to follow cautiously the internationalisation course that it has set.



# QuarterlyReport

First, second and third  
quarter 2002 in accordance  
with IAS (unaudited)



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## Consolidated Key figures

<i>In accordance with IAS</i>	<b>Q1-3/02</b>	<b>Q1-3/01</b>	<b>2001</b>	<b>2000</b>
	<i>kEUR</i>	<i>kEUR</i>	<i>kEUR</i>	<i>kEUR</i>
Sales	20,285	19,041	26,180	18,150
Return on sales	(5,395)	(2,675)	(4,215)	(3,630)
Profit or loss from ordinary Operations	566	2,618	2,018	2,347
Consolidated net gain/loss	233	1,544	1,289	1,838
Non current assets	10,587	4,869	5,797	1,150
Current assets	12,208	16,367	15,515	17,848
Liabilities	8,683	7,073	7,386	5,936
Equity	14,112	14,163	13,926	13,062
Total assets	22,795	21,235	21,312	18,998
<hr/>				
Sales EUR per share <sup>1)</sup>	12.52	11.75	16.16	11.20
Profit or loss from ordinary Operations EUR per share <sup>1)</sup>	0.35	1.62	1.25	1.45
Consolidated net gain/loss EUR per share <sup>1)</sup>	0.14	0.95	0.80	1.13
Equity EUR per share <sup>1)</sup>	8.71	8.74	8.60	8.06
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Average number of employees	149 <sup>2)</sup>	90	98	65

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<sup>1)</sup> Undiluted, i.e. not taking contingent capital and approved capital into account

<sup>2)</sup> The per capita representation of the average number of employees contains 28 temporary employees

Referring to the number of 1,620,000 shares after the share split of 28 September 2001 without average calculation.

## **Dear Shareholders,**

*With this report we would like to inform you about the course of the third quarter of the 2002 financial year and to show you the prospects for further development.*

### **Course of Business**

*We launched our "autumn offensive" in the third quarter as previously announced. CDV published six major PC games titles in Germany during this latest quarter of the 2002 financial year.*

*The role play game Divine Divinity was first, shooting straight into the Top Ten in the Media-Control and the GfK charts (Media-Control charts, games retailing at over €28 in 2002: 6<sup>th</sup> place in w/e 9th August; GfK charts, German Top 20, games: 10<sup>th</sup> place in w/e 9th August).*

*Our first massive multiplayer online role play game, Neocron, was launched on 6<sup>th</sup> September. In doing so, we continued the systematic pursuit of our multi-platform strategy during the course of which we will be publishing titles both for the PC and the online field and for the Microsoft Xbox.*

*The children's and young people's title Der Dieb von Burg Schreckenstein arrived in the trade at the same time as it was being launched into the online segment.*

*On 20<sup>th</sup> September we once again published two very promising PC strategy games on one day, the stand-alone add-on to Cossacks, Cossacks: Back to War, and Combat Mission 2: Barbarossa to Berlin. In the best Cossacks tradition Back to War also headed straight into the Top Ten (Media-Control Charts, Games retailing at over €28 in 2002: 6<sup>th</sup> place, w/e 27<sup>th</sup> September) and thus successfully continued the Cossacks series. Combat Mission 2, likewise the sequel to Combat Mission which is also marketed and distributed by CDV, immediately reached a good positioning in the charts (Media-Control charts,*

*games retailing at over €28 in 2002: 23<sup>rd</sup> place w/e 27<sup>th</sup> September).*

*In September, the product offensive was brought to a close by Project Nomads, a game that had already been awarded the title of the "Best PC Game of the Year" at the ECTS 2001.*

*We had already presented these titles to a broad public at the Games Convention in Leipzig, the first German trade fair for computer games. Our stand attracted plenty of visitors and we provided them with various exciting events such as a spectacular Sudden Strike II tournament, live music, and airbrush art.*

*We also continued to be successful in the budget segment. WarCommander was able to stay in the Top Ten for seven weeks and at one point even reached 5<sup>th</sup> place. The CDV best-seller version of the fast-selling Cossacks was still in the Top Ten during the period under review (Media-Control charts, PC games retailing at under €28, 8<sup>th</sup> place w/e 5<sup>th</sup> July).*

