

# 2001 Stub Period

International Accounting Standards  
Synergy and Cooperation  
Bertelsmann Excellence Initiative

## Annual Report July-December 2001

## Bertelsmann Financial Highlights

		IAS July 1 – Dec. 31, 2001 € in millions	IAS 2000/01 € in millions	HGB 1999/00 € in millions	HGB 1998/99 € in millions	HGB 1997/98 € in millions
<b>Group Development</b>	Revenues	9,685	16,748	16,524	13,289	11,738
	Cash flow	127	160	1,317	924	962
	Investments	1,067	2,744	2,049	2,398	726
	Profit before taxes	924	2,079	1,100	897	840
	Net income before minority interests	931	987	672	465	573
	Total assets	23,734	17,245	14,692	10,070	7,041
	Personnel costs	2,343	4,319	3,755	3,201	2,752
<b>Employees</b>	Germany	31,870	30,732	30,984	26,637	24,078
	Other countries	48,426	43,816	45,273	39,802	34,341
	Total	80,296	74,548	76,257	66,439	58,419
<b>Equity</b>	Subscribed stock <sup>1)</sup>	606	463	463	480	480
	Retained earnings	5,697	3,222	1,212	1,109	834
	Profit participation certificates	{706} <sup>2)</sup>	{706} <sup>2)</sup>	687	687	667
	Minority interests	2,081	792	1,276	458	372
	Equity	8,384	4,477	3,638	2,734	2,353
	As percent of total assets	35	26	25	27	33
<b>Net Income</b>	Net income before minority interests	931	987	672	465	573
	To shareholders					
	Dividends paid	300	50	88	68	61
	Allocation to retained earnings	649	691	265	189	305
		949	741	353	257	366
	To minority interests	(18)	246	243	132	133
	Profit participation payments	39 <sup>3)</sup>	95 <sup>3)</sup>	76	76	74
Employee profit sharing <sup>4)</sup>	19	44	55	52	58	

<sup>1)</sup> of which, at December 31, 2001, 57.6 % belong to the Bertelsmann Foundation, 17.3 % to the Mohn family, and 25.1 % to Groupe Bruxelles Lambert (GBL); this reflects the purchase obligation of ZEIT shares

<sup>2)</sup> not included in equity according to IAS

<sup>3)</sup> offset in net income according to IAS

<sup>4)</sup> offset in net income

**Annual Report  
for the Stub Period  
from July 1 to December 31, 2001**

	2	Executive Board
	3	Thomas Middelhoff: Letter from the Chairman
<b>Stub Period 2001</b>	4	Management Report
<b>Supervisory Board</b>	19	Report of the Supervisory Board
	20	Bertelsmann Boards
<b>Financial Statements as of December 31, 2001</b>	22	Consolidated Income Statement
	23	Consolidated Balance Sheet
	24	Consolidated Cash Flow Statement
	25	Consolidated Statement of Changes in Shareholders' Equity
	26	Notes
	62	Independent Auditors' Report
	63	Mandates



**Dr. Thomas Middelhoff**

Chairman and CEO of Bertelsmann AG since November 1, 1998, Gütersloh and New York



**Peter Olson, J.D./MBA**

Member of the Executive Board of Bertelsmann AG since April 1, 2001; Chairman and CEO of Random House Inc., New York



**Dr. Arnold Bahlmann**

Member of the Executive Board of Bertelsmann AG since January 1, 2001; Chairman and CEO of Bertelsmann Capital, Gütersloh, Munich and New York



**Hartmut Ostrowski**

Deputy member of the Executive Board of Bertelsmann AG since October 1, 2001; Member of the Executive Board of Bertelsmann Arvato AG, Gütersloh



**Dr. Klaus Eierhoff**

Member of the Executive Board of Bertelsmann AG since January 1, 1998; Chairman and CEO of DirectGroup Bertelsmann, Gütersloh



**Rolf Schmidt-Holtz**

Member of the Executive Board of Bertelsmann AG since July 1, 2000; Chairman and CEO of Bertelsmann Music Group (BMG); Chief Creative Officer of Bertelsmann AG, Hamburg and New York



**Dr. Bernd Kundrun**

Member of the Executive Board of Bertelsmann AG and Chairman and CEO of Gruner + Jahr AG since November 1, 2000, Hamburg



**Dr. Gunter Thielen**

Member of the Executive Board of Bertelsmann AG since July 1, 1985; Chairman and CEO of Bertelsmann Arvato AG, Gütersloh



**Dr. Siegfried Luther**

Member of the Executive Board of Bertelsmann AG since July 1, 1990; Chief Financial Officer and Head of the Corporate Center of Bertelsmann AG, Gütersloh



**Dr. Ewald Walgenbach**

Member of the Executive Board of Bertelsmann AG since February 6, 2002, Chief Operating Officer of Bertelsmann AG, Gütersloh

Dear Friends of Bertelsmann,

The short fiscal period from July 1 through December 31, 2001 marked the dawn of a new phase at Bertelsmann. In the future, our fiscal year will be the calendar year and we will be reporting financial information in accordance with International Accounting Standards (IAS). This will increase openness, ensure comparability with our competitors, and provide a response to the growing internationalization of our business.

The conversion to IAS is just one of the many changes taking place at Bertelsmann in preparation for a possible initial public offering in the next few years. The fast-paced market and our own dynamic growth press us to demonstrate a high degree of flexibility in an ever-changing business environment. Since fiscal 1997/1998, our corporation's revenues have almost doubled to approximately € 20 billion, while our earnings have more than tripled and our shareholders' equity almost quadrupled: a sound basis for future growth. At the same time, we reduced our debt even further and are therefore in a good position vis-à-vis our competitors.

Bertelsmann is evolving into a new, integrated media and entertainment company that leverages synergies and fosters productive cooperation among its divisions. These successful partnerships are illustrated by the many projects nominated in December for the newly created Synergy Award. The two prizewinners – Bertelsmann's Spanish divisions, which jointly produced the number one benefit CD "Mujer", and the German club and RTL enterprises, which successfully relaunched RTL Club – have shown that cooperation is the key to our future. This has generated considerable potential, and together we will exploit it even more effectively. For example, FremantleMedia produces a successful TV program, "Pop Idol", which seeks out talented young singers. BMG markets and promotes the artists while our TV channels can broadcast the programming or sell it to networks around the world. This lucrative collaboration benefits the production firm, the TV channel and the record company, which all contribute directly to Bertelsmann's bottom line.

The rich variety of the media world is reflected in our television programming, music and books. We offer first-class entertainment that ranges from the works of 2001 Nobel Prize winning author V. S. Naipaul, the music of Grammy award-winner and multi-platinum recording artist Alicia Keys, and the smash-hit German version of the television game show, "Who Wants to be a Millionaire?". We have done a great deal in recent years to achieve this position, investing over € 6,5 billion in our content businesses and, through the stock swap with GBL and our acquisition of the Pearson Group's 22 percent stake in RTL, strengthening our television business. Accounting for around 40 percent of our earnings, television has become Bertelsmann's largest core business. We are Europe's leaders in this market, with our 23 TV channels and 14 radio stations reaching over 150 million viewers and listeners every day.

Our consistent Internet strategy has enabled us to build leading positions in media e-commerce, and we are number one in direct music distribution and number two in book distribution. Despite the economic downturn in the U.S. and Europe, this strategy has placed us in a strong financial position. We earned over € 2 billion this year from the sale of AOL Europe shares and AOL Inc. stock. These proceeds will enable us to offset weak consumer activity and the impact of the downturn in the advertising industry and, at the same time, to execute a major restructuring as part of our Bertelsmann Excellence Initiative. We are therefore well equipped for all future challenges.

Sincerely yours Thomas Middelhoff

Thomas Middelhoff



“Wer wird Millionär?”  
(RTL Television)



“Pop Idol” (FremantleMedia, BMG)



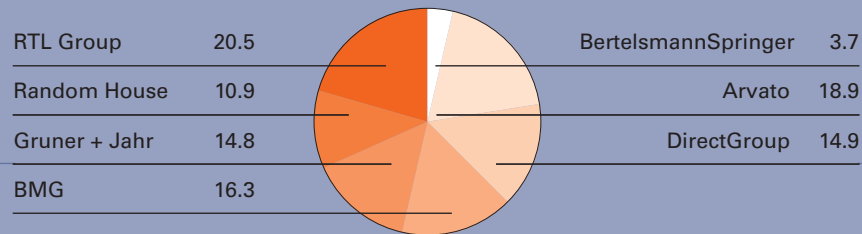
“Home and Away” (Channel 5)

## Management Report

Bertelsmann has aligned the Group’s fiscal year, which to date ran from mid-year to mid-year, to the calendar year. To this end, it reported an abbreviated fiscal year from July 1 through December 31, 2001. The present annual report refers to this six-month stub period. In addition, the Group’s accounting standards were converted from the German Commercial Code (HGB) to International Accounting Standards (IAS). Although both these measures will impair comparability in the short term, they will make Bertelsmann’s financial results more transparent and internationally comparable in the future. The figures for fiscal year 2000/01 were retroactively converted to IAS to meet the requirements. This means that the present report compares the six-month stub period with a twelve-month fiscal year. The comparability of these figures is further impaired by the fact that RTL Group is reported on a fully consolidated basis for the stub period, while the IAS figures for the full 2000/01 fiscal year show RTL Group on only a proportionately consolidated basis.

Bertelsmann’s revenues during the stub period totaled € 9.7 billion (fiscal year 2000/01: € 16.7 billion). Approximately equal thirds of consolidated revenue were generated in Germany, the other European countries, and the United States (U.S.). Net income before minority interests totaled € 931 million during the six-month reporting period, and was substantially due to capital gains (fiscal year 2000/01: € 987 million). Earnings before interest, taxes and amortization amounted to € 1.7 billion (fiscal year 2000/01: € 4.2 billion). The number of employees rose from 74,548 at June 30, 2001 to 80,296 at December 31, 2001.

Revenues by Division	July 1 - Dec. 31, 2001	2000/01
€ in millions		
<b>RTL Group</b>	<b>2,054</b>	<b>1,520</b>
<b>Random House</b>	<b>1,085</b>	<b>2,074</b>
<b>Gruner + Jahr</b>	<b>1,476</b>	<b>3,054</b>
<b>BMG</b>	<b>1,633</b>	<b>3,109</b>
<b>BertelsmannSpringer</b>	<b>370</b>	<b>749</b>
<b>Arvato</b>	<b>1,889</b>	<b>3,535</b>
<b>DirectGroup</b>	<b>1,494</b>	<b>3,102</b>
Total revenues	10,001	17,143
Other	36	405
Intercompany revenues	(352)	(800)
<b>Consolidated revenues</b>	<b>9,685</b>	<b>16,748</b>



**Total Revenues by Division** in percent

It should be noted that the change to IAS reporting had a number of effects on the present consolidated financial statements. For instance, under IAS, joint ventures are generally consolidated proportionately rather than fully. This means that the revenues, earnings and number of employees of joint ventures such as the U.S. book club BOOKSPAN, which is jointly controlled by Bertelsmann and AOL Time Warner, are now consolidated proportionately rather than fully as they were in the past. Another example involves the reporting of acquisitions of enterprises by means of stock swaps. Whereas such acquisitions were shown at book value under HGB, they are reported at their fair value under IAS, meaning that any goodwill is amortized over the following accounting periods. Please see the Consolidated Notes for detailed information on the conversion to IAS.

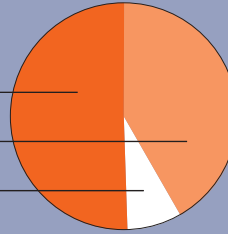
In changing to IAS, Bertelsmann is responding to the growing internationalization of its businesses and improving the comparability of its financial results with those of other multinational corporations.

Business performance during the stub period was impacted by an economic downturn in the U.S. and Europe, which was exacerbated by the events of September 11. At the same time, Bertelsmann earned capital gains of € 2.2 billion, primarily from the sale of further shares in the Internet service provider AOL Europe, and from the disposal of AOL Time Warner stocks during the period under review. These capital gains enabled Bertelsmann to more than offset the weak consumer activity and the sharp downturn in the advertising industry. It also allowed high one-time restructuring charges to be absorbed during a reporting period marked by a number of far-reaching changes. Much of this restructuring was due to the Bertelsmann Excellence Initiative (BEX), which was launched in the spring of 2001. BEX covers cost management, portfolio management, innovation, and integration, and aims to ensure outstanding performance and enhanced returns throughout the Group.

The economic downturn was noticeable in all divisions, but particularly in ad-financed businesses and in the Group's U.S. operations. The divisional results – i.e. current earnings on business before interest, taxes, and amortization and excluding the Internet and one-time gains and losses – totaled € 251 million in the six months of the stub period (fiscal year 2000/01: € 731 million).

Total assets amounted to € 23.7 billion at December 31, 2001, which represents an increase of € 6.5 billion, or 38 percent, over fiscal year 2000/01 (€17.2 billion). Investments amounted to € 1.1 billion (fiscal year 2000/01: € 2.7 billion).

	July 1-Dec. 31, 2001	Percentage share
Germany	1,035	50.7
Other European countries	852	41.6
USA	157	7.7



Consolidated Revenues RTL Group by Region € in millions

### Earnings Remain High

Net income before minority interests amounted to € 931 million as a result of the high level of capital gains (fiscal year 2000/01: € 987 million). Earnings before interest, taxes, and amortization totaled € 1.7 billion (fiscal year 2000/01: € 4.2 billion). The financial result totaled minus € 208 million (fiscal year 2000/01: minus € 436 million), while goodwill amortization reduced net income by € 571 million (fiscal year 2000/01: € 1.7 billion).

### Revenues and Earnings by Division

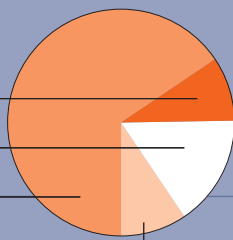
#### Bucking the adverse market trend with excellent media content and services

As a result of a stock swap with Groupe Bruxelles Lambert (GBL), Bertelsmann increased its RTL Group stake from 37 to 67 percent in July 2001. Due to this majority, RTL Group has been fully consolidated in the IAS financial statements for the 2001 stub period. The retroactively converted IAS figures for fiscal year 2000/01 reported RTL Group on a proportionately consolidated basis, corresponding to the 37 percent stake held by Bertelsmann at the time. RTL Group, Europe's largest television, radio and TV production group, posted revenues of € 2.1 billion during the period under review (fiscal year 2000/01: € 1.5 billion – proportionately consolidated). The divisional result totaled € 107 million (fiscal year 2000/01: € 108 million – proportionately consolidated).

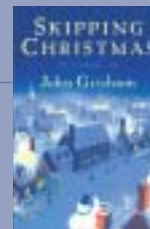
Business was characterized both by the sharp downturn in advertising and by encouraging market successes. Overall, the European advertising market decreased significantly year on year. RTL Group managed to buck this trend, slightly increasing its advertising market share in its major markets during the stub period. The main growth drivers for RTL Television in Germany were successful programs such as the quiz show *Who Wants to be a Millionaire?*, ski jumping and Formula 1 broadcasts, and its own reality-TV productions *Loftstory* and *Popstars* on M6 in France. Fremantle-Media, the international production unit of RTL Group, recently broke all viewer-ratings records in the U.K. with its live entertainment show *Pop Idol*. In the U.K. market, major program investments enabled Channel 5 to increase its market share and enhance its image.

Restructuring was needed at FremantleMedia in the U.S. and at RTL Radio in France. RTL Group aims to further strengthen its competitive position by applying consistent cost and portfolio management procedures and investing in innovative programming. Shortly before the end of the stub period, Bertelsmann announced that it was acquiring the U.K.-based Pearson Group's 22-percent stake in RTL Group. The completion of this deal in January 2002 raised Bertelsmann's stake in RTL Group to approximately 90 percent.

	July 1-Dec. 31, 2001	Percentage share
Germany	101	9.4
Other European countries	171	15.8
USA	705	65.3
Other countries	103	9.5



Consolidated Revenues Random House by Region € in millions



John Grisham,  
"Skipping Christmas"  
(Doubleday)

Zeruya Shalev,  
"Liebesleben"  
(Berlin Verlag)

With its more than 250 publishing imprints, **Random House**, the world's leading trade book publisher, generated revenues of € 1.1 billion in the six months of the stub period, compared to € 2.1 billion in the whole of fiscal year 2000/01. The divisional result amounted to minus € 15 million (fiscal year 2000/01: € 176 million). Random House's business was hit by slowing consumer book purchases in the U.S., which fell even more sharply after the terrorist attacks of September 11, as well as by the Argentine economic crisis and its dampening effect on the Spanish-language book market.