*The third quarter was dominated by national and international activities alike. Sudden Strike II, the second part of the top-selling strategy game Sudden Strike, has now been published in the USA and the UK as well. In addition, we have ensured the marketing of the PC title in Japan, Southeast Asia, the Benelux countries, France, and Scandinavia through contractual partners. The marketing area for the roll play game Divine Divinity now covers France, the USA, the UK, the Benelux countries, Canada, Italy, Portugal, and Scandinavia. In France and Great Britain the title went straight into the Top 20 (GfK France, 12<sup>th</sup> place w/e 27<sup>th</sup> September; EL-SPA 18<sup>th</sup> place w/e 3<sup>rd</sup> April).*

*Despite all these successful events in the product field and a number of buy recommendations, CDV shares were still unable to escape from the continuation of the downward trend on the stock exchanges and on the Neuer Markt segment in particular. Both the national and the international securities markets are still dominated by serious anxieties and high volatility.*

At the end of August we presented CDV at the "Stock Day" in Frankfurt and faced questions from the financial community. In addition to this we also gave a number of interviews, e.g. to BloombergTV and Going Public TV.

On 1<sup>st</sup> July 2002, the Fourth Financial Markets Promotion Act took effect and ushered in an extensive reform of the stock exchange law. It will enable stock exchanges to meet the needs of participants in the capital market more precisely. In order to increase transparency in the market for stocks and shares, a new structure is envisaged that will split stock exchange registration into the two segments "General Standard" and "Prime Standard". The minimum statutory requirements will apply in the General Standard segment whilst international transparency requirements will apply additionally in the Prime Standard segment. We will of course be keeping you informed of further developments.

In the third quarter of 2002 gross sales came to €10.5 million (+113%), gross profit to €4.7 million (+80%), and profit after taxes to €0.7 million (last year: loss of €13 thousand), a great improvement on the figures for the same period a year ago. At €14.1 million, absolute equity capital is at virtually the same level as last year (€14.2 million).

## **Prospects for the current financial year**

As already announced in an ad-hoc bulletin on 21<sup>st</sup> October, we will now no longer be able to meet the ambitious growth targets for 2002 as a whole that we had communicated at the time of our IPO in April 2000. One main reason for this is the postponement of the releases of the PC games Breed and Imperium Galactica III. We will exploit the time-window this creates by further improving product quality.

We have further pursued our course towards internationalisation in October this year by releasing Cossacks: Back to War, Neocron, Project Nomads and Combat Mission 2 in the UK.

Cossacks: Back to War has thus been available in the Benelux countries, in France, Italy, India, Scandinavia, Iceland, South East Asia and in the United Arab Emirates since October this year.

In addition, our partners are bringing such games as Project Nomads in the trade in the Benelux countries, Greece, India, Iceland, Poland, Portugal and Southeast Asia.

On 25<sup>th</sup> October we released the second part of the Burg Schreckenstein series on a national basis with Burg Schreckenstein: Streiche auf Burg Schreckenstein.

The next major release came on 15<sup>th</sup> November with American Conquest. This is a historically founded strategy game from the Ukrainian developers GSC Game World, who have already been responsible for the highly successful Cossacks series. American Conquest enables players to re-enact the conquest of the American continent from 1492 to 1813. As we have come to expect from GSC Game World, this title also generates enthusiasm through its historical details, its outstanding graphics and animation, and the enormous depth of the game. In the best Cossacks tradition, the game headed straight into the Top 20, immediately taking place 17 (Media-Control Charts, PC games retailing at over €28, w/e 15<sup>th</sup> November).

In addition to this we will publish the titles GROM (action-adventure/RPG) and Airborne Assault before the end of the year.

A contract has also been signed with the experienced Hungarian developer Stormregion Ltd. for the development of a very promising strategy game with the working title Panzers. The fourth quarter of 2003 is envisaged as the completion date.

## **Further prospects**

We will continue to expedite our positive development and meticulously planned expansion in the next financial year.

In 2003, our multi-platform strategy will have run its full course with the release of our first

Xbox title Krazy Krank Tank (formerly CORE). An additional game for the Xbox, Vultures, is planned for the second half of 2003.

The PC version of the anxiously awaited title BREED is also scheduled for release in the first half of 2003. The entire product pipeline for the coming year furthermore includes PC games such as Imperium Galactica III, Psychotoxic, Blitzkrieg, No Man's Land, Heaven and Hell – live and let die, Panzers and Lula 3D. Yet another highlight awaiting us in the second half of 2003 is the release of Cossacks II – Napoleonic Wars, a continuation of the internationally successful Cossacks series (more than 500,000 copies sold). Following the previous successes, international marketing of all titles will be further accelerated in 2003.

Liquid funds and marketable securities total € 3.6 million. The company's financial basis and liquidity situation thus remain stable and will form the starting point for continued positive business development.

Despite the latest revision of our target figures, we regard electronic entertainment as a growth market, in particular on an international level. Thanks to the strategy of internationalisation being pursued, we will continue to partake in this growth in future as well.

*The Managing Board*

*Wolfgang Gäbler (Chairman)  
Professor-Dr Walter Ruda  
Christina Oppermann*

<b>Consolidated Profit and Loss Statement</b>	quarterly report III/2002	quarterly report III/2001	9 month report 2002	9 month report 2001
	01.07.2002 30.09.2002	01.07.2001 30.09.2001	01.01.2002 30.09.2002	01.01.2001 30.09.2001
	KEUR	KEUR	KEUR	KEUR
1. Revenues	10,545	4,962	20,285	19,041
Returned sales	(3,469)	(257)	(5,395)	(2,675)
2. Other operating income	(28)	126	658	220
3. Changes in inventories of finished goods and work in progress	366	(122)	284	(331)
4. Production of own fixed assets capitalized	94	15	153	46
5. Cost of purchased materials and services	(2,841)	(2,130)	(5,601)	(6,928)
6. Personnel expenses	(1,608)	(1,071)	(4,681)	(2,849)
7. Depreciation and amortization	(113)	(138)	(442)	(329)
8. Other operating expenses	(2,003)	(1,493)	(4,324)	(3,991)
<b>Operating income / loss (EBIT)</b>	<b>943</b>	<b>(108)</b>	<b>937</b>	<b>2,204</b>
9. Interest income and expense	27	121	130	369
10. Foreign currency exchange gains / losses	64	(32)	(501)	45
<b>Result before income taxes (EBT)</b>	<b>1,034</b>	<b>(19)</b>	<b>566</b>	<b>2,618</b>
11. Income Tax	(322)	17	(346)	(1,052)
12. Accrued and deferred taxes	(49)	(11)	13	(22)
<b>Net income / loss</b>	<b>663</b>	<b>(13)</b>	<b>233</b>	<b>1,544</b>
Net income EUR per share (basic) <sup>1)</sup>			0.1436	0.9530
Net income EUR per share (diluted) <sup>1)</sup>				0.9527
Weighted average shares outstanding (basic)			1,620,000	1,620,000
Weighted average shares outstanding (diluted)				1,620,388

1) Taking into account the adjustment resulting from the capital increase out of retained earnings 2001

<b>Consolidated Balance Sheets</b>	<b>9 month report 2002</b>	<b>annual report 2001</b>
	01.01.2002 30.09.2002	01.01.2001 31.12.2001
	<b>kEUR</b>	<b>kEUR</b>
<b>ASSETS</b>		
<b>Current assets</b>		
1. Cash and cash equivalents	1,616	7,679
2. Short-term investments / marketable securities	2,002	2,002
3. Trade accounts receivable	6,789	4,361
4. Inventories	919	527
5. Prepaid expenses and other current assets	882	946
<b>Total current asset</b>	<b>12,208</b>	<b>15,515</b>
<b>Non current assets</b>		
6. Deferred tax asset	86	0
7. Tangible assets		
1. Leasehold and similar rights, incl. buildings on thirdparty land	15	19
2. Plans and machinery	68	73
3. Other fixtures and fittings, tolls and equipment	361	374
8. Intangible assets	3,432	
1. Concessions, industrial property rights and similar rights and licenses thereto	576	284
2. Development costs	6,049	489
3. Prepayment on intangible assets		4,558
<b>Total non current assets</b>	<b>10,587</b>	<b>5,797</b>
<b>Total assets</b>	<b>22,795</b>	<b>21,312</b>