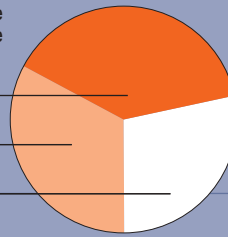
Despite the difficult market situation, Random House achieved a number of publishing milestones: During the period under review, more than 100 of its titles made the national **New York Times** bestseller lists – fifteen of them in the number one position – an unequalled industry achievement. In the U.S., Random House increased its stature as the country's largest children's book publisher by acquiring the book publishing properties of Golden Books Family Entertainment, the home of many children's books classics. Random House also purchased Books on Tape, a pioneering publisher of unabridged audio books, further enhancing its leadership in that marketplace sector. Random House celebrated the selection in October 2001 of V. S. Naipaul, whose books it publishes in the U.S. (Knopf) and Spain (Debate), as its newest Nobel Prize in Literature laureate. In addition, its Alfred A. Knopf division secured the world publishing rights to the memoirs of former U.S. President Bill Clinton.

The Random House Group in the U.K. and Verlagsgruppe Random House in Germany solidified their local market preeminence with an industry-leading number of bestsellers. In the latter market, the company announced its decision to exit the consumer reference book business by discontinuing its Falken and Mosaik imprints, and to expand its trade paperback publishing program with the successful launch of the new BVT line. In a joint venture with Italy's Arnoldo Mondadori SpA, Random House established Random House Mondadori, which immediately became the world's second-largest Spanish-language trade book publisher.

**Gruner + Jahr**, Europe's largest magazine publisher, generated revenues of € 1.5 billion in the stub period, as compared to € 3.1 billion in fiscal year 2000/01. The divisional result amounted to € 98 million (fiscal year 2000/01: € 266 million). The economic environment and the sharp downturn in the advertising markets worldwide adversely impacted Gruner + Jahr's businesses during the stub period. Gruner + Jahr responded quickly to the changing economic environment. To more effectively exploit synergies, the company linked its multimedia activities more closely to its successful print-media brands, under the motto "One Brand – Multi Media". A comprehensive cost and efficiency



	July 1-Dec. 31, 2001	Percentage share
Germany	569	38.8
Other European countries/Rest of the world	482	32.9
USA	416	28.3



Consolidated Revenues Gruner + Jahr by Region € in millions

"Woman" (News Verlag)

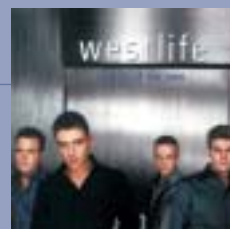
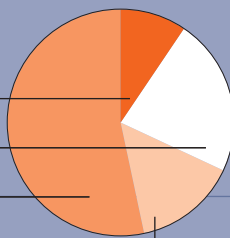
program (CAP – Costs and Processes) was implemented to improve processes and costs. Publications that had no prospect of success in the current market climate (**Homestyle** in the U.S. and **BIZZ** in Germany) were discontinued. Despite the difficult market environment, the company was able to further internationalize successful magazine concepts, such as **GALA** in Poland and Russia, and now **Parents/Fumu** in China's capital Beijing.

In the U.S., the relaunching of publications such as **YM**, **Fitness**, **Family Circle** and **Rosie** were highly successful in both the advertising and distribution markets. In an American distribution market that decreased overall, **Fitness** substantially increased its circulation to a new record level. Especially in view of the shrinking U.S. advertising market for general-interest magazines, the fact that the company's teenager magazine **YM** managed to raise its gross advertising revenues by almost 50 percent may be seen as a huge success.

In Germany, just one year after its launch, **Living at Home** magazine has become the number two in its sales market segment, second only to the market leader **Schöner Wohnen**, another G+J magazine. **Financial Times Deutschland** also continues to achieve high circulation rates. **Stern** has increased its total readership to 7.77 million, i.e. it continues to enjoy the largest readership by far in the segment of current weekly magazines. In Austria, the leading magazine publisher News Verlag achieved the most successful magazine launch of the past decade with the women's magazine **Woman**, published biweekly. The initial print run of 330,000 copies sold out in just four days.

**BMG** (the **Bertelsmann Music Group**), which was totally restructured and repositioned during the 2001 calendar year, generated revenues of € 1.6 billion during the period under review (fiscal year 2000/01: € 3.1 billion, already taking into account the divisional change of the Storage Media unit from BMG to Arvato). In a shrinking global music market hit by product piracy and weak consumer demand, BMG managed to maintain its market position thanks to a number of successful releases. BMG artists such as Alicia Keys, P!NK, Usher, Dido, Christina Aguilera, Westlife, The Strokes, and The Dave Matthews Band all either scored several chart hits, won major music awards, or received critical acclaim. Newcomer Alicia Keys in particular won plaudits from public and critics alike with her album **Songs in A Minor**. Her success also marks a high point in the career of Clive Davis, whose new label J Records has exceeded expectations.

	July 1-Dec. 31, 2001	Percentage share
Germany	154	9.5
Other European countries	365	22.5
USA	861	53.2
Other countries	240	14.8



Westlife, "World Of Our Own" (RCA International)



P!NK, "Missundaztood" (Arista)

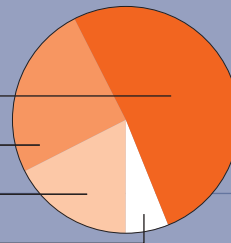
**Consolidated Revenues BMG by Region € in millions**

BMG's focus on its core competencies – developing artists and marketing music – had far-reaching organizational and personnel consequences. The company continued the streamlining of its organization begun under a new management team in fiscal year 2000/01, eliminating many jobs and substantially reducing its costs. In the stub period, BMG's divisional result amounted to minus € 43 million (fiscal year 2000/01: minus € 42 million).

**Analysis of Net Income**  
€ in millions

	July 1- Dec. 31, 2001	2000/01
<b>Divisional results</b>		
RTL Group	107	108
Random House	(15)	176
Gruner + Jahr	98	266
BMG	(43)	(42)
BertelsmannSpringer	30	69
Arvato	114	173
DirectGroup	(40)	(19)
<b>Total divisional results</b>	<b>251</b>	<b>731</b>
Corporate/BeCapital/Consolidation	(87)	95
Internet start-up losses	(254)	(866)
One-time charges	(432)	(682)
Capital gains	2,225	4,941
<b>Earnings before interest, taxes and amortization</b>	<b>1,703</b>	<b>4,219</b>
Goodwill amortization	(571)	(1,704)
Financial result	(208)	(436)
Income taxes	7	(1,092)
<b>Net income before minority interests</b>	<b>931</b>	<b>987</b>
Minority interests	18	(246)
<b>Net income after minority interests</b>	<b>949</b>	<b>741</b>

	July 1-Dec. 31, 2001	Percentage share
Germany	190	51.5
Other European countries	92	24.9
USA	65	17.6
Other countries	22	6.0



Consolidated Revenues BertelsmannSpringer by Region € in millions



Martin Aigner/Günter M. Ziegler,  
"Das Buch der Beweise"  
(Springer-Verlag)

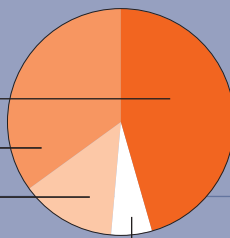
The specialist-publishing group **BertelsmannSpringer**, a leading international provider of academic and trade literature and the number one in its segment in Germany, generated revenues of € 370 million (fiscal year 2000/01: € 749 million). The divisional result amounted to € 30 million after achieving € 69 million in the full fiscal year 2000/01.

The Group managed to win market share with its science publications, especially in its international markets. It even tapped new markets in some currently contracting Business-to-Business specialist-information markets, such as the construction segment. Overall, the Group's earnings were impacted by restructuring costs and the sharp fall in advertising revenues. Bucking the general trend in the media market, BertelsmannSpringer managed to place its Internet activities, such as its **BSMO** online service (**BertelsmannSpringer Medizin Online**), on a solid financial basis. In its science operations, the extension of its range of IT and physics publications and the expansion of its **LINK** online information offering have had a positive effect.

**Arvato**, the internationally networked media service provider, reported revenues of € 1.9 billion in the 2001 stub period (fiscal year 2000/01: € 3.5 billion – taking into account the integration of the Storage Media unit, which previously was part of BMG). During the period under review, Arvato used the weak global economic environment, which deteriorated in the wake of the terrorist attacks on September 11, to consolidate and further optimize its products and services involving logistics, customer care centers for major international clients, and state-of-the-art printing operations. In its service activities, Arvato developed its business at a stable level; as part of the ongoing and dynamic internationalization of its business, the company launched new projects in countries such as India and China. Its German and international printing operations remained largely at their previous year level – or even slightly above it – despite dwindling demand and growing competition from electronic media. The Storage Media unit came under stronger pressure. Bertelsmann mediaSystems (BmS), Bertelsmann AG's in-house IT service provider, met its growth and earnings targets. Arvato's divisional result in the six-month reporting period reached € 114 million compared to € 173 million in the full fiscal year 2000/01.

**DirectGroup**, which includes Bertelsmann's book clubs, music clubs and e-commerce activities, generated revenues of € 1.5 billion from its direct-to-customer businesses in the 2001 stub period (fiscal year 2000/01: € 3.1 billion – with the proportionate consolidation of the **BOOKSPAN** and France Loisirs book clubs). The divisional result amounted to minus € 40 million (fiscal year 2000/01: minus € 19 million).

	July 1-Dec. 31, 2001	Percentage share
Germany	722	45.8
Other European countries	549	34.8
USA	217	13.7
Other countries	90	5.7



DVD  
"Der Schuh des Manitu"  
(Sonopress)



webmiles credit cards  
(Bertelsmann Services Group)

Consolidated Revenues Arvato by Region € in millions

The book clubs in the core markets of Germany, France and the U.S., which generate two-thirds of total club revenues, continued on their upward trend, substantially raising their earnings despite slightly depressed revenues. At the same time, BOL delivered an encouraging performance, and Internet start-up losses were down by nearly half year-on-year. DirectGroup's overall earnings were impacted by the lack of consumer demand arising from the economic climate, and by the need for write-downs on U.S. businesses. Bertelsmann's e-commerce group (BeCG) was discontinued at the end of 2001 and its businesses were integrated into the BeMusic unit; the integration of BOL and clubs was continued.

The stub period was characterized by the ongoing modernization of the club businesses. This included author's advisory councils in German and U.S. book clubs, Europe-wide exclusive programming highlights, the exploitation of synergies in printing and purchasing, and the cost-intensive implementation of state-of-the-art club software (CCIT) in Europe and the U.S.

In the e-commerce sector, the DirectGroup acquired myplay, a digital-locker firm that offers customers a virtual, individually stocked music archive on the Internet. myplay was integrated into BeMusic. In July, the DirectGroup became the sole shareholder in the French book club France Loisirs, which was previously jointly controlled with Vivendi Universal.

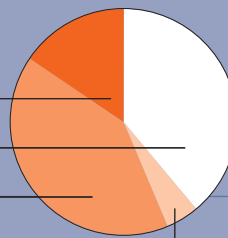
**Revenues by Region**  
Proportion of international revenues slightly decreased

Revenues generated by Bertelsmann companies outside Germany amounted to € 6.7 billion (fiscal year 2000/01: € 12.0 billion). Thus, at 68.8 percent their share in the Group's consolidated revenues is slightly down, from 71.5 percent in fiscal year 2000/01. The Group earned 31.2 percent of its consolidated revenues in Germany, 32.0 percent in the other European countries, 31.3 percent in the U.S., and 5.5 percent in other countries.

**Internet Start-up Losses**  
Costs substantially reduced

Bertelsmann has integrated the Internet into all of its businesses. Start-up losses, which peaked at € 866 million in fiscal year 2000/01, have since been sharply reduced, amounting to € 254 million for the stub period. Of these losses, € 59 million originated from RTL Group, € 4 million from Random House, € 40 million from Gruner + Jahr, € 6 million from BertelsmannSpringer, € 14 million from Arvato, and € 127 million from the DirectGroup, which contains Bertelsmann's e-commerce activities. A further € 4 million is attributable to Bertelsmann Capital, which incorporates Bertelsmann's venture capital activities and its investment in Lycos Europe.

	July 1-Dec. 31, 2001	Percentage share
Germany	236	15.8
Other European countries	578	38.8
USA	609	40.8
Other countries	69	4.6



**Consolidated Revenues DirectGroup by Region** € in millions



Stephen Hawking,  
"The Universe In A Nutshell"  
(Bantam Books)

This reduction in Internet start-up losses is due primarily to the integration of online media vendor BOL into the book clubs and the incorporation of CDNOW into the music clubs, along with RTL NEWMEDIA's growing market success, and reducing Gruner + Jahr's Internet ventures to publication-specific online activities.

**One-Time Effects**  
**Further substantial gains from sale of AOL Europe stock**

■ In the 2001 stub period, Bertelsmann realized capital gains of € 2.2 billion, primarily by divesting a further tranche of its stake in the online service provider AOL Europe (€ 1.41 billion) and by selling its remaining AOL Time Warner Inc. stock, generating another € 669 million. One-time income in fiscal year 2000/01 amounted to € 4.9 billion – largely from the disposal of the first tranche of AOL Europe shares and the sale of mediaWays to Telefónica, the Spanish telecoms company.

One-time charges totaled € 432 million (fiscal year 2000/01: € 682 million). DirectGroup's one-time expenses of € 297 million related mainly to value adjustments within the music distribution company BeMusic, value adjustments on claims pertaining to Napster, and one-time costs related to the rollout of the clubs' state-of-the-art CCIT software. At BMG, € 66 million in write-downs on investments became necessary. Random House spent € 25 million on the restructuring of its North American operations and on its withdrawal from the consumer reference sector, while Arvato spent € 32 million on the restructuring of BmS, MOHN Media, and its Spanish printing businesses. RTL Group incurred a one-time charge of € 23 million for the restructuring of FremantleMedia and the sale of its Polish TV channel RTL7. In the Corporate Center, Bertelsmann Capital spent € 43 million on restructuring the multimedia agency Pixelpark and on value adjustments to Bertelsmann's venture fund. A further € 8 million was spent on finalizing the Group-wide PC/WEB OFFER FOR ALL campaign, which offered all Bertelsmann employees a free computer and Internet access at home. Overall, Corporate Center/Bertelsmann Capital reported a positive result of € 11 million due to the reversal of provisions.

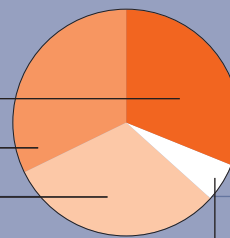
**Investments**  
**Capital spending remains high**

■ At € 1.1 billion, Bertelsmann's investments remained high during the stub period. In the twelve months of fiscal year 2000/01, capital expenditures totaled € 2.7 billion.

Investments in property, plant and equipment, such as the modernization of operating facilities at Arvato and Gruner + Jahr, amounted to € 392 million. A further € 454 million was spent on acquisitions, such as the purchase of the remaining share capital in the French book club France Loisirs and the acquisition of the U.S. children's book publisher Golden Books by the Random House publishing group. An additional € 221 million was invested in movie and publishing rights, primarily at RTL Group.



	July 1-Dec. 31, 2001	Percentage share
Germany	3,027	31.2
Other European countries	3,097	32.0
USA	3,031	31.3
Other countries	530	5.5



Consolidated Revenues of the Bertelsmann Group by Region € in millions

J.R.R. Tolkien,  
 "The Lord of the Rings,  
 Part One: The Fellowship of the Ring"  
 (Del Rey)

#### Cash Flow and Cash Flow Statement

Adjusted for capital gains, cash flow during the 2001 stub period amounted to € 127 million (fiscal year 2000/01: € 160 million), and was adversely impacted by one-time charges and Internet start-up losses. However, gains on the disposal of AOL Time Warner and parts of AOL Europe, which were earmarked to cover these losses, are not included in the cash flow. Bertelsmann applies the principle of financing Internet start-up losses from capital gains realized on divestments in this sector. Taking into account the change in net current assets, net cash from operating activities totaled € 226 million (fiscal year 2000/01: minus € 453 million).

During the stub period, investment expenditures amounted to € 1.1 billion (fiscal year 2000/01: € 2.7 billion), while proceeds from the disposal of fixed assets stood at € 2.4 billion (fiscal year 2000/01: € 4.0 billion). This essentially comprised the disposal of the second tranche of the AOL Europe stake, and of the remaining AOL Time Warner shares.










The net cash from operating and investing activities was used for dividend payouts of € 75 million (fiscal year 2000/01: € 227 million) and the € 320 million reduction in financial debt (fiscal year 2000/01: reduction of € 418 million). In general, cash and cash equivalents rose sharply by € 1.6 billion to € 2.0 billion.


Consolidated Cash Flow Statement € in millions	Summary*	July 1- Dec. 31, 2001	2000/01
	Cash Flow		127
<b>Net cash provided/used by operations</b>		<b>226</b>	<b>(453)</b>
<b>Net cash provided by investing activities</b>		<b>1,323</b>	<b>1,232</b>
<b>Net cash used by financing activities</b>		<b>(162)</b>	<b>(645)</b>
<b>Change in cash and cash equivalents</b>		<b>1,387</b>	<b>134</b>
<b>Cash and cash equivalents at end of year</b>		<b>2,044</b>	<b>399</b>
<b>Net financial debt at end of year</b>		<b>422</b>	<b>1,905</b>

\* See page 24 for the full consolidated cash flow statement.