<b>Consolidated Balance Sheets</b>	<b>9 month report 2002</b>	<b>annual report 2001</b>
	01.01.2002 30.09.2002	01.01.2001 31.12.2001
	<b>kEUR</b>	<b>kEUR</b>
<b>Liabilities and shareholders' equity</b>		
<b>Current liabilities</b>		
1. Short-term debt and current portion of long-term debt	0	1
2. Trade accounts payable	1,077	1,453
3. Advance payments received	482	34
4. Accrued expenses	5,487	4,210
5. Income tax payable	578	576
6. Other current liabilities	700	684
7. Due to body members	108	91
8. Capital resulting from profit participation rights (short-term)	153	93
<b>Total current liabilities</b>	<b>8,585</b>	<b>7,142</b>
<b>Non-current liabilities</b>		
9. Deferred tax liability	51	95
10. Capital resulting from profit participation rights (long-term)	47	149
<b>Total non-current liabilities</b>	<b>98</b>	<b>244</b>
<b>Shareholders equity</b>		
11. Share Capital	1,620	1,620
12. Additional paid-in capital	9,660	9,660
13. Revenue reserve and other revenue reserves	1,019	19
14. Retained earnings	1,847	2,615
15. Equity difference resulting from currency conversions	(34)	12
<b>Total shareholders equity</b>	<b>14,112</b>	<b>13,926</b>
<b>Total liabilities and shareholders equity</b>	<b>22,795</b>	<b>21,312</b>

<b>Consolidated cash flow statement</b>		<b>Quarterly Report</b> <i>(current year)</i>	<b>Quarterly Report</b> <i>(comparative period)</i>
		<b>01.01.2002</b> <b>30.09.2002</b>	<b>01.01.2001</b> <b>30.09.2001</b>
		<b>kEUR</b>	<b>kEUR</b>
<b>1.</b>	<b>Cash flow from operating activities (before tax)</b>	<b>566</b>	<b>2,618</b>
2.	Depreciation on fixed assets	<sup>1)</sup> 1,682	329
3.	Appreciation on intangible assets	(622)	
4.	Currency translation	(547)	(22)
5.	Proceeds from financial investments	(145)	(381)
6.	Interest expense	15	11
<b>7.</b>	<b>Operating result before change in working capital</b>	<b>949</b>	<b>2,555</b>
8.	Increase/decrease in other accrued liabilities	1,277	791
9.	Increase/decrease in inventories	(393)	371
10.	Increase/decrease in trade account receivable	(2,428)	2,444
11.	Increase/decrease in prepayments and accrued income (incl. receivable due from body members)	41	(210)
12.	Increase/decrease in trade account payable	(376)	(37)
13.	Increase/decrease remainder liabilities	481	(266)
<b>14.</b>	<b>Changes in assets and liabilities</b>	<b>(1,398)</b>	<b>3,093</b>
15.	Paid income tax	(439)	(530)
16.	Paid interest expense	(15)	(12)
<b>17.</b>	<b>Net cash from operating activities</b>	<b>(903)</b>	<b>5,106</b>
18.	Interest income	145	346
19.	Investments in short term financial assets	0	0
20.	Deposits resulting from sales of tangible assets	0	0
21.	Investments in intangible assets	(5,471)	(3,981)
22.	Cash paid for investments in tangible assets	(292)	(463)
<b>23.</b>	<b>Cash flow from investing activities</b>	<b>(5,618)</b>	<b>(4,098)</b>
24.	Deposits resulting from capital increases	0	0
25.	Deposits resulting from capital accrued from profit participation rights	(42)	60
26.	Payments/Deposits from finance loans	(1)	(3)
<b>27.</b>	<b>Cash flow from financing activities</b>	<b>(43)</b>	<b>57</b>
28.	Increase in cash & cash equivalents (total amount lines 17, 23 and 27)	(6,564)	1,066
29.	Currency translation	501	24
30.	Cash & cash equivalents at beginning of period	7,679	10,325
<b>31.</b>	<b>Cash &amp; cash equivalents at end of period</b>	<b>1,616</b>	<b>11,415</b>

<sup>1)</sup> thereof disclosed in the consolidated profit and loss statements und item "Cost of purchased materials and services" kEUR 1,240 for the purpose of a better presentation of the Company's financial situation.

## **Appendix including divisional reporting according to geographic markets**

- 1) *The same accounting and valuation methods were used in the interim reporting period as in the consolidated financial statement.*
- 2) *Investments made during the reporting period, including partial payments on intangible economic assets, totalled kEUR 5,763. kEUR 622 were attributed to payments to intangible assets, as reported und other operating incomes.*
- 3) *The number of individual convertible profit-sharing rights for employees and business associates, plus the company's own, was unchanged from 31<sup>st</sup> December 2001 at 24,819.*