	Assets				Equity and Liabilities				
June 30, 2001	35	17	46	2	26	4	13	9	48
Dec. 31, 2001	41	13	37	9	35	3	10	7	45

#### Assets and Financial Structure in percent

 Intangible assets and financial assets	 Equity including minority interests
 Property, plant and equipment	 Profit participation certificates
 Current assets	 Financial debt
 Cash and cash equivalents	 Provisions for pensions
	 Other provisions/other liabilities


**Total Assets**  At the end of the stub period, total assets amounted to € 23.7 billion. This represents a 38 percent, or € 6.5 billion increase from fiscal year 2000/01, when assets totaled € 17.2 billion. This increase was primarily due to Bertelsmann's acquisition of the majority stake in RTL Group through a stock swap with Groupe Bruxelles Lambert (GBL), a transaction that was agreed on in February 2001 and completed in July 2001, and to the increase in cash and cash equivalents.

#### Strong growth in equity

Current assets amounted to 37 percent of total assets. Equity rose sharply by € 3.9 billion to € 8.4 billion; the equity ratio grew from 26 percent in fiscal year 2000/01 to 35.3 percent in the stub period. Financial debt fell to 10.4 percent of total assets, three percentage points lower than on June 30, 2001.

#### Key Financial Figures


##### Financial debt substantially reduced

 The Group's financial targets mostly concerned its capital structure and financial debt. At 35.3 percent, the equity ratio, including minority interests, was well above the target of 25 percent.

Net of cash and cash equivalents, financial debt declined from € 1.9 billion in fiscal year 2000/01 to € 422 million at the end of the stub period. Bertelsmann therefore has a low level of debt compared to its market peers, which provides the company with financial latitude even in periods of weak economic activity.


#### Bertelsmann Value Added

##### Another success

 The key financial figure Bertelsmann uses to measure its return on capital is Bertelsmann Value Added (BVA). The calculation of BVA was changed from a pretax figure to an after-tax figure. BVA, which therefore amounts to net operating profit after tax (NOPAT), less 10 percent return on capital employed per year, totaled € 878 million in the stub period.

#### Bertelsmann Excellence Initiative (BEX) for Greater Earnings Power Is Achieving Desired Effects

##### Target yields specified – initial effects already noticeable

 The Bertelsmann Excellence Initiative (BEX) launched Group-wide in the spring of 2001 is now achieving its desired effects. The aim of BEX is to continually and sustainably enhance the quality of Bertelsmann's products and services, to improve cooperation and processes within the Group, and to raise earnings and returns in all areas of the Group, including the Corporate Center. This initiative is designed as an ongoing internal process and involves utilizing existing and new revenue potential, tighter cost management, measures to optimize processes, and a more effective exploitation of cross-divisional synergies. The aim of BEX is to raise the Group's average return on sales to ten percent (EBITA) within the next few years.

Much has been achieved over the past few months. Bertelsmann's divisions have entered into a dialog with the Group's head office to formulate target yields, tied to external benchmarking figures, for the next three years. At the divisional level, the measures required to raise profitability have been identified and their implementation has already begun. The BEX initiative is already achieving the desired effect: RTL Group redefined its target portfolio and sold off its Polish TV channel RTL7



"Living at Home"  
(Gruner + Jahr)



"YM" (Gruner + Jahr USA)



"Gala" Russia  
(Gruner + Jahr)

for strategic and financial reasons. Head office functions were streamlined at Bertelsmann Music Group, where the BEX initiative runs under the programmatic heading "Fast and Flexible". Throughout the club businesses, the organization of work processes was tailored to the new club software CCIT, with the help of BEX project consultants. In New York, where a number of Bertelsmann's subsidiaries are based, redundant back-office functions are being consolidated. In the future, Sonopress will manufacture most of BMG's CDs.

In December, the Group's efforts to step up the process of integration found expression in the first Bertelsmann Synergy Award for exemplary cross-divisional cooperation within the Bertelsmann Group. The winners were "Mujer", a project involving Bertelsmann's entire Spanish family, and the RTL Club relaunch, a highly successful joint venture between RTL and DirectGroup's club experts.

**Employees** ■ At the end of the stub period, the number of employees totaled 80,296, or 5,748 more than six months earlier (74,548). This increase is attributable to the full consolidation of RTL Group. This technical effect more than offset the reduction in headcount during the period under review. A large proportion of the job cuts was related to the restructuring at Bertelsmann Music Group (BMG). On a smaller scale, however, jobs were created in other units within the Group: for example, DirectGroup increased its headcount in China. At the end of the stub period, Bertelsmann employed 943 trainees.

**The Position of Bertelsmann AG** ■ Bertelsmann AG, which is a management holding company without any operating businesses of its own, already converted its fiscal year to the calendar year in 2001. Certified financial statements were prepared for the full 2001 fiscal year at December 31, 2001.

Its major revenue items are the dividend payouts and proceeds from services provided to its subsidiaries. Total shareholders' equity amounted to € 7.2 billion, which corresponds to 122 percent of fixed assets.

**Profit Participation Certificates** ■ The par value of profit participation capital was € 516 million at the balance sheet date. Including the premium, the total volume of profit participation capital at December 31, 2001 remained unchanged at € 706 million.

**Dividend payout of 7.5 percent**

Profit participation capital is divided into profit participation certificates from 2001 (hereinafter referred to as "PPC 2001") and profit participation certificates from 1992 (hereinafter referred to as "PPC 1992"), which are publicly traded on the Düsseldorf and Frankfurt stock exchanges. Over 90 percent of the par value of profit participation capital is accounted for by PPC 2001, which therefore has a large listed volume.



wissen.de (Arvato)

V. S. Naipaul, "Half A Life"  
(Alfred A. Knopf)

The terms and conditions governing PPC 2001 stipulate that a dividend of 15 percent of par value be paid for each full fiscal year (12 months) if Bertelsmann AG earns sufficient net income and consolidated net income. For shorter fiscal years, the dividend payout is calculated proportionately. For a fiscal year of six months, therefore, the dividend will be 7.5 percent. The preconditions for the payment of the target dividend of 7.5 percent were met in the stub period just ended.

Furthermore, the terms and conditions governing PPC 2001 stipulate a dividend payment exceeding 15 percent or the respective proportionate figure calculated for shorter fiscal years if the terms and conditions governing PPC 1992 stipulate a higher dividend entitlement in this amount. As the terms and conditions governing PPC 1992 stipulate a dividend entitlement of 7.5 percent of par value for the six months of the stub period, PPC 1992 and PPC 2001 both entitle the holder to a dividend of 7.5 percent of par value. A total dividend of € 39 million will therefore be paid for both types of profit participation certificate on May 28, 2002.

Under the terms and conditions of Profit Participation Certificates, Bertelsmann's auditors must ascertain whether the dividend payment has been correctly determined. The auditors have issued an unqualified opinion on this matter.

## Risk Management

■ The risk management system is designed to fully capture reliable information on a timely basis for each division and to integrate it into the overall system. This is done on the basis of appropriate reporting structures, an annual risk inventory, and internal ad hoc reporting.

As in the past years, the risk management system was subjected to close scrutiny by auditors from KPMG and by the Bertelsmann Corporate Audit and Consulting Division.

Using the risk management system, the divisions identified the following material risks. Appropriate measures have been implemented.

RTL Group continued to integrate the businesses acquired in 2000, especially FremantleMedia. As a result of its risk analysis, management discontinued some of its activities, such as Drama and Syndication in the U.S. as well as certain activities in rights trading. The year 2002 has been adversely affected by two lawsuits concerning the use of broadcasting rights, which, if the decision goes against RTL Group, would have a negative impact on its advertising and sponsorship revenues.



Alicia Keys, "Songs In A Minor"  
(J Records)



BOL China (DirectGroup)



"Speedy - Prüfungstraining am PC"  
(Verlag Heinrich Vogel)

Random House's risk management strategy addresses the overall deterioration in the economic situation, the risk of losing major authors, and significant credit risks emanating from key customers.

For 2002, Gruner + Jahr sees risks, largely due to the economic situation, in its advertising and distribution businesses. Should these risks materialize, they would impact the printing volumes of its printing plants. The Executive Board has drawn up specific countermeasures. In addition, the Cost and Processes program implemented in 2001 will show the desired effects this fiscal year.

The restructuring of BMG, which was begun at the beginning of 2001, is nearly complete. Management has introduced legal and technical measures to prevent the unauthorized digital downloading of music. Nonetheless, BMG believes that revenues may continue to fall because of this, and because of recessions in certain markets. Attractive products and targeted marketing are seen as effective countermeasures.

With pressure to develop new products and forms of distribution, BertelsmannSpringer is witnessing a sustained structural transformation in the dissemination of academic and vocational information. Management considers this process to be controllable, so that the resultant risks will decrease.

For Arvato, the possible classification of the solvent Toluol as a poisonous substance presents a risk for its gravure printing business. It will closely monitor further developments. No action is necessary at present. Furthermore, excess printing capacity in the market and the cost advantage enjoyed by Eastern European competitors are causing a steady decline in the price of printed materials in Europe. The selling prices of storage media are under pressure worldwide due to excess capacity.

In the Services business, the possible tightening of data protection laws in Germany presents a risk, as more stringent legislation may remove the legal basis for direct-to-customer business in direct marketing. Arvato is responding to these developments by taking appropriate measures, in particular constant efforts to raise its productivity.

At DirectGroup, management continues to place top priority on the successfully launched economic regeneration of the traditional book club business. Potential risks arising from pressure on its margins, such as the deregulation of book prices in a given country, have also been noted. The risks resulting from the new CCIT operating software, which is still at the introductory stage, also



BertelsmannSpringer Medicine Online (BSMO)



Dido, "No Angel" (Arista)

demand management's close attention, as does the ongoing process of integrating BOL's business into the book clubs.

The foreign-exchange business conducted by the Corporate Center's Treasury Department presents no significant risks. The possible exercise of a put option by the proprietors of the Zomba Record & Music Publishing companies, to sell their shares in these music businesses, may require funding of approximately U.S.\$ 3 billion from Bertelsmann. Bertelsmann AG has made the necessary preparations for this scenario, and its financial security is therefore not in danger.

#### After the End of the Fiscal Year

After the end of the stub period, Bertelsmann considerably strengthened its TV business, paying € 1.5 billion to acquire the U.K.-based Pearson Group's 22-percent stake in RTL Group, which raised Bertelsmann's shareholding from 67 percent to approximately 90 percent.

In January 2002, Bertelsmann received the final tranche of U.S.\$ 2.8 billion for its stake in AOL Europe. Bertelsmann has now received the total settlement amount of U.S.\$ 6.75 billion (approximately € 7.5 billion), which was agreed with AOL Inc. for its approximately 50-percent holding in AOL Europe.

In February, Bertelsmann realigned its management structure to meet the new challenges facing the company. Mr. Ewald Walgenbach was appointed to the Executive Board of Bertelsmann AG and was named Chief Operating Officer (COO). He is responsible for the Bertelsmann Excellence Initiative (BEX) as well as integration and synergy management. Further duties include operational control, the management of Bertelsmann's strategic alliances, in-house consulting, and the harmonization of internal processes and services. Mr. Walgenbach has also been put in charge of the Bertelsmann Content Network.

#### Outlook

For Bertelsmann, fiscal year 2002 will continue to be characterized by weak economic activity and low advertising revenues, but also by a resurgence in earnings power in its operating businesses. In the first three months of the new 2002 fiscal year, almost all divisions performed according to plan. Despite the difficult environment, Bertelsmann will manage to extend its market leadership so that it can strengthen its competitive position once the economy recovers. Other focal points include the continuous improvement of operational performance, synergy and integration management, and the ongoing enhancement of the portfolio.



**Gerd Schulte-Hillen**  
Chairman of the Supervisory  
Board of Bertelsmann AG

## Report of the Supervisory Board

In divergence from the fiscal year of Bertelsmann AG from January 1 through December 31, 2001, the Bertelsmann Group had a stub period from July 1 through December 31, 2001. During this period, the Supervisory Board received regular written and oral reports on business developments and operations, the company's position, and plans for major investments. It also reviewed significant business transactions with the Executive Board and monitored the management of the company.

The company's consolidated financial statements were prepared in accordance with International Accounting Standards (IAS) for the first time. By adopting IAS, Bertelsmann is responding both to the growing internationalization of its business activity and to its greater focus on the capital market. Accounting under IAS allows for an easier comparison of Bertelsmann's figures with those of listed multinational corporations. At meetings with the auditors, the Supervisory Board was informed in detail about the effects and consequences of the company changing its accounting standards from the German Commercial Code (HGB) to IAS.

Bertelsmann AG's consolidated financial statements and the consolidated management report for the stub period from July 1 through December 31, 2001 were audited by KPMG Deutsche Treuhand-Gesellschaft Wirtschaftsprüfungsgesellschaft, Berlin, and received an unqualified auditor's opinion.

The auditors attended the financial review meeting of the Supervisory Board and submitted their report. The Supervisory Board noted and accepted the findings of the audit. After its own, final scrutiny of the consolidated financial statements and the consolidated management report, the Supervisory Board raised no objections. The Supervisory Board approves the consolidated financial statements as prepared by the Executive Board.

During the course of the stub period, the composition of the Supervisory Board changed as follows: when Groupe Bruxelles Lambert S.A. (GBL) became a Bertelsmann AG shareholder effective July 6, 2001, the Bertelsmann AG Supervisory Board was expanded from 12 to 15 members. New appointees were Liz Mohn, member of the Bertelsmann Foundation Board and shareholder in the Bertelsmann Verwaltungsgesellschaft mbH (BVG); André Desmarais, President and Co-Chief Executive Officer of the Power Corporation of Canada; and Gilles Samyn, Managing Director of CNP Compagnie Nationale à Portefeuille.

Two new members were appointed to the Bertelsmann Executive Board: Hartmut Ostrowski was appointed deputy member of the Executive Board effective October 1, 2001, and will become a full member on September 1, 2002. On February 6, 2002, i.e. after the end of the stub period, Ewald Walgenbach was appointed to the Executive Board of Bertelsmann AG as Chief Operating Officer (COO) with immediate effect.

The Group's performance during the stub period was strongly influenced by the economic downturn in the U.S. and Europe, which was exacerbated by the events of September 11. Substantial one-time gains from the sale of AOL Europe shares enabled Bertelsmann to continue its heavy investments in strengthening its businesses. The Group substantially increased its equity and considerably enhanced its earnings power. The Supervisory Board actively lent its support to the Bertelsmann Excellence Initiative (BEX), which was launched throughout the Group in spring of 2001. Bertelsmann took advantage of the radical transformation in the media and communications markets to put the company firmly on track for a successful future. The Supervisory Board would like to take this opportunity to thank the company's Executive Board, managers and employees for their valuable contributions and excellent performance during the period under review.

Gütersloh, April 19, 2002

A handwritten signature in blue ink that reads "G. Schulte-Hillen". The signature is written in a cursive, slightly stylized font.

Gerd Schulte-Hillen

# Bertelsmann Boards

## Supervisory Board

### Reinhard Mohn

Honorary Chairman,  
Gütersloh

### Gerd Schulte-Hillen

Chairman

Vice-Chairman of the Executive Board of Bertelsmann Foundation and Shareholder of Bertelsmann Verwaltungsgesellschaft mbH (BVG), Gütersloh and Hamburg

### Dr. Dieter H. Vogel

Vice-Chairman

Managing Partner of Bessemer, Vogel und Treichl GmbH, Düsseldorf

### Dr. Rolf-E. Breuer

Spokesman of the Group Board of Deutsche Bank AG, Frankfurt/Main

### Dr. Hugo Büttler

Editor-in-Chief and Managing Director of Neue Zürcher Zeitung, Zurich, Switzerland

### André Desmarais

President and Co-Chief Executive Officer of Power Corporation of Canada, Montréal, Quebec, Canada  
(since July 5, 2001)

### Dr. Michael Hoffmann-Becking

Lawyer, Düsseldorf

### Oswald Lexer

Member of Bertelsmann Corporate Works Council, Gütersloh

### Liz Mohn

Member of the Executive Board of Bertelsmann Foundation and Shareholder of Bertelsmann Verwaltungsgesellschaft mbH (BVG), Gütersloh  
(since July 5, 2001)

### Willi Pfannkuche

Vice-Chairman of Bertelsmann Corporate Works Council, Gütersloh

### Erich Ruppik

Chairman of Bertelsmann Corporate Works Council, Gütersloh

### Gilles Samyn

Managing Director of CNP Compagnie Nationale à Portefeuille S.A., Loverval, Belgium  
(since July 5, 2001)

### Prof. Dr. Jürgen Strube

Chairman of the Board of Executive Directors of BASF Aktiengesellschaft, Ludwigshafen

### Dr. Uwe Swientek

Chairman of the Management Representative Committee of Bertelsmann AG, Gütersloh

### Dr.-Ing. E.h. Heinrich Weiss

Chairman of the Management Board of SMS Aktiengesellschaft, Düsseldorf

### Bernd Wrede

Chairman of the Executive Board of Hapag-Lloyd AG, Hamburg

## Executive Board

### Dr. Thomas Middelhoff

Chairman and CEO of Bertelsmann AG since November 1, 1998, Gütersloh and New York

### Dr. Arnold Bahlmann

Member of the Executive Board of Bertelsmann AG since January 1, 2001; Chairman and CEO of Bertelsmann Capital, Gütersloh, Munich and New York

### Dr. Klaus Eierhoff

Member of the Executive Board of Bertelsmann AG since January 1, 1998; Chairman and CEO of DirectGroup Bertelsmann, Gütersloh

### Dr. Bernd Kundrun

Member of the Executive Board of Bertelsmann AG and Chairman and CEO of Gruner + Jahr AG since November 1, 2000, Hamburg

### Dr. Siegfried Luther

Member of the Executive Board of Bertelsmann AG since July 1, 1990; Chief Financial Officer and Head of the Corporate Center of Bertelsmann AG, Gütersloh

### Peter Olson, J.D./MBA

Member of the Executive Board of Bertelsmann AG since April 1, 2001; Chairman and CEO of Random House Inc., New York

### Hartmut Ostrowski

Deputy member of the Executive Board of Bertelsmann AG since October 1, 2001; Member of the Executive Board of Bertelsmann Arvato AG, Gütersloh

### Rolf Schmidt-Holtz

Member of the Executive Board of Bertelsmann AG since July 1, 2000; Chairman and CEO of Bertelsmann Music Group (BMG); Chief Creative Officer of Bertelsmann AG, Hamburg and New York

### Dr. Gunter Thielen

Member of the Executive Board of Bertelsmann AG since July 1, 1985; Chairman and CEO of Bertelsmann Arvato AG, Gütersloh

### Dr. Ewald Walgenbach

Member of the Executive Board of Bertelsmann AG since February 6, 2002, Chief Operating Officer of Bertelsmann AG, Gütersloh

22	Consolidated Income Statement
23	Consolidated Balance Sheet
24	Consolidated Cash Flow Statement
25	Consolidated Statement of Changes in Shareholders' Equity
26	Notes
62	Independent Auditors' Report
63	Mandates

## Financial Statements

**July 1 to December 31, 2001**

## Consolidated Income Statement

July 1 to December 31, 2001	Notes	July 1- Dec. 31, 2001 € in millions	2000/01 € in millions
<b>Revenues</b>	<b>1</b>	<b>9,685</b>	<b>16,748</b>
Other operating income	2	970	3,763
Changes in inventories		(15)	160
Own costs capitalized		18	34
Cost of materials	3	(3,267)	(5,614)
Royalty and license expenses		(1,015)	(1,738)
Personnel costs	4	(2,343)	(4,319)
Amortization of intangible assets and depreciation of property, plant and equipment	5	(948)	(2,357)
Other operating expenses	6	(3,598)	(5,943)
Income from associates	7	(257)	(302)
Income from other participations	7	1,902	2,083
<b>Profit before financial result and taxes</b>		<b>1,132</b>	<b>2,515</b>
Net interest	8	(95)	(192)
Other financial expenses and income	9	(113)	(244)
<b>Financial result</b>		<b>(208)</b>	<b>(436)</b>
Income taxes	10	7	(1,092)
<b>Net income before minority interests</b>		<b>931</b>	<b>987</b>
Minority interests		18	(246)
<b>Net income after minority interests</b>		<b>949</b>	<b>741</b>

### Consolidated Balance Sheet

Assets	as of December 31, 2001	Notes	Dec. 31, 2001	June 30, 2001
			€ in millions	€ in millions
<b>Non-current assets</b>		<b>11</b>		
Goodwill		12	7,289	4,070
Other intangible assets		13	1,158	913
Property, plant and equipment		14	3,017	2,816
Investments in associates		15	579	354
Other financial assets		15	737	726
			<b>12,780</b>	<b>8,879</b>
<b>Current assets</b>				
Inventories		16	1,941	1,303
Trade accounts receivable		17	3,631	2,922
Other receivables and other assets		18	2,959	3,407
Cash and cash equivalents		19	2,044	399
			<b>10,575</b>	<b>8,031</b>
<b>Deferred tax assets</b>		<b>20</b>	<b>190</b>	<b>169</b>
<b>Prepaid expenses</b>		<b>21</b>	<b>189</b>	<b>166</b>
			<b>23,734</b>	<b>17,245</b>
<b>Equity and Liabilities</b>	<b>as of December 31, 2001</b>	<b>Notes</b>	<b>Dec. 31, 2001</b>	<b>June 30, 2001</b>
			€ in millions	€ in millions
<b>Equity</b>		<b>22</b>		
Subscribed capital			606	463
Capital reserve			2,725	17
Retained earnings			2,023	2,464
Net income after minority interests			949	741
Shareholders' equity			<b>6,303</b>	<b>3,685</b>
Minority interests			2,081	792
			<b>8,384</b>	<b>4,477</b>
<b>Profit participation certificates</b>		<b>23</b>	<b>706</b>	<b>706</b>
<b>Provisions</b>				
Provisions for pensions and similar obligations		24	1,682	1,589
Provisions for deferred tax liabilities		25	150	162
Other provisions		26	3,854	3,632
			<b>5,686</b>	<b>5,383</b>
<b>Liabilities</b>				
Financial debt		27	2,466	2,304
Leasing Liabilities		28	437	393
Trade accounts payable		29	2,713	2,106
Other liabilities		30	2,862	1,536
			<b>8,478</b>	<b>6,339</b>
<b>Deferred income</b>		<b>31</b>	<b>480</b>	<b>340</b>
			<b>23,734</b>	<b>17,245</b>

## Consolidated Cash Flow Statement

	July 1- Dec. 31, 2001 € in millions	2000/01 € in millions
<b>Net income before minority interests</b>	<b>931</b>	<b>987</b>
Depreciation and amortization	1,142	2,573
Increase in long-term provisions	41	109
Other cash and non-cash items	(1,987)	(3,509)
<b>Cash flow according to DVFA/SG</b>	<b>127</b>	<b>160</b>
Result from disposal of fixed assets	(13)	(30)
Decrease in inventories	50	63
Increase in receivables, other assets and prepaid expenses	(14)	(433)
Change in short-term provisions, other liabilities and deferred income	76	(213)
<b>Net cash provided/used by operations</b>	<b>226</b>	<b>(453)</b>
Investments in:		
intangible assets	(221)	(286)
property, plant and equipment	(392)	(943)
associates and other financial assets	(155)	(794)
purchase price for acquired enterprises (less cash and cash equivalents acquired)	(299)	(721)
Proceeds from disposal of fixed assets	2,390	3,976
<b>Net cash provided by investing activities</b>	<b>1,323</b>	<b>1,232</b>
Increase in profit participation certificates	-	19
Repayment of bonds	-	(92)
Repayment of other financial debt	(320)	(326)
Change in shareholders' equity	233	(19)
Dividends to Bertelsmann AG and minority interests	(75)	(227)
<b>Net cash used by financing activities</b>	<b>(162)</b>	<b>(645)</b>
<b>Change in cash and cash equivalents</b>	<b>1,387</b>	<b>134</b>
Exchange rate movements and other changes in cash and cash equivalents	258	7
Cash and cash equivalents at June 30, 2001	399	258
<b>Cash and cash equivalents at Dec. 31, 2001</b>	<b>2,044</b>	<b>399</b>

Consolidated Statement of Changes in Shareholders' Equity

	Subscribed capital	Capital reserve	Retained earnings	Other comprehensive income			Net income after minority interests	Shareholders' equity
	€ in millions	€ in millions	€ in millions	Currency translation reserve € in millions	Fair value of securities € in millions	Financial derivatives € in millions	€ in millions	€ in millions
<b>Balance at June 30, 2000</b>	<b>463</b>	<b>17</b>	<b>1,614</b>	<b>(8)</b>	<b>471</b>	<b>28</b>	<b>-</b>	<b>2,585</b>
<b>Change in shareholders' equity due to</b>								
Dividend	-	-	(88)	-	-	-	-	(88)
<b>Other comprehensive income</b>								
Currency translation differences	-	-	-	129	-	-	-	129
Other changes	-	-	-	-	333	(15)	-	318
<b>Change recognized in income</b>								
Net income after minority interests	-	-	-	-	-	-	741	741
<b>Balance at June 30, 2001</b>	<b>463</b>	<b>17</b>	<b>1,526</b>	<b>121</b>	<b>804</b>	<b>13</b>	<b>741</b>	<b>3,685</b>
<b>Change in shareholders' equity due to</b>								
Dividend	-	-	-	-	-	-	(50)	(50)
Capital contribution	143	2,708	-	-	-	-	-	2,851
Purchase obligation of ZEIT shares	-	-	(409)	-	-	-	-	(409)
<b>Other comprehensive income</b>								
Currency translation differences	-	-	-	(10)	-	-	-	(10)
Other changes	-	-	-	-	(745)	32	-	(713)
<b>Change recognized in income</b>								
Allocations to retained earnings	-	-	691	-	-	-	(691)	-
Net income after minority interests	-	-	-	-	-	-	949	949
<b>Balance at Dec. 31, 2001</b>	<b>606</b>	<b>2,725</b>	<b>1,808</b>	<b>111</b>	<b>59</b>	<b>45</b>	<b>949</b>	<b>6,303</b>

## Notes

### General Principles

The consolidated financial statements of Bertelsmann AG for the stub period from July 1 through December 31, 2001 and for the prior-year period from July 1, 2000 through June 30, 2001 have been prepared for the first time, pursuant to § 292a German Commercial Code (HGB), in accordance with the accounting standards of the International Accounting Standards Board (IASB), London, and the interpretations published by the Standard Interpretations Committee (SIC) of the IASC. The consolidated financial statements are consistent with the European Union's directives on consolidated financial statements and reporting (Directive 83/349/EEC). The main differences between IAS and HGB accounting standards are explained in this section on General Principles.

Bertelsmann AG previously converted its fiscal year to the calendar year as of December 31, 2000. However, the consolidated financial statements and the annual financial statements of most companies included in the consolidation were only converted to the calendar year as of December 31, 2001. The six-month period from July 1 through December 31, 2001 is therefore a stub period for the Bertelsmann Group. In addition to the financial statements for the period under review, the prior-year financial statements covering the period from July 1, 2000 through June 30, 2001 have been prepared in accordance with IAS. Consequently, the Income Statement, the Cash Flow Statement, the Statement of Changes in Shareholders' Equity, and the Notes to the consolidated accounts for the period under review are not comparable with the respective prior-year amounts and figures. Subsequent to this stub period, the Bertelsmann Group's fiscal year will in the future correspond to the calendar year.

The consolidated financial statements have been prepared in euro; all amounts are stated in millions of euro (€ million). For the sake of clarity, certain items in the Balance Sheet and in the Income Statement have been combined. These items are reported in more detail and explained in the Notes. The Income Statement has been prepared according to the method of total cost.

### Consequences of the First-Time Application of IAS and the Main Accounting and Valuation Methods

The IAS requirements are applied for the first time in accordance with SIC 8, which states that these accounting and valuation methods must be applied with a retroactive effect as if IAS had always been used. Adjustments resulting from the transition from HGB to IAS have therefore been recognized in the retained earnings reported in the opening balance sheet at July 1, 2000.

Shareholders' equity, which previously included minority interests under HGB, decreased slightly from € 4,501 million to € 4,477 million at June 30, 2001 as a result of the application of the IAS. This minor change in shareholders' equity is essentially due to two mutually offsetting effects: the increase in shareholders' equity caused by the additional capitalization of goodwill is largely offset by the decline in minority interests since material companies are only proportionately rather than fully consolidated.

All changes in shareholders' equity at June 30, 2001 result from the following material differences from the previous accounting and valuation methods used:

#### Consolidation of Investments in Subsidiaries

IAS 22 states that the acquisition of holdings in companies through stock swaps involving marketable securities must be accounted for at fair value. Under HGB, by contrast, such acquisitions are reported at book value. In contrast to HGB, IAS does not allow goodwill to be offset against shareholders' equity.

Under IAS, hidden reserves and liabilities identified as part of the first-time consolidation are subject to deferred taxes, unless these reserves and liabilities are recognized for tax purposes. In addition, deferred tax assets must be reported as carried forward losses by the acquired company, provided their future utilization appears sufficiently certain.

**Proportionate Consolidation** ■ Under IAS 31, joint ventures are consolidated proportionately. Consequently, 270 companies previously fully consolidated under HGB are proportionately consolidated under IAS at June 30, 2001 (particularly the companies in RTL Group, France Loisirs, and BOOKSPAN). In addition, 3 joint ventures reported at equity under HGB are proportionately consolidated under IAS. The application of proportionate consolidation under IAS caused a sharp decrease in consolidated revenues and a substantial reduction in minority interests compared to the HGB methods of consolidation.

**Intangible Assets** ■ In contrast to HGB, IAS state that self-produced intangible assets as defined by IAS 38 must be capitalized. Under IAS 38, self-produced intangible assets are capitalized if the Group is likely to benefit from them in the future and their production costs can be reliably estimated. Both the HGB and IAS state that intangible assets purchased must be reported at their acquisition cost. Capitalized intangible assets are amortized over their estimated useful life.

**Finance Leases** ■ Long-term leased assets that, in commercial terms, constitute a debt-financed acquisition are accounted for according to IAS 17. This requires that the leased assets be capitalized at the present value of future lease payments at the time the lease is concluded, providing that the Bertelsmann Group is the beneficial owner. Similarly, liabilities from such leases are carried as a liability on the balance sheet. Owing to other definitions of what constitutes the beneficial owner, leased assets were not reported in the previous HGB consolidated financial statements.

**Write-downs of Intangible Assets and of Property, Plant and Equipment** ■ Write-downs are made on intangible assets and on property, plant and equipment if their book value exceeds their net realizable value at the balance sheet date. The realizable value is the higher of the net selling price and the utility value of the asset. If the reasons for the impairment write-down no longer apply, the value of the asset is written up, unless the write-down relates to goodwill. In such cases, the value of the asset is written up to no more than the value that would have been reported if the impairment write-down had not been made in the first place.

**Securities/Participations** ■ Participations in companies over which no significant influence can be exerted as well as available-for-sale securities are recognized at their fair value at the balance sheet date, provided it can be determined. The resulting difference between this amount and the historical cost is reported in accordance with IAS 39 as part of shareholders' equity under "Other comprehensive income". Otherwise, participations and securities are carried at amortized historical cost. In the HGB consolidated financial statements, these securities were reported according to the lower-of-cost-and-market method.

**Factoring** ■ IAS 39 states that sold receivables may only be derecognized if a substantial part of the risk inherent in the receivables portfolio is transferred to the buyer.

The regular sale of receivables as part of Bertelsmann's Lexikothek business did not meet the preconditions of IAS 39 at June 30, 2001 (derecognition of financial assets), as the interest-rate risk remained with the Lexikothek business. In divergence from HGB reporting, IAS require that sales of receivables be accounted for as lending transactions, i.e. the receivables sold continue to be capitalized and a corresponding liability is reported for the funds received.

**Derivatives** ■ The Bertelsmann Group applied IAS 39 for the first time effective July 1, 2000. This standard requires that all financial derivatives used in the Group must be reported at their fair value as assets or liabilities at the balance sheet date. They may not be offset against each other. IAS 39 also requires the recognition of so-called embedded derivatives that form an integral part of other agreements. All gains and losses on financial derivatives resulting from movements in their fair value are recognized in income.

If currency and interest-rate derivatives used to hedge future cash flows from pending or planned transactions meet the requirements of IAS 39, changes in the fair value of derivatives are reported as other comprehensive income until the hedged item affects the income statement. However, changes in a derivatives' fair value that do not relate sufficiently to an underlying transaction are recognized immediately in the income statement. Under previously applied HGB accounting rules, financial derivatives were only carried on the balance sheet after the identical derivatives and underlying transactions had been netted and resulted in a loss. However, unrealized gains were not been recognized.

**Inventories** ■ Inventories are reported at acquisition or production cost, unless these costs exceed their fair market value. In addition to the direct costs of materials and manufacturing, production costs also include overheads incurred by the production process. If the acquisition or production cost exceeds the fair value at the balance sheet date, inventories are written down to their net realizable value.