### 4) *Level of incoming orders*

*CDV sells standard software products mainly computer games which it has produced and licensed itself or purchased as finished products. These are sold as finished products from our warehouse to wholesalers and retailers or are sold abroad, in part as sales licenses to sales partners. A significant level of orders awaiting fulfillment does not develop as purchase orders from wholesalers and retailers are usually filled right away. The only exception are preorders for titles that have not yet been released. These orders collect in a time period of only approximately six weeks before the release date. Whether such advanced orders exist and how many of them there are on a key reporting date is primarily a matter of coincidence as depending of the titles for release in the subsegment six weeks on the precise day of publication. Because of the limited meaning of the above figures we decided to refrain from publishing them.*

### 5) *Research and Development*

*CDV is constantly involved in the development of computer software, both in its own production and through contracting with developer studios. Software development is, however, primarily limited to the individual software titles. No significant basic research and development is conducted above and beyond these activities.*

### 6) *Development of prices*

*While CDV has observed a slight downward trend in prices in the computer game industry for many years now, we did not see any significant changes. This ascertainment is not based on a statistically precise study, however.*

### 7) *Development of average number of employees*

*The per capita representation of the average number of employees contains 28 temporary employees.*

- 8) ) *The foreign exchange conversion of the instalment payments for intangible assets as of the effective date resulted in kEUR 530 being booked against profits.*

9) Classification of sales revenue according to regions

<b>Revenues split by geographic markets</b>	<b>01.01.2002 30.09.2002</b>	<b>%</b>	<b>01.01.2001 30.09.2001</b>	<b>%</b>
	<b>KEUR</b>		<b>KEUR</b>	
Germany	9,049	45	8,117	43
Europe	7,568	37	7,193	38
Other foreign countries	3,668	18	3,731	19
<b>Sales revenues</b>	<b>20,285</b>	<b>100</b>	<b>19,041</b>	<b>100</b>

The allocation of sales revenues to regions result from the ordinary business activities. The table contains the sales proceeds before returned sales.

<b>Changes in equity</b>	<b>31.12.2001</b>	<b>Changes 01.01.2002 30.09.2002</b>	<b>30.09.2002</b>
	<b>KEUR</b>	<b>KEUR</b>	<b>KEUR</b>
a. Share Capital	1,620	0	1,620
b. Capital reserves	9,660	0	9,660
c. Revenue reserves	19	1,000	1,019
d. Retained earnings / accumulated deficit	2,615	(768)	1,847
e. Equity difference resulting from currency conversions	12	(46)	<b>(34)</b>
<b>Shareholders equity</b>	<b>13,926</b>	<b>186</b>	<b>14,112</b>

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## Share holdings of CDV Software Entertainment AG to be filed

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	Proportion of the share capital at 30.09.2002 <sup>1)</sup>	
	No par value shares	As %
<b>Management board</b>		
1 Wolfgang Gäbler (chairman)	617,438	38.11
2 Christina Oppermann	308,218	19.03
3 Prof. Dr. Walter Ruda	1,600	0.10
<b>Supervisory board</b>		
1 Gerhard Koning (chairman)	400	0.02
2 Rüdiger Burkart (vice-chairman)	3,000	0.19
3 Stephan Wiedorfer	192	0.01
<b>Own shares</b>		
1 CDV Software Entertain- ment AG	0	0.00
<b>total</b>	<b>930,848</b>	<b>57.46</b>

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<sup>1)</sup> After share split 1:1 at 28<sup>th</sup> September 2001



## Company profile

### Business activity

CDV Software Entertainment AG was set up in 1989 by Wolfgang Gäbler and Christina Oppermann as a partnership. It distributes, publishes and produces eTainment- and value for money application software. The company groups together entertainment (computer games), edutainment and infotainment, with the focus being on games. The distributed products are bought in as packaged manufactured merchandise and are then mostly sold directly to the trade by CDV through its field service team. As a rule in the publishing division CDV acquires a licence for specific software which has been written by third parties. CDV then reproduces it to pass on to third parties, then markets and distributes it. For its own productions CDV also either develops the software itself or has it programmed by independent studios. In doing so CDV takes over some of the initiative, concept, financing and risk and in return acquires the distribution rights.