**Customer-Specific Contracts** ■ Under IAS, customer-specific contracts are reported to a small extent according to the percentage-of-completion method, which requires that revenues and profits from contracts be recognized according to the percentage of completion of the respective project. The percentage of completion is the ratio of contract costs incurred by year-end to the total estimated project costs (cost-to-cost method). Irrespective of a project's percentage of completion, losses resulting from customer-specific contracts are immediately recognized in full in the period in which they are incurred.

Compared to HGB, the application of the percentage-of-completion method under IAS increases the level of inventories and recognizes revenues and profits in proportion to the project's progress.

**Long-Term Receivables, Provisions and Liabilities** ■ Unless they yield market interest rates, long-term receivables, provisions and liabilities are discounted under IAS, while under HGB they are carried at their nominal value.

**Cash and Cash Equivalents** ■ Cash and cash equivalents essentially consist of cash on hand and cash held at banks. This item also contains securities that can be converted into cash at any time and are subject to only an insignificant risk of price movements.

**Deferred Taxes** ■ Under IAS 12, deferred tax assets and liabilities are recognized for all temporary differences between the carrying amounts reported for tax purposes and those reported in the IAS consolidated balance sheet – with the exception of goodwill which is not recognizable for tax purposes – and for tax loss carryforwards. Through the deduction of a valuation allowance, deferred tax assets are only reported to the extent to which they can be subsequently utilized. Such taxes are calculated using the tax rates that will apply in the future according to the prevailing legal position. The effects of changes in tax rates on deferred tax assets and liabilities are recognized in the period in which the relevant legislation has been enacted. Under HGB, the various consolidated companies utilized the option of not recognizing any remaining excess of deferred tax assets over liabilities after they had been netted.

**Profit Participation Certificates** ■ Under IAS, the profit participation certificates of Bertelsmann AG are not reported as a component of shareholders' equity. In contrast to HGB, therefore, the distribution of profit participation certificates for the fiscal year ended is reported as a provision.

**Provisions for Pensions** ■ Under IAS 19, provisions for pensions and similar commitments are reported according to the projected unit credit method. This method is based on biometric calculations, the prevailing long-term capital market interest rate, and the latest assumptions about future salary and pension increases. Under HGB accounting rules, by contrast, the recognition of provisions for pensions is based on § 6a Income Tax Act, which assumes a constant discount rate of 6 percent and does not recognize future increases in salaries and pensions.

**Other Provisions** ■ IAS 37 requires that provisions be set aside when it is probable that an obligation has arisen and will therefore lead to a future diminution of assets and its amount can be reliably quantified. Provisions for guarantees and for accrued losses are calculated at full production-related costs. Under HGB rules, provisions were already reported when the future diminution of assets was only possible. The HGB also allowed expense provisions to be established, which is not allowed under the IAS.

**Segment Reporting** ■ Segment reporting breaks down by division the information provided in an aggregated form in the consolidated financial statements. This is performed in order to provide more transparent information on the financial position of the Bertelsmann Group. The segments are based on the segmentation used for internal management-accounting purposes and correspond to the Group's individual business lines.

#### Consolidation Methods

**Principles of Consolidation** ■ All material subsidiaries controlled either directly or indirectly by Bertelsmann AG as defined by IAS 27 have been consolidated. Jointly managed companies as defined by IAS 31 have been proportionately consolidated. Material associated companies as defined by IAS 28 are reported at equity if significant influence can be exerted. This is the case if between 20 percent and 50 percent of the company's voting stock is held. A list of material subsidiaries and participations can be found in Note 39. The consolidated financial statements of Bertelsmann AG, as parent company, and the financial statements of its consolidated subsidiaries are prepared in accordance with uniform accounting and valuation methods.

Investments in subsidiaries are consolidated using the purchase method, under which the acquisition cost of the equity investment is offset against the interest held in shareholders' equity at the time of the acquisition. The subsidiary's assets and liabilities are recognized at relative fair value in proportion to the investment held, provided fair value exceeds book value. Hidden reserves and liabilities disclosed during the first-time consolidation are subject to deferred taxes, unless these reserves and liabilities are recognized for tax purposes. Any excess purchase price of an investment over the relative fair market value of the net assets acquired is capitalized as goodwill and amortized on a straight-line basis over its estimated useful life. Any hidden reserves and liabilities disclosed as a result of such consolidation are amortized or reversed in the following periods in line with the treatment of the corresponding assets and liabilities. Any negative goodwill, provided it does not result from anticipated losses, is reversed in accordance with IAS 22. Investments in proportionately consolidated companies are consolidated according to the same principles.

Investments reported at equity are shown at the proportionate shareholders' equity of the respective investment. Any difference between this amount and the acquisition cost of the investment (goodwill) increases the reported shareholders' equity. The subsequent amortization of goodwill reduces the amount of net income from associated companies. The proportionate profits and losses reported by these companies are after-tax amounts.

All intercompany gains, losses, revenues, expenses, income, assets, liabilities, and provisions falling within the scope of consolidation are eliminated. Deferred taxes are recognized for income-related consolidation events in accordance with IAS 12. Proportionate consolidations are carried out according to the same principles.

### Scope of Consolidation

The scope of consolidation, including Bertelsmann AG, comprises 1,034 fully consolidated companies, compared to 804 companies in the previous year. All domestic and international affiliated companies are consolidated, with the exception of 165 companies (previous year 154), which are not consolidated because they do not have significant business operations of their own and have no material impact on the Group's net assets, financial position and results of operations.

The scope of consolidation changed as follows during the period under review:

### Changes in Scope of Consolidation

	Domestic	International	Total
<b>Already consolidated at June 30, 2001</b>	<b>261</b>	<b>543</b>	<b>804</b>
Consolidated during reporting period	63	210	273
Deconsolidated during reporting period	13	30	43
<b>Consolidated at December 31, 2001</b>	<b>311</b>	<b>723</b>	<b>1,034</b>

Subsidiaries were acquired at a total cost of approximately € 3 billion. Of this amount, approximately € 260 million was cash-effective. Material acquisitions were as follows:

As part of a capital increase by means of a non-cash capital contribution, a further 29.88 percent of RTL Group was contributed to Bertelsmann AG with a commercial effective date of from July 2, 2001. Under IAS 22.24, this non-cash capital contribution is reported at the fair value of the shares contributed, as no market price exists for the Bertelsmann AG shares issued. The assumed market price of € 61.663 per share results in a contribution value of € 2,851 million to the Bertelsmann Group. The new shareholder, Groupe Bruxelles Lambert (GBL), holds 28,069 preferred shares in Bertelsmann AG, 149 of which are non-voting shares. The acquisition of these additional shares means that RTL Group has been fully consolidated from the time of the acquisition. The goodwill of € 1,572 million created by the purchase of these additional shares will be amortized over its estimated useful life of 15 years.

Bertelsmann AG acquired the remaining 50 percent of the share capital in the France Loisirs Group, previously a joint venture, for a purchase price of € 154 million effective July 1, 2001. The acquisition of these additional shares resulted in goodwill totaling € 126 million, which will be amortized over a period of 15 years. The France Loisirs Group was fully consolidated as soon as this additional shareholding was acquired.

The acquisition and divestment of subsidiaries had the following impact on the assets and liabilities of the Bertelsmann Group at the time the respective companies were consolidated for the first time or deconsolidated:

	Acquisitions € in millions	Divestments € in millions
Fixed assets	4,523	3
Current assets	1,754	34
<b>Total assets</b>	<b>6,277</b>	<b>37</b>
Provisions	221	7
Other liabilities	2,186	41
<b>Total liabilities</b>	<b>2,407</b>	<b>48</b>

In the current period, 91 joint ventures were proportionately consolidated (previous year 307).

Bertelsmann AG contributed its 100 percent holding in the Plaza y Janés Editores S.A. Group as a non-cash capital contribution to the joint venture Grupo Editorial Random House Mondadori (GERHM) effective July 1, 2001. As Bertelsmann holds only 50 percent of the share capital in this joint venture, 50 percent of the previous holding in the Plaza y Janés Editores S.A. Group is to be regarded as a disposal and therefore deconsolidated. Since July 1, 2001, the companies belonging to this group have been proportionately consolidated in the Bertelsmann Group. The acquisition costs of the 50 percent investment in GERHM amounted to € 39 million and resulted in a negative goodwill totaling € 3 million which was fully realized in the stub period.

Since December 18, 2001, RTL Group owns 44.4 percent of Sportfive, an European TV and sporting-rights marketing agency. Sportfive is a joint venture with Sport+ (Canal+ Group) and is proportionately consolidated. In return for the contribution of UFA-Sports GmbH, in which RTL Group held a 99.6 percent stake, its holding in Groupe Jean-Claude Darmon (now Sportfive), in which RTL Group previously held a 28 percent stake, was raised to 44.4 percent through the issuance of new shares. The contribution of UFA-Sports increased the shareholders' equity by € 144 million, which was reported in the consolidated financial statements as a gain on the disposal of consolidated companies. The merger created additional RTL Group goodwill of € 117 million, which will be amortized over 20 years.

The proportionate consolidation of joint ventures had the following effect on the Bertelsmann Group's assets, liabilities, income and expenses:

	Dec. 31, 2001 € in millions	June 30, 2001 € in millions
Fixed assets	727	1,942
Current assets	988	1,155
Liabilities (short-term)	806	1,179
Liabilities (long-term)	516	114

	July 1- Dec. 31, 2001 € in millions	2000/01 € in millions
Income	650	2,466
Expenses	700	4,296

Of the 183 (previous year 175) associated companies, 75 (previous year 50) are reported using the equity method; the remaining are reported at acquisition cost owing to their minor importance to the Bertelsmann consolidated financial statements.

A list of the Bertelsmann Group's shareholdings is filed with the commercial register at the district court in Gütersloh (Department B No. 3100). During the period under review, the domestic subsidiaries disclosed under Note 40 utilized the exempting option to prepare their annual financial statements pursuant to §264 (3) HGB and §264 b No. 4 HGB.

#### Currency Translation

In Bertelsmann AG's consolidated financial statements, the financial statements of international subsidiaries are translated into euros according to the reporting-currency concept as described under IAS 21. Since all subsidiaries conduct their businesses independently in financial, commercial and organizational terms, their respective local currency is the reporting currency. Assets and liabilities are therefore translated at the closing-date rate, while the Income Statement is translated at the average rate for the period under review and the previous year. Year-on-year differences arising from the translation of Balance Sheet items and translation differences between the Income Statement and the Balance Sheet are offset in shareholders' equity. When subsidiaries are deconsolidated, the respective cumulative translation differences are reversed and recognized in income.

The following euro exchange rates were used to translate the currencies of the countries which are significant to the Bertelsmann Group:

		Average rate July 1- Dec. 31, 2001	Average rate July 1, 2000- June 30, 2001	Closing-date rate Dec. 31, 2001	Closing-date rate June 30, 2001
U.S. dollars	USD	0.8889	0.8914	0.8813	0.8480
Canadian dollars	CAD	1.3889	1.3535	1.4077	1.2927
British pounds	GBP	0.6143	0.6143	0.6085	0.6031
Japanese yen	JPY	109.65	101.92	115.33	105.36
Swiss francs	CHF	1.4924	1.5314	1.4829	1.5228

#### Notes to the Consolidated Income Statement and the Consolidated Balance Sheet

#### 1 Revenues

	July 1- Dec. 31, 2001 € in millions	2000/01 € in millions
Revenues from the sale of goods and merchandise	6,332	11,147
Revenues from the performance of services	3,316	4,885
Revenues from the lending of assets	226	1,348
Gross revenues	9,874	17,380
Discounts	(189)	(632)
<b>Revenues</b>	<b>9,685</b>	<b>16,748</b>

Revenues are reported only when the service has been performed and the risks have been passed. Revenues from the application of the percentage-of-completion method are of minor importance. Total revenues include revenues of € 49 million (previous year € 40 million) from barter transactions.

Revenues by division and by region are shown under Note 36 in the section on segment reporting.

#### 2 Other Operating Income

	July 1- Dec. 31, 2001 € in millions	2000/01 € in millions
<b>Other operating income</b>	<b>970</b>	<b>3,763</b>

Other operating income includes rebates, rental income and € 115 million attributable to previous periods, as well as income of € 118 million from the reversal of other provisions. The prior-year amount included gains on the disposal of the equity investment in mediaWays of € 924 million.

In addition, the prior-year amount includes a profit of € 1,628 million from the increase in RTL's proportionate shareholders' equity. Resulting from the inclusion of FremantleMedia (former Pearson TV) into RTL Group as the result of a capital increase against non-cash capital contribution July, 2000. Although Bertelsmann AG's proportionate equity investment in RTL Group decreased by 13 percentage points as a result of the capital increase and the addition of a new shareholder to RTL Group, this effect was more than offset by the increased contribution of FremantleMedia at fair value. The increase in RTL's proportionate shareholders' equity was recognized as other operating income. This profit was not reported in the HGB financial statements at June 30, 2001, as HGB states that the contribution of FremantleMedia into RTL Group should be reported at book value rather than fair value.

3 Cost of Materials	July 1-	2000/01
	Dec. 31, 2001	€ in millions
	€ in millions	€ in millions
Raw materials and manuf. supplies	2,144	2,558
Services purchased	1,123	3,056
	<b>3,267</b>	<b>5,614</b>

4 Personnel Costs	July 1-	2000/01
	Dec. 31, 2001	€ in millions
	€ in millions	€ in millions
Wages and salaries	1,962	3,684
Compulsory social security contributions	288	475
Profit sharing	19	44
Cost of pension plans	51	64
Cost of other employee benefits	23	52
	<b>2,343</b>	<b>4,319</b>

The interest that is associated with the pension provisions is reported under other financial expenses and income.

5 Amortization of Intangible Assets and Depreciation of Property, Plant and Equipment	July 1-	2000/01
	Dec. 31, 2001	€ in millions
	€ in millions	€ in millions
Amortization/depreciation of goodwill	418	1,614
other intangible assets	257	252
property, plant and equipment	273	491
	<b>948</b>	<b>2,357</b>

Amortization of other intangible assets includes differences resulting from applying IAS 22. For the purposes of the Group's financial management reporting, this amortization is classified as goodwill amortization and amounted to € 33 million (previous year € 70 million) in the stub period.

6 Other Operating Expenses	July 1-	2000/01
	Dec. 31, 2001	€ in millions
	€ in millions	€ in millions
Administrative costs	826	1,070
Advertising costs	712	1,688
Distribution and selling costs	434	931
Rental costs	232	418
Sundry operating expenses	1,394	1,836
	<b>3,598</b>	<b>5,943</b>

Sundry operating expenses include expenses of € 14 million for the write-down of license prepayments made to Napster Inc. (see Note 18).

**7 Income from Associates and Other Participations**

	July 1- Dec. 31, 2001 € in millions	2000/01 € in millions
Income from associates	24	37
Losses from associates	(281)	(339)
Income from other participations	2,096	2,303
Losses from other participations	–	(4)
Write-downs of other financial assets	(194)	(216)
	<b>1,645</b>	<b>1,781</b>

A large proportion of the income from other participations is the result of the disposal of shareholdings in AOL Europe and AOL Time Warner (formerly AOL Inc.).

Bertelsmann held 49.5 percent of AOL Europe's share capital through various affiliates. Since March 2000, these shares have been the subject of a put/call agreement with AOL Inc. Under this put/call agreement, Bertelsmann has the right to offer 80 percent of these shares for sale to AOL Inc. for U.S.\$ 5.3 billion in January 2002. Furthermore, Bertelsmann has the right to sell the remaining 20 percent of these shares to AOL Inc. for U.S.\$ 1.45 billion effective July 2002.

AOL originally had the option of paying the purchase price either in cash, its own stock, or a combination of both. Under an additional agreement signed in March 2001, AOL and Bertelsmann decided that if the first put was exercised, at least U.S.\$ 2.5 billion had to be paid in cash. On July 27, 2001, the shares underlying this cash component were sold to a third party. After deduction of the book value (€ 293 million) plus transaction costs, this generated a prior-year capital gain of € 2.28 billion, which is reported under investment income at June 30, 2001.

Furthermore, the parties agreed in December 2001 that all other payments resulting from Bertelsmann having exercised put options must be made in cash. On December 28, 2001, the shares underlying the second tranche were also sold to a third party. After deduction of the book value (€ 192 million) plus transaction costs, this generated a capital gain of € 1.41 billion, which is reported under income from other participations at December 31, 2001.

The shares held in AOL Europe are classified as available-for-sale securities and are reported under "other receivables and other assets" as part of current assets. As no value derived from an active market exists for these shares, it is not possible to determine their fair value. These shares are therefore reported at their acquisition cost. For the aforementioned reasons, it is also not possible to determine a fair value for the put/call agreement itself. Therefore the agreement has no impact on the balance sheet until the relevant options are exercised.

During the period under review, Bertelsmann AG also sold 11,230,400 AOL Time Warner Inc. shares, which were classified as available-for-sale securities and included in current assets. These shares had been hedged through the use of various put and call options (zero-cost collars), whose terms and conditions were amended during the period under review without affecting their fair value. The shares together with the put and call options were reported at their fair values at the respective balance sheet dates (the shares were recognized at their market price and the puts and calls were valued using the Black-Scholes model). The effects resulting from these fair values were reported under shareholders' equity.

The put options were exercised during the period under review through physical delivery of the shares. The capital gain after deduction of transaction costs totaled € 669 million and is reported as income from other participations at December 31, 2001.

Income from other participations also includes write-downs of € 66 million on shareholdings in Zomba Publishing and Zomba Records and an expense of € 89 million for writing off the loans extended to Napster Inc. (see Note 15).

The losses from associates includes a goodwill amortization of € 120 million (previous year € 20 million), which largely resulted from the amortization of € 112 million in goodwill on Antena 3. Losses suffered by barnesandnoble.com (€ 68 million) and Bertelsmann Ventures (€ 32 million) had a significant impact on the level of expenses incurred by associates.

**8 Net Interest**

	July 1- Dec. 31, 2001 € in millions	2000/01 € in millions
Interest and similar income	73	114
Interest and similar expenses	(168)	(306)
	<b>(95)</b>	<b>(192)</b>

**9 Other Financial Expenses and Income**

	July 1- Dec. 31, 2001 € in millions	2000/01 € in millions
Interest on provisions for pensions	(61)	(113)
Dividend entitlement on profit part. certificates	(39)	(95)
Interest on finance leases	(13)	(23)
Other	-	(13)
	<b>(113)</b>	<b>(244)</b>

"Other" comprises mark-ups and discounts on long-term receivables, other provisions and liabilities, and non-operating net income on currency changes of the Group.

**10 Income Taxes**

	July 1- Dec. 31, 2001 € in millions	2000/01 € in millions
<b>Income taxes</b>	<b>7</b>	<b>(1,092)</b>

Net income before income taxes for domestic and international operations are as follows:

	July 1- Dec. 31, 2001 € in millions	2000/01 € in millions
Net income before income taxes		
Domestic	1,739	2,230
International	(815)	(151)

Current and deferred income taxes for domestic and international operations are as follows:

	July 1- Dec. 31, 2001 € in millions	2000/01 € in millions
Current taxes		
Domestic	10	(967)
International	6	(217)
Deferred taxes		
Domestic	(33)	56
International	24	36
<b>Total</b>	<b>7</b>	<b>(1,092)</b>

During the year under review, tax loss carryforwards of € 170 million (previous year € 64 million) were utilized; this reduced current tax expenses by € 61 million (previous year € 24 million).

Deferred tax assets and liabilities resulted from the following items and factors:

	Deferred tax assets Dec. 31, 2001 € in millions	Deferred tax assets June 30, 2001 € in millions	Deferred tax liabilities Dec. 31, 2001 € in millions	Deferred tax liabilities June 30, 2001 € in millions
Goodwill	49	59	84	24
Property, plant and equipment	7	56	178	255
Investments	39	53	68	15
Inventories	140	66	3	2
Accounts receivable	223	164	58	16
Prepayments and other assets	122	112	96	80
Provisions	144	226	119	50
Financial debt	180	115	–	45
Accounts payable	145	47	19	63
Prepayments and other liabilities	203	175	38	38
Loss carryforwards	995	462	–	–
Valuation allowance	(1,544)	(940)	–	–
<b>Total</b>	<b>703</b>	<b>595</b>	<b>663</b>	<b>588</b>
Netting	(513)	(426)	(513)	(426)
<b>Carrying amount</b>	<b>190</b>	<b>169</b>	<b>150</b>	<b>162</b>

Entitlements and provisions are offset against each other if they relate to the same tax authority and can be netted.

Valuation allowances were deducted from deferred tax assets in those cases where it is improbable that they can be utilized in the foreseeable future.

The temporary differences and tax loss carryforwards on which a valuation allowance was recognized can be applied for the following limited periods:

	Dec. 31, 2001 € in millions	June 30, 2001 € in millions
Can be carried forward for more than five years	3,780	2,217
Can be carried forward for up to five years	207	193

A reconciliation of expected net tax income/expense to actual tax income/expense is shown in the following table:

	July 1- Dec. 31, 2001 € in millions	2000/01 € in millions
Earnings before income taxes	924	2,079
Income tax rate paid by Bertelsmann AG	38.29 %	38.29 %
<b>Expected tax expense</b>	<b>(354)</b>	<b>(796)</b>
Differences between the actual from the expected tax expense		
Adjustment due to divergent national tax rate	30	9
Amortization of goodwill not capitalized for tax purposes	(150)	(564)
Changes of tax factors in previous year	111	–
Change in valuation allowance on deferred tax assets with effect on income statement	(471)	(425)
Permanent differences resulting from consolidation	75	139
Tax adjustment for AOL Europe in fiscal 99/00 & 00/01	782	–
Increase in shareholders' equity due to RTL contribution	–	674
Non-deductible operating expenses	(23)	(12)
Other adjustments	7	(117)
<b>Total</b>	<b>361</b>	<b>(296)</b>
<b>Actual tax income/expense</b>	<b>7</b>	<b>(1,092)</b>

The income tax rate paid by Bertelsmann AG consist of a corporation tax of 25 percent, a solidarity surcharge of 5.5 percent on the corporation tax liability, and trade tax of 16.18 percent, which is deductible from the corporation tax. Due to the tax situation, the tax rate was assumed to be the same in the previous year, even though the income tax rate paid by Bertelsmann AG for the period July 1 through December 31, 2000 amounted to 51.55 percent (based on a corporation tax rate of 40 percent and solidarity surcharge and trade tax of the aforementioned amounts). The change in the income tax rate had only a minor impact on net deferred taxes, as deferred tax assets and liabilities in Germany more or less offset each other.

**11 Non-current Assets** Changes in non-current assets during the period under review were as follows:

	Goodwill	Other intangible assets	Property, plant and equipment	Investments in associates	Other financial assets	Total
	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions
<b>Acquisition/ manufacturing cost</b>						
<b>Balance at July 1, 2001</b>	<b>10,715</b>	<b>2,030</b>	<b>5,955</b>	<b>536</b>	<b>980</b>	<b>20,216</b>
Translation differences	(183)	(52)	(78)	(10)	(18)	(341)
Acquisitions	3,912	1,100	584	3	657	6,256
Additions	–	239	389	24	533	1,185
Disposals	394	149	303	145	326	1,317
Reclassifications	(78)	23	(3)	604	(546)	–
<b>Balance at Dec. 31, 2001</b>	<b>13,972</b>	<b>3,191</b>	<b>6,544</b>	<b>1,012</b>	<b>1,280</b>	<b>25,999</b>
<b>Depreciation/amortization</b>						
<b>Balance at July 1, 2001</b>	<b>6,645</b>	<b>1,117</b>	<b>3,139</b>	<b>182</b>	<b>254</b>	<b>11,337</b>
Translation differences	(79)	(35)	(37)	(3)	(2)	(156)
Acquisitions	–	830	335	166	147	1,478
Additions	418	257	273	136	194	1,278
Disposals	282	138	181	67	50	718
Reclassifications	(19)	2	(2)	19	–	–
<b>Balance at Dec. 31, 2001</b>	<b>6,683</b>	<b>2,033</b>	<b>3,527</b>	<b>433</b>	<b>543</b>	<b>13,219</b>
<b>Book value at Dec. 31, 2001</b>	<b>7,289</b>	<b>1,158</b>	<b>3,017</b>	<b>579</b>	<b>737</b>	<b>12,780</b>
Book value at June 30, 2001	4,070	913	2,816	354	726	8,879

**12 Goodwill** Under IAS 22, goodwill is capitalized and amortized on a straight-line basis over its estimated useful life of 3 to 20 years. Goodwill is subjected to impairment tests in accordance with IAS 36. Where necessary, appropriate value adjustments are made. Of the reported goodwill of € 7,289 million (previous year € 4,070 million), € 6,902 million (previous year € 3,590 million) results from the consolidation of investments in subsidiaries and € 387 million (previous year € 480 million) from subsidiaries' annual financial statements.

The total acquisition balance contains an amount totaling, € 1,572 million that is attributable to the increase in the shareholding in RTL Group (see scope of consolidation). Additions totaling € 1,809 million resulted from the transition from proportionate to full consolidation of RTL Group.

Write-downs of goodwill approximated € 55 million during the period under review (previous year € 1,111 million) and mainly comprised the amortization of goodwill on **McCall's** (€ 30 million) and **Pixelpark** (€ 20 million). In the previous year write-downs essentially related to **FremantleMedia** (former **Pearson TV**) (€ 862 million).

**13 Other Intangible Assets**

	Music and movie rights € in millions	Other rights and licenses € in millions	Advance payments € in millions	Total € in millions
<b>Acquisition/ manufacturing cost</b>				
<b>Balance at July 1, 2001</b>	<b>945</b>	<b>1,025</b>	<b>60</b>	<b>2,030</b>
Translation differences	(37)	(15)	–	(52)
Acquisitions	988	101	11	1,100
Additions	159	46	34	239
Disposals	79	56	14	149
Reclassifications	15	35	(27)	23
<b>Balance at Dec. 31, 2001</b>	<b>1,991</b>	<b>1,136</b>	<b>64</b>	<b>3,191</b>
<b>Depreciation/amortization</b>				
<b>Balance at July 1, 2001</b>	<b>641</b>	<b>476</b>	<b>–</b>	<b>1,117</b>
Translation differences	(31)	(4)	–	(35)
Acquisitions	778	52	–	830
Additions	176	80	1	257
Disposals	77	61	–	138
Reclassifications	4	(2)	–	2
<b>Balance at Dec. 31, 2001</b>	<b>1,491</b>	<b>541</b>	<b>1</b>	<b>2,033</b>
<b>Book value at Dec. 31, 2001</b>	<b>500</b>	<b>595</b>	<b>63</b>	<b>1,158</b>
Book value at June 30, 2001	304	549	60	913

Intangible assets that are produced by the Group are capitalized at their manufacturing cost (including borrowing costs in accordance with IAS 23), provided they meet the preconditions stipulated by IAS 38. Intangible assets produced by the Group itself consist of software, which approximated € 53 million (previous year € 56 million). Purchased intangible assets are carried at their acquisition cost. Intangible assets are amortized on a straight-line basis over their estimated useful life. Capitalized software is amortized over a 3 to 4 year period, licenses according to the term of their license agreement. Trademarks are amortized over a maximum period of 15 years, supply rights and long-term subscribers over maximal 5 years, and music rights over a maximum period of 15 years.

Advanced payments include rights accruing from (co-)productions, audiovisual rights and sports rights of RTL Group. The relevant movie rights are amortized on the basis of total estimated future revenues. Acquisition costs are amortized using the same method according to the ratio of net revenues already received to total estimated revenues. Sports rights are amortized over the term of their licensing agreements.

If there is evidence that the value of the assets is impaired and the realizable amount is below the amortized acquisition or manufacturing cost, write-downs are performed in accordance with IAS 36. If the reasons for such impairment no longer apply, the value of the assets is written up to no more than their amortized acquisition or manufacturing cost. The amortization reported includes write-downs of € 21 million (previous year € 11 million) and results from the amortization of music rights and software that was produced by the Group itself.

**14 Property, Plant and Equipment**

	Land, land titles and buildings € in millions	Plant, technical equipment and machinery € in millions	Office furniture and other equipment € in millions	Advance payment and construction in progress € in millions	Total € in millions
<b>Acquisition/ manufacturing cost</b>					
<b>Balance at July 1, 2001</b>	<b>1,548</b>	<b>2,565</b>	<b>1,436</b>	<b>406</b>	<b>5,955</b>
Translation difference	(12)	(33)	(20)	(13)	(78)
Acquisitions	207	235	140	2	584
Additions	36	78	103	172	389
Disposals	19	78	147	59	303
Reclassifications	22	80	(18)	(87)	(3)
<b>Balance at Dec. 31, 2001</b>	<b>1,782</b>	<b>2,847</b>	<b>1,494</b>	<b>421</b>	<b>6,544</b>
<b>Depreciation</b>					
<b>Balance at July 1, 2001</b>	<b>482</b>	<b>1,713</b>	<b>943</b>	<b>1</b>	<b>3,139</b>
Translation difference	(4)	(20)	(13)	–	(37)
Acquisitions	76	169	90	–	335
Additions	37	123	113	–	273
Disposals	10	70	101	–	181
Reclassifications	2	9	(13)	–	(2)
<b>Balance at Dec. 31, 2001</b>	<b>583</b>	<b>1,924</b>	<b>1,019</b>	<b>1</b>	<b>3,527</b>
<b>Book value at Dec. 31, 2001</b>	<b>1,199</b>	<b>923</b>	<b>475</b>	<b>420</b>	<b>3,017</b>
Book value at June 30, 2001	1,066	852	493	405	2,816

Property, plant and equipment are reported at acquisition or manufacturing cost less depreciation. The cost of property, plant and equipment that was produced by the Group includes direct costs and that portion of overhead that is directly attributable to their production. For property, plant and equipment whose production takes place over a lengthy period, the cost includes debt interest accrued up to the time of completion.

If there is evidence that the value of the assets is impaired and their book value exceeds the amount that would be realized if sold in the market, a write-down to their realizable value is recorded in accordance with IAS 36. If the reasons for such impairment no longer apply, the value of the assets is written up to no more than their depreciated acquisition or manufacturing cost.

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful life. Such depreciation is based on the following Group-wide useful lives:

Buildings	10 to 35 years
Plant, technical equipment and machinery	4 to 10 years
Office furniture and other equipment	3 to 12 years

Depreciation of property, plant and equipment in the stub period 2001 totaling € 273 million (previous year € 517 million) includes write-downs of € 10 million (previous year € 5 million).

Property, plant and equipment also include leased assets with a book value of € 289 million (previous year € 314 million), of which the Group, as lessee, is deemed to be the beneficial owner since it bears all the rewards and risks arising from the use of the leased assets (finance lease). Assets available to the Group under a finance

lease are capitalized, at the present value of the minimum lease payments or, if lower, at the fair value of the leased asset. If the subsequent passing of title to the leased assets is sufficiently certain, the assets are depreciated over their useful life. Otherwise, they are depreciated over the term of the lease. There does not exist any conditional rental payments, nor any subleases. The payment obligations resulting from finance leases are reported as leasing liabilities (see Note 28).

Of the leased assets, an amount totaling € 279 million (previous year € 269 million) pertains to leased buildings. The finance leases on the leased buildings are generally subject to a non-terminable basic tenancy term of approximately 20 years. Upon expiry of this term, the lessee is entitled to purchase the leased asset at its residual value. The installments paid by the lessee under the lease vary in accordance with the changes in interest rates paid by the lessor. The leases contain no option to extend the lease.

In addition to finance leases, the Group has also entered into operating lease agreements. This means that, in commercial terms, the leased assets are owned by the lessor. The minimum lease payments due in subsequent periods are reported as other financial commitments.

The operating leases are essentially tenancy agreements on buildings, most of which are subject to non-terminable basic tenancy terms of between 10 and 20 years. Some of these leases grant the lessee an option to extend the term of the lease. There does not exist any conditional rental payments, nor subleases. Although the leases generally grant a purchase option, this does not necessarily require the lessee to capitalize the building under IAS 17 regulations.

**15 Investments in Associates and Other Financial Assets**

These items essentially comprise investments in non-consolidated subsidiaries, investments in associates, other participations, and securities and loans.

Changes in these items during the period under review were as follows:

	Affiliated companies		Associates		Other participations		Securities	Other loans	Total
	Shares in € in millions	Loans to € in millions	Shares in € in millions	Loans to € in millions	Shares in € in millions	Loans to € in millions	€ in millions	€ in millions	€ in millions
<b>Gross values</b>									
<b>Balance at July 1, 2001</b>	<b>74</b>	<b>86</b>	<b>536</b>	<b>5</b>	<b>531</b>	<b>3</b>	<b>76</b>	<b>205</b>	<b>1,516</b>
Translation difference	–	–	(10)	–	(6)	–	–	(12)	(28)
Acquisitions	23	131	3	21	391	–	8	83	660
Additions	20	6	24	8	296	–	16	187	557
Disposals	21	1	145	3	243	3	16	39	471
Reclassifications	47	187	604	(16)	(580)	–	1	(185)	58
<b>Balance at Dec. 31, 2001</b>	<b>143</b>	<b>409</b>	<b>1,012</b>	<b>15</b>	<b>389</b>	<b>–</b>	<b>85</b>	<b>239</b>	<b>2,292</b>
<b>Write-downs</b>									
<b>Balance at July 1, 2001</b>	<b>46</b>	<b>12</b>	<b>182</b>	<b>–</b>	<b>185</b>	<b>–</b>	<b>–</b>	<b>11</b>	<b>436</b>
Translation difference	–	–	(3)	–	(1)	–	–	(1)	(5)
Acquisitions	1	20	166	–	78	–	–	48	313
Additions	7	–	136	–	94	–	–	93	330
Disposals	1	–	67	–	41	–	–	8	117
Reclassifications	37	(32)	19	–	(37)	–	–	32	19
<b>Balance at Dec. 31, 2001</b>	<b>90</b>	<b>–</b>	<b>433</b>	<b>–</b>	<b>278</b>	<b>–</b>	<b>–</b>	<b>175</b>	<b>976</b>
<b>Book value at Dec. 31, 2001</b>	<b>53</b>	<b>409</b>	<b>579</b>	<b>15</b>	<b>111</b>	<b>–</b>	<b>85</b>	<b>64</b>	<b>1,316</b>
Book value at June 30, 2001	28	74	354	5	346	3	76	194	1,080

Owing to the principle of materiality stipulated by the IAS, subsidiaries of minor importance for the presentation of the Group's financial position were not consolidated. No investments were acquired with the intention of reselling them, nor are there severe long-term restrictions as defined by IAS 27. These investments are valued at cost.