CDV employs a total of about 130 staff at its headquarters in Karlsruhe, its publishing office in London, and its subsidiary in Los Angeles. They are involved in software development, in buying in international licences for software developed by third parties, in marketing, in Public Relations and in sales and dispatch. The marketing measures undertaken by CDV include product and packaging design, placing advertisements in online and offline media, sending out e-mail advertisements to a large circulation list of potential end customers, designing CDV websites (with an average of more than 3 million pageviews or more than 22 million hits a month), right up to organising events, 'LAN parties', promotions, or similar. The activities collated under the heading Public Relations cover the cultivation of rela-

tionships which have developed over the years with the German, and in the meantime also with the international, games press in the interest of editorial reporting on CDV products. Sales are effected within German speaking regions through its own field service, a key account and telesales team selling directly to the German retail trade, and to other countries which are not German speaking regions through a network of sales associates providing local coverage. These associates, a list of more than 300,000 end customer addresses, a large number of noteworthy dealer listings, the regular dispatch of sales flyers and product information to about 2,000 potential dealers as well as participating in international trade fairs on a regular basis all play an important role in the success of CDV's sales campaigns.

CDV is a member of the associations for its industry VUD and ELSPA.

### Market and competition

The market for entertainment software is in the final analysis the fastest-growing sector of the entertainment market ahead of books, music, and film. In Germany the turnover with software CD-ROMs overtook sales for music CDs as long ago as in 1998. In the USA, turnover from the sale of computer and video games came to within 10% of the turnover generated at box offices for films. There entertainment is already the most frequent reason for using a PC ahead of even internet surfing, sending e-mails and word processing.

Whereas the market leaders have established themselves in Japan, the USA, England and in the meantime in France, too, with turnover in the three and four figure millions bracket, Germany is more or less a third world country in this "industry". Even so, Germany is the biggest market for entertainment software in Europe and has a large number of talented software developers. Even in 2000 and 2001, CDV was the largest German full-price PC-games publisher. CDV intends to exploit the comparative advantages of being located in one of the largest markets in the world on a systematic basis, in order to catch up with the big international players. The real time strat-

egy game 'Sudden Strike' also made a large contribution to this since it sold more than 600,000 copies to the trade and achieved the number 1 ranking in the German GfK charts as well as the number 1 spot in France and the number 4 spot in England. Not for nothing was 'Sudden Strike' honoured with the Platinum Award by the VUD. The game called 'Cossacks' sold more than 500,000 copies throughout the world and amongst its ranks was the third slot in the German MC charts, number 1 spot in the English ELSPA charts and top spot in the French GfK charts. 'Cossacks' was also awarded the 'Golden Computer' an award voted by the readers of the German PC magazines 'ComputerBild' and 'ComputerBildSpiele'.

### **Strategy**

In the past the business activity of CDV has concentrated on publishing software products developed by other companies, since it requires a great deal of capital to manufacture entertainment software in-house — an investment of about € 1 – 2 million has to be made over a period of about 12 - 24 months for a single A title. However, in-house productions are very much dominated by fixed costs and this means that if they are successful they have much greater margin leverage than third party publishing products, all the more so, since in contrast to licences acquired for a specific territory and one platform, they can be sold internationally and on a cross format basis (PC, games consoles etc.). It is of course desirable in the entertainment hit business to pursue a policy of risk diversification and to have several projects running at the same time in the contents portfolio.

Following a successful launch on to the Neuer Markt in April 2000, CDV is investing the issue proceeds mostly in the in-house production of a whole catalogue of interactive contents and in selling them internationally on a cross format. These efforts also include the acquisition of holdings in developer studios. The advantages of being small enough not to lose an overview (as long as this is possible) in terms of creativity and in development as well as the comparative advantages of location should make a contribution to catching up with the economies of scale enjoyed by non-German competitors in the publishing business. Con-

sequently every successful title such as 'Sudden Strike' and 'Cossacks' contributes to strengthening international publishing power and making CDV even more attractive for talented developers. This in turn increases the probability that CDV will in future also produce and market real hits. There are already some very exciting titles in the pipeline for 2002 and 2003.

CDV regards concentrating on content regardless of genre or format as a strategic position for 'Online Gaming'. This future market is thought to be very lucrative by the entire entertainment industry, but at the moment it is still suffering from the transmission bandwidth which is still too low for serious 3D titles. Regardless of which formats and technology will prevail in this sector, CDV sees the bottleneck of the multimedia world as being the fascinating interactive content, around which commerce and community will be based.

### **Contact**

CDV Software Entertainment AG,  
Neureuter Str. 37b, D- 76185 Karlsruhe  
Tel 0049 721 97224-0  
Fax 0049 721 97224-24  
[www.cdv.de](http://www.cdv.de) [www.cdv.ag](http://www.cdv.ag)

### **Contacts :**

- Public Relations: Eric Standop, PR Director.
- Investor Relations: Professor Walter Ruda (CFO).

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