Other participations over which a significant influence can be exerted within the meaning of IAS 28, but which are not controlled (associates), are reported at equity. Under the equity method, investments are initially recognized at their proportionate shareholders' equity and then adjusted for the proportionate changes in the company's net assets. Investments in associates are therefore reported at their original investment amounts plus other additions and proportionate net income, less dividends, capital repayments, and amortization of recognized hidden reserves and goodwill. The IAS state that losses resulting from associates that exceed the book value of the investment should not be recognized, provided there is no obligation to pay any further capital. The Bertelsmann Group has non-recognized cumulative losses of € 1 million (previous year € 1 million).

Investments in associates are shown under Note 39.

In accordance with IAS 39, other participations and some of the other securities (€ 196 million) are classified as available-for-sale investments. Since their fair value cannot be determined, other participations over which no significant influence can be exerted are regularly reported at historical cost. However, if the values of the aforementioned investments and securities can be determined on the basis of stock market listings, they are recognized at their current market value, as required by IAS 39. Unrealized gains and losses arising from such fair market valuation are recognized in shareholders' equity, including deferred taxes. Where their value is likely to be impaired for a longer time, however, they are written-down. If the reasons for a write-down no longer apply, the value of the assets is written up accordingly. If these investments are sold, any impact on equity is recognized in the Income Statement.

Through BMG Holding B.V., Bertelsmann owns 25 percent of Zomba Publishing and 20 percent of Zomba Records, which are shown under other participations. The remaining share capital in these two companies is held by Summer Shore N.V. Nederlande, with which Bertelsmann has had shareholder agreements since November 1991 that contain various put/call options.

After several amendments, most recently on December 17, 2001, the agreement between Bertelsmann and Summer Shore N.V. stipulates that Summer Shore N.V. can exercise a put option to sell to BMG Holding B.V. its shareholdings in Zomba Records and Zomba Publishing before the end of the 2002 calendar year. The put can only be exercised for both companies simultaneous. The option price payable by BMG Holding B.V. is calculated using a formula based on the financial results reported by the two companies for fiscal years 1999, 2000, and 2001. According to Summer Shore N.V., this option price could amount to approximately U.S.\$ 3 billion. If the put is exercised, this amount will have to be verified by due diligence and, if necessary, adjusted. Since fair values as defined by IAS 39 cannot be determined for either Zomba Records or Zomba Publishing, the put option could not be valued or reported in Bertelsmann's consolidated financial statements.

If Summer Shore N.V. does not exercise its put, it will receive for the period January 1, 2003 through December 31, 2006 a call option on BMG Holding B.V.'s shareholding in Zomba Records and Zomba Publishing for a symbolic price. The investments in these companies were therefore written-down by € 66 million in Bertelsmann's consolidated financial statements at December 31, 2001. The resulting expense was recognized under income from other participations.

Available-for-sale investments were as follows:

	Historical cost Dec. 31, 2001 € in millions	Historical cost June 30, 2001 € in millions	Fair value Dec. 31, 2001 € in millions	Fair value June 30, 2001 € in millions	Total Dec. 31, 2001 € in millions	Total June 30, 2001 € in millions
Other participations	93	255	18	91	111	346
Securities	19	–	66	76	85	76
<b>Total</b>	<b>112</b>	<b>255</b>	<b>84</b>	<b>167</b>	<b>196</b>	<b>422</b>

During the period under review, Bertelsmann sold securities and other participations that had previously been carried at historical cost. This resulted in a net profit of € 12 million (previous year net loss of € 34 million).

Securities of € 13 million (previous year € 16 million) that are not available for sale are classified as held to maturity. For these securities, there is both a firm intention on the part of management and the financial ability to hold them until their maturity. These securities are recognized at amortized historical cost using the effective interest-rate method.

Other participations and securities are first recognized or derecognized at the date of settlement.

Depending on their interest rate, long-term loans are carried at either their nominal value or, if lower, at their present value. Their present values were calculated using customary national interest rates with matching maturities. In the years 2000 and 2001, Bertelsmann AG extended loans totaling € 89 million (including interest) to Napster Inc., USA. Owing to the current financial position of Napster Inc., these loans were written-down effective December 31, 2001. This expense was recognized under income from other participations.

#### 16 Inventories Inventories are segregated as follows:

	Dec. 31, 2001 € in millions	June 30, 2001 € in millions
Movie rights	1,061	401
Raw materials and supplies	180	204
Work in process	160	176
Finished goods and merchandise	517	506
Advance payments	23	16
	<b>1,941</b>	<b>1,303</b>

Inventories are recognized at acquisition or manufacturing cost. Similar inventories are reported at average cost or according to the FIFO (first-in, first-out) method. Inventories resulting from intra-Group supplies are adjusted for intercompany profits and are recognized at consolidated manufacturing cost.

If their acquisition or manufacturing cost exceeds their current fair value at the balance sheet date, inventories are written down to their net realizable value.

The movie rights are held by RTL Group and are intended to be sold or broadcast on television. Quiz, game and music shows, sporting events, soaps and documentaries are carried at 100 percent of their value in the Income Statement when they are first broadcast. Children's movies are written-down by at least 50 percent when they are first shown, and their residual value is written-down when they are broadcast for the second time. All other formats – including blockbusters, television series, TV movies, and (co-)productions – are written-down by at least 67 percent when they are first shown, and their residual value is written-down when they are broadcast for the second time.

**17 Trade Accounts Receivable**

	Maturing after more than 1 year € in millions	Dec. 31, 2001 € in millions	June 30, 2001 € in millions
Trade accounts receivable	43	3,631	2,922

Accounts receivable from customers are reported at their nominal value; long-term receivables are discounted. Receivables denominated in foreign currency are translated at closing-date rates at the balance sheet date. Value adjustments are recognized for any discernible risks. Trade accounts receivable were therefore written down by € 214 million (previous year € 435 million) during the period under review.

**18 Other Receivables and Other Assets**

	Maturing after more than 1 year € in millions	Dec. 31, 2001 € in millions	June 30, 2001 € in millions
Accounts receivable from equity investments	–	119	258
Other assets	135	2,840	3,149
	<b>135</b>	<b>2,959</b>	<b>3,407</b>

Other receivables and other assets are recognized at their nominal value or, where appropriate, at their fair value. Long-term receivables are discounted. Other receivables denominated in foreign currency are translated at closing-date rates. Value adjustments are recognized for any discernible risks. Such adjustments on other receivables and other assets totaled € 98 million during the period under review (previous year € 125 million), and stemmed largely from adjustments on prepayments to authors and artists.

Other assets include € 373 million (previous year € 959 million) in available-for-sale financial assets. No securities are held for trading purposes. The treatment of available-for-sale assets is the same as that for available-for-sale investments (see Note 15). Non-derivative financial instruments are broken down as follows:

	Historical cost Dec. 31, 2001 € in millions	Historical cost June 30, 2001 € in millions	Fair value Dec. 31, 2001 € in millions	Fair value June 30, 2001 € in millions	Total Dec. 31, 2001 € in millions	Total June 30, 2001 € in millions
Available-for-sale	373	258	–	701	373	959

The majority of other assets (€ 1,191 million) pertains to advance payments for royalties and fees to authors and artists (previous year € 1,157 million). In addition other assets also includes gains of € 101 million (previous year € 82 million) resulting from the valuation of financial derivatives at fair value. Further information can be found in Note 34. In 2001, Bertelsmann AG made prepayments of € 14 million to Napster Inc. for five-year licensing rights, which were capitalized under other assets. Owing to their lack of commercial use, these licenses were written-down effective December 31, 2001. This expense was recognized under other operating expenses.

Furthermore, until December 14, 2001 Bertelsmann AG held shares in AOL Time Warner, which, as available-for-sale securities, were included in other assets (for details see Note 7).

Shares in AOL Europe totaling € 373 million (previous year € 258 million) were also reported under other assets at December 31, 2001. Further details of these shareholdings and their sale can be found under Note 7.

<b>19 Cash and Cash Equivalents</b>		Dec. 31, 2001 € in millions	June 30, 2001 € in millions
	Other securities	116	50
	Cash	1,928	349
		<b>2,044</b>	<b>399</b>

Cash denominated in foreign currency is translated at closing-date rates.

- 20 Deferred Tax Assets** Deferred taxes are recognized for temporary valuation differences between the consolidated financial statements and the tax accounts prepared according to national taxation laws as well as for tax loss carryforwards. Details of these valuation differences and their tax impact can be found under Note 10 (Income Taxes).

<b>21 Prepaid Expenses</b>		Dec. 31, 2001 € in millions	June 30, 2001 € in millions
	Prepaid expenses	<b>189</b>	<b>166</b>

- 22 Equity** The number of outstanding shares changed as follows during the period under review:

Subscribed Capital	Ordinary shares	Preferred shares	Total number of outstanding shares
<b>June 30, 2001</b>	<b>90,480</b>	–	<b>90,480</b>
	–	28,069	28,069
<b>Dec. 31, 2001</b>	<b>90,480</b>	<b>28,069</b>	<b>118,549</b>

The subscribed capital of Bertelsmann AG at June 30, 2001 totaled € 463 million, which was divided up into 90,480 ordinary shares of DM 10,000 each. On October 15, 2001, the Annual General Meeting adopted a resolution to convert Bertelsmann's share capital to euros and to no par value shares.

Furthermore, a capital increase was incurred with a commercial effect from July 2, 2001, which increased the subscribed capital by € 143 million to € 606 million. The new shareholder GBL received 27,920 voting and 149 non-voting preferred shares of Bertelsmann AG in compensation for the 29.88 percent ownership of the share capital in RTL Group. Although the shares issued to GBL have no par value, they confer preferential dividend rights. The total number of issued shares thus rose to 118,549 at December 31, 2001.

- Capital Reserve** The capital reserve contains the amounts realized in excess of the nominal amount when preferred and ordinary shares are issued. The increase in the capital reserve from € 17 million at June 30, 2001 to € 2,725 million at December 31, 2001 resulted from the capital increase described in the above section on subscribed capital.

- Retained Earnings** The retained earnings contain the profits achieved by consolidated companies in the past that are not paid out as dividends.

After GBL had contributed RTL Group shares, Bertelsmann AG undertook to repurchase 6,720 Bertelsmann ordinary shares currently held by the ZEIT Foundation. For this obligation, the Bertelsmann Group reported a reclassification of € 409 million from retained earnings to other liabilities.

**Other Comprehensive Income** The changes of other comprehensive income in the year under review were as follows:

	Available-for-sale securities			Pretax amount € in millions	Cash flow hedge			Currency € in millions	Total € in millions
	Pretax amount € in millions	Taxes € in millions	After-tax amount € in millions		Pretax amount € in millions	Taxes € in millions	After-tax amount € in millions		
	<b>June 30, 2000</b>	<b>832</b>	<b>(361)</b>		<b>471</b>	<b>39</b>	<b>(11)</b>		
Subsequent value	(21)	354	333	(16)	1	(15)	129	447	
<b>June 30, 2001</b>	<b>811</b>	<b>(7)</b>	<b>804</b>	<b>23</b>	<b>(10)</b>	<b>13</b>	<b>121</b>	<b>938</b>	
Subsequent value	(80)	7	(73)	30	2	32	(10)	(51)	
Reclassified value Income Statement	(672)		(672)					(672)	
<b>Dec. 31, 2001</b>	<b>59</b>	<b>-</b>	<b>59</b>	<b>53</b>	<b>(8)</b>	<b>45</b>	<b>111</b>	<b>215</b>	

In connection with the sale of AOL Time Warner Inc. stock in the current fiscal year, € 672 million of the unrealized profits recognized in shareholders' equity until the time of the sale was realized in the Income Statement. Between July 1, 2001 and the time of the sale, the value of AOL Time Warner Inc. stock fell by € 35 million.

**Stock Option Plans at Subsidiaries** Various stock option plans are in operation at subsidiaries. At RTL Group in particular, stock option plans were introduced for senior management in the year 2000. The option price is derived from the capital market at the time the options are granted. Within RTL Group there are also stock option plans at Metropole Television (M6) and Sportfive.

If options are exercised, minority interests increase and shareholders' equity is diluted.

**Minority Interests** Minority interests in the consolidated subsidiaries' shareholders' equity essentially consist of minority interests in RTL Group and in the Gruner + Jahr and maul-belser groups.

**23 Profit Participation Certificates** The value of the profit participation certificates of Bertelsmann AG is segregated as follows:

	Dec. 31, 2001 € in millions	June 30, 2001 € in millions
Par value	516	516
Premium	190	190
	<b>706</b>	<b>706</b>

The profit participation certificates are segregated and relate to the profit participation certificates with conditions of 2001 (SIN 522 994 and 522 995, hereinafter "PPC 2001") and to the profit participation certificates with the conditions of 1992 (SIN 522 990, hereinafter "PPC 1992"). The PPC 2001 have an individual par value of € 10, while the par value of the PPC 1992 amounts to € 0,01. As of December 31, 2001 the par value of PPC 2001 reaches € 479 million (whereas € 11 million relate to the profit participation certificates with the SIN 522 995, which currently do not have a stock exchange listing) and € 37 million for the PPC 1992. The PPC 1992 and PPC 2001 with SIN 522 994 are marketable due to a stock exchange listing.

**24 Provisions for Pensions and Similar Obligations**

	Dec. 31, 2001 € in millions	June 30, 2001 € in millions
Pensions	1,636	1,536
Similar obligations	46	53
	<b>1,682</b>	<b>1,589</b>

The Bertelsmann Group operates various forms of pension plans for current and former employees and their surviving dependants, which are determined by the legal, tax and economic situation of each country in question. These company pension plans include both defined contribution and defined benefit schemes.

In the case of defined contribution plans, the company makes payments into an external fund or other pension scheme on a statutory, contractual or voluntary basis. Once the company has made these payments, it is not obliged to provide any further benefits.

All other pension plans are defined benefit schemes. Some of these are funded via an external fund (plan assets), and others are not. Provisions are set aside for these schemes. Most of them are fixed-salary plans.

The provisions to be set aside are calculated in accordance with IAS 19 and on the basis of actuarial reports. The amount of provisions depends on employees' number of years' service for the company and their pensionable salary. Provisions are computed using the projected unit credit method. This takes into account biometric calculations, prevailing long-term capital market interest rates, and assumptions about future salary and pension increases. In Germany, the biometric calculations are based on the 1998 Heubeck mortality tables. The following actuarial assumptions are also applied for Germany:

	July 1- Dec. 31, 2001 in %	2000/01 in %
Discount rate	6.0	6.0
Rate of salary increase	2.5	3.0
Rate of pension increase	1.7	1.7
Fluctuation	empirical figures	empirical figures

International pension provisions are computed using country-specific figures and parameters.

The "corridor rule" is used to calculate defined benefit plans and related expenses. This method does not take into account actuarial gains and losses resulting from the difference between actual amounts and the assumptions underlying the calculations unless they exceed ten percent of either the amount of defined benefit obligation or any plan assets, whichever is the greater. The amount in excess of this corridor is spread over employees' average remaining period of service.

The cost of defined benefit plans in the period under review totaled € 67 million (previous year € 148 million), comprising personnel costs of € 6 million (previous year € 35 million) and interest costs of € 61 million (previous year € 113 million). These costs are broken down as follows:

	July 1- Dec. 31, 2001 € in millions	2000/01 € in millions
Current service cost	16	60
Interest cost	61	113
Expected return on plan assets	(13)	(29)
Expected return on any reimbursement right	3	–
Amortized actuarial gains/losses	(1)	1
Amortized past service cost	2	3
Effect of any curtailment or settlement	(1)	–
	<b>67</b>	<b>148</b>

The net pension liability reported on the Balance Sheet is broken down as follows:

	Dec. 31, 2001 € in millions	June 30, 2001 € in millions
Defined benefit obligation that is wholly unfunded	1,629	1,591
Defined benefit obligation that is wholly or partly funded	385	352
<b>Total defined benefit obligation</b>	<b>2,014</b>	<b>1,943</b>
Fair value of plan assets	(336)	(346)
Actuarial gains/losses not yet recognized	(64)	(66)
Past service cost not yet recognized	–	2
Amount not yet recognized as an asset because of the limit of IAS 19.58 (b)	–	3
<b>Net pension liability</b>	<b>1,614</b>	<b>1,536</b>

The net pension liability of € 1,614 million (previous year € 1,536 million) results from a pension provision of € 1,636 million (previous year € 1,556) and an asset of € 22 million (previous year € 20 million). The asset is recognized in other assets in the Balance Sheet.

The net pension liability changed as follows in the period under review:

	Dec. 31, 2001 € in millions	June 30, 2001 € in millions
Net pension liability at beginning of year	1,536	1,462
Cost of pension plans	67	148
Correction expected return on any reimbursement right	(3)	–
Pension payments	(45)	(49)
Release of provisions	(2)	(4)
Change in scope of consolidation	65	(19)
Currency-related effects	(4)	(2)
<b>Net pension liability at end of year</b>	<b>1,614</b>	<b>1,536</b>

The U.S. subsidiaries' liabilities for their employees' healthcare costs once they have retired constitute a defined benefit obligation and account for € 90 million (previous year € 86 million) of the provisions. They were calculated according to the international standards described above. A long-term rate increase of 6 percent was assumed for healthcare costs. The similar commitments include provisions for employees' anniversaries and old age part-time schemes. Provisions for employees' anniversaries are calculated the same as obligations for defined-benefit plans, but without applying the corridor rule.

Employees in Germany who are at least 55 years old and have an unlimited employment contract with the company qualify for its old age part-time scheme. This scheme lasts for a period of two to five years. The statutory working hours during this period are on average half of the regular weekly working hours and are usually organized in such a way that they are performed in the first half of the part-time retirement period, so that the employee is subsequently exempted from work (block model). Employees receive half of their previous gross compensation for the duration of the part-time retirement period. During the period while the employee is still working, the employer sets aside a provision to cover the liability amounting to the working hours for which the employee has not yet been compensated. Under IAS 19, this provision is reported at its present value. In addition, employees receive top-up payments in proportion to their underlying net income. These top-up payments constitute termination benefits as defined by IAS 19 and are recognized at their present value at the time the obligation arises.

**25 Provisions for  
Deferred Tax Liabilities**

Deferred tax liabilities are recognized for temporary valuation differences (that will have a tax impact in the future) between the consolidated financial statements and the tax accounts prepared according to national taxation laws. Details of these valuation differences and their tax impact can be found in Note 10 (Income Taxes).

**26 Other  
Provisions**

Provisions are set aside in accordance with IAS 37 where a legal or constructive obligation to a third party exists. The amount recognized is the best estimate of the expenditure. The valuation of provisions occasionally applies the weighted averages and is based on full costs. Long-term provisions are recognized at their present value.

The following groups of provisions were used in the period under review:

	July 1, 2001 € in millions	Scope of consolidation € in millions	Other effects € in millions	Utilized € in millions	Allocated € in millions	Accrued interest € in millions	Released € in millions	Dec. 31, 2001 € in millions	Long-term € in millions
Provisions for taxes	1,157	(13)	(4)	(66)	653	–	(552)	1,175	116
Provisions for staff	593	36	(38)	(354)	328	1	(42)	524	67
Restructuring provisions	194	2	(5)	(172)	134	–	(4)	149	19
Other provisions	1,688	77	32	(1,347)	1,627	1	(72)	2,006	78
	<b>3,632</b>	<b>102</b>	<b>(15)</b>	<b>(1,939)</b>	<b>2,742</b>	<b>2</b>	<b>(670)</b>	<b>3,854</b>	<b>280</b>

A large proportion (€ 809 million) of the tax provisions consists of the taxable gains on disposal of AOL Europe and mediaWays.

Long-term provisions for staff largely relate to severance pay for employees outside Germany (€ 41 million). Provisions for staff also cover employee profit-sharing schemes, bonuses and outstanding vacation entitlements.

The Virtual Stock Option Plan (VSOP) grants a long-term performance-related compensation component to executives.

In addition to the number of “options” granted, this compensation is based on the value added – measured in terms of EBITA and capital invested – by the business managed by the respective executive and on the value added to the Bertelsmann Group. If value has been added at the end of the period, the executive concerned receives a payment.

The anticipated compensation entitlement from the VSOP is allocated pro rata in equal annual amounts to the provision over the term which, owing to the stub period, has been shortened to 4.5 years. Because of the long-term character of the provisions, they are discounted at country-specific interest rates.

Provisions for two tranches totaling € 22 million (previous year € 23 million) are reported at December 31, 2001. These tranches expire effective December 31, 2003 and December 31, 2004. Changing assumptions about the future performance of the options cause a slight reduction in the provision in the period under review.

An “option” under the VSOP constitutes neither an ownership interest nor an option to acquire an ownership interest in the employer, Bertelsmann AG or other companies. It serves solely to calculate the compensation component.

IAS 37 states when and to what extent restructuring provisions are to be set aside. A provision can only be set aside if, for example, the implementation of a restructuring plan has already been started or the essential components of the plan were already announced before the balance sheet date. The cost of such provisions primarily covers redundancy costs and other costs incurred in connection with the discontinuation of business activities. Total provisions of € 148 million (previous year € 194 million) were set aside for various restructuring programs within the Bertelsmann Group. The major portion of the amount is associated with the reorganization and cost-containment program for the Bertelsmann Music Group (BMG) in response to the

transformation of the music industry. Employees volunteering to leave the company were guaranteed appropriate severance payments. The cost of redundancies is the largest component of the provision. The provision also covers the cost of discontinuing business activities. Implementation of the program was started in the first half of 2001. The program is likely to be completed by the end of 2002. A total provision of € 65 million (previous year € 149 million) was set aside for this restructuring.

Further restructuring provisions were built up within DirectGroup (€ 26 million, previous year € 31 million), Arvato (€ 15 million, previous year € 3 million), Gruner + Jahr (€ 14 million, previous year € 1 million), and Random House (€ 12 million, previous year € 0 million). Restructuring totaling € 16 million (previous year € 10 million) was applicable to other businesses.

The other provisions of € 1,106 million (previous year € 974 million) largely relate to fees and licensing commitments.

**27 Financial Debt** Financial debt includes all of the Bertelsmann Group's interest-bearing obligations existing at the balance sheet date, which are as follows:

	Years to maturity			Dec. 31, 2001 € in millions	June 30, 2001 € in millions
	< 1 € in millions	1–5 € in millions	> 5 € in millions		
Bonds	164	384	198	746	707
Promissory notes	–	113	164	277	289
Liabilities to banks	538	255	17	810	1,188
Other financial debt	631	2	–	633	120
	<b>1,333</b>	<b>754</b>	<b>379</b>	<b>2,466</b>	<b>2,304</b>

Long-term financial liabilities are reported at their present value, including transaction costs, and are amortized over time. The cost recognized in net financial income represents an effective interest rate on existing financial debt. Liabilities denominated in foreign currencies are translated at closing-date rates. This financial debt is not secured.

The Bonds amount is as follows:

Issuer	Par value	Present value Dec. 31, 2001 € in millions	Present value June 30, 2001 € in millions	Effective int. rate (%)	Maturity
Bertelsmann U.S. Finance Inc.	U.S.\$ 200 m.	233	235	5.60	1999/2004
Bertelsmann U.S. Finance Inc.	€ 200 m.	198	198	4.53	1999/2009
Bertelsmann U.S. Finance Inc.	€ 153 m.	151	149	4.62	1998/2005
Bertelsmann U.S. Finance Inc.	€ 102 m.	102	102	4.87	1997/2002
RTL Group	€ 62 m.	62	23	4.90	1997/2002
		<b>746</b>	<b>707</b>		

The Bertelsmann Group had exclusively fixed-income bonds with a par value of € 744 million at the balance sheet date.

Note loans with a par value of U.S.\$ 200 million (€ 227 million) were raised via Bertelsmann U.S. Finance, Inc. These are floating-rate loans. In addition, Bertelsmann Capital Corporation N.V. issued a promissory note with a fixed interest rate and par value of € 50 million.

The bonds issued by Bertelsmann U.S. Finance, Inc. were converted into floating-rate U.S. dollar liabilities, primarily using interest rates and currency swaps. Under IAS 39, these hedging instruments are classified as fair value hedges. Gains and losses on changes in the fair value of bonds and the corresponding derivatives are recognized in the Income Statement.

The following table shows the interest paid on bonds and note loans issued, allowing for interest rate swaps.

	Par value at December 31, 2001			Par value at June 30, 2001		
	Fixed-income	Floating-rate	Total	Fixed-income	Floating-rate	Total
	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions
Bonds	164	582	746	125	582	707
Note loans	50	227	277	50	239	289
<b>Total</b>	<b>214</b>	<b>809</b>	<b>1,023</b>	<b>175</b>	<b>821</b>	<b>996</b>

**28 Leasing Liabilities** Finance leases are explained under Note 14. Liabilities from finance leases are as follows:

Minimum lease payments	Nominal value	Discount	Present value	Nominal value	Discount	Present value
	of lease payments			of lease payments		
	Dec. 31, 2001	Dec. 31, 2001	Dec. 31, 2001	June 30, 2001	June 30, 2001	June 30, 2001
	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions
Up to 1 year	53	17	36	62	11	51
1 to 5 years	249	124	125	165	52	113
Over 5 years	329	53	276	392	163	229
<b>Total</b>	<b>631</b>	<b>194</b>	<b>437</b>	<b>619</b>	<b>226</b>	<b>393</b>

**29 Trade Accounts Payable** Trade accounts payable are reported at their nominal value. Long-term liabilities are discounted. Payables denominated in foreign currency are converted at closing-date rates.

	Maturing in more than 1 year	Dec. 31, 2001	June 30, 2001
	€ in millions	€ in millions	€ in millions
<b>Trade accounts payable</b>	<b>8</b>	<b>2,713</b>	<b>2,106</b>

**30 Other Liabilities** Other liabilities are reported at their nominal value. Long-term liabilities are discounted. Liabilities denominated in foreign currency are translated at closing-date rates. Other liabilities consist of the following:

	Maturing in more than 1 year	Dec. 31, 2001	June 30, 2001
	€ in millions	€ in millions	€ in millions
Liabilities to associates and related companies	–	92	240
Other liabilities:			
obligation to repurchase ZEIT shares	205	409	–
liabilities for taxes	–	266	230
derivatives	–	130	277
liabilities for social security benefits	–	83	64
sundry other liabilities	48	1,882	725
	<b>253</b>	<b>2,862</b>	<b>1,536</b>

<b>31 Deferred Income</b>	Dec. 31, 2001 € in millions	June 30, 2001 € in millions
<b>Deferred income</b>	<b>480</b>	<b>340</b>

As in the previous year, deferred income mainly consists of prepayments for magazine subscriptions.

<b>32 Contingent Liabilities</b>	Dec. 31, 2001 € in millions	June 30, 2001 € in millions
Guarantees	596	331
Warranties	44	47
Other obligations	6	27
	<b>646</b>	<b>405</b>

The realization of the above contingent liabilities is considered to be unlikely. Bertelsmann AG's share of these contingent liabilities, which are exclusively reported for associates, amounted to € 48 million at December 31, 2001 (previous year € 50 million).

<b>33 Other Financial Commitments</b>	Dec. 31, 2001 € in millions	June 30, 2001 € in millions
Rental and lease obligations	1,371	1,257
Other commitments	3,698	1,064
	<b>5,069</b>	<b>2,321</b>

Of the other commitments of € 3,698 million (previous year € 1,064 million), € 2,591 million (previous year € 1,039 million) relates to supply agreements for rights, (co-)productions and programming of RTL Group.

Liabilities from finance leases are detailed under Note 28. The following payment obligations related to operating leases:

<b>Minimum payments under operating leases</b>	Dec. 31, 2001 Nominal value € in millions	June 30, 2001 Nominal value € in millions
Up to 1 year	228	205
1 to 5 years	741	600
Over 5 years	402	452
	<b>1,371</b>	<b>1,257</b>

These obligations essentially relate to long-term real-estate tenancy agreements. In addition to the Zomba option already explained under Investments (see Note 15), the Bertelsmann Group has further options to purchase shares. As no fair value as defined by IAS 39 can be determined for these options, they have no impact on the Consolidated Balance Sheet.

The following table shows the main options with their applicable terms and conditions:

<b>Object of option</b>	Percent acquired	Exercise period	Estimated purchase price € in millions
BW-TV Verwaltungs GmbH	20	Until 2022	504
J Records	50	June 30, 2005 through June 30, 2009	50 to 320
Springer Verlag	13.5	Until end of 2005	65
Mondolibri, Italy	50	Exercisable at any time	65
Sportfive	5	June 30, 2005 through November 30, 2005	50

**34 Derivatives Financial Risk Management** Because of its international activities, the Bertelsmann Group is exposed to a variety of market risks, especially the effects of movements in exchange and interest rates. As such, the goal of the Bertelsmann Group's risk management function is to mitigate these risks.

The Executive Board lays down the general risk management guidelines and stipulates the general procedures for hedging exchange rate and interest rate risk and for the use of financial derivatives.

A Treasury Department located at the Corporate Center advises the subsidiaries on financial risk and, where appropriate, hedges risks using derivatives. However, the subsidiaries are not obliged to use the services provided by this department. Although certain companies, such as RTL Group, have their own Treasury Departments, they must report their hedging activities to the Treasury Department located at the Corporate Center on a quarterly basis.

**Exchange Rate Risk** The Bertelsmann Group is exposed to exchange rate risk in various currencies. Its subsidiaries are advised, but not obliged, to hedge themselves against exchange rate risks in the local reporting currency by concluding forward agreements with banks of impeccable credit standing. The Treasury Department located at the Corporate Center bundles and manages the forward transactions concluded in Germany.

The Bertelsmann Group operates internationally. The net assets of its subsidiaries outside Germany are exposed to exchange rate risk. This risk is managed in accordance with the currency-hedging guidelines laid down by the Executive Board. Loans in the Bertelsmann Group that are exposed to exchange rate risk are hedged using derivatives.

**Interest Rate Risk** Interest rate risk is managed in accordance with the Group's planned net financial debt. The proportion of financial debt bearing a fixed interest rate is minimal.

Funds are generally invested on a floating-rate basis for periods of less than one year. Financing agreements, which have maturity terms of up to eight years, are concluded either on a floating-rate basis from the outset or are converted to floating-rate financings through the use of interest rate swaps.

**Default Risk** The Bertelsmann Group is exposed to default risks amounting to the positive fair values of derivatives used. However, as derivatives are only concluded with banks of impeccable credit standing, these risks are deemed to be minimal.

**Accounting for Derivatives and Hedges** All derivatives are reported at their fair value. When a derivative is concluded, it is stipulated whether it is intended to be a fair value hedge or a cash flow hedge. However, some derivatives do not qualify as hedges despite the fact that they constitute a hedge against risk positions in the financial sense.

Changes in the fair value of derivatives are recognized in one of three ways.

1. **Fair Value Hedges:** Changes in the fair value of a highly effective derivative that is used to hedge a fair value and meets the necessary preconditions are reported in the Income Statement. The same applies to the offsetting changes in the fair value of the assets and liabilities belonging to this derivative.

2. **Cash Flow Hedges:** Changes in the fair value of a highly effective derivative that is used to hedge a cash flow are reported as a separate item of shareholders' equity. The amounts reported here are recognized in income in those periods in which the hedged underlying transaction also affects income.

3. **Non-Hedges:** Changes in the fair value of derivatives that do not qualify as hedges are shown in the Income Statement.

The Bertelsmann Group documents all relationships between hedging instruments and hedged positions as well as its risk management objectives and strategies in connection with the various hedges. This method includes linking all derivatives used for hedging purposes to specific assets, liabilities, firm commitments, and foreseeable transactions. Furthermore, the Bertelsmann Group assesses and documents – both when derivatives are concluded and on an ongoing basis – to what extent the derivatives used are either fair value hedges or cash flow hedges.

**Financial Derivatives** The vast majority of financial derivatives used by the Bertelsmann Group are OTC derivatives, which are not traded on an organized exchange. These mainly consist of forward agreements, currency swaps, currency options, interest rate swaps, and interest rate options, and are only concluded with banks of impeccable credit standing that have been approved by the Executive Board. The notional amount is the total of all buying and selling amounts underlying the derivatives.

	Notional amounts at Dec. 31, 2001				Notional amounts at June 30, 2001			
	< 1 year € in millions	1–5 years € in millions	> 5 years € in millions	Total € in millions	< 1 year € in millions	1–5 years € in millions	> 5 years € in millions	Total € in millions
<b>Currency derivatives</b>								
Forward deals and currency swaps	4,726	375	204	5,305	3,181	336	212	3,729
<b>Interest rate derivatives</b>								
Interest rate swaps	271	472	–	743	295	456	6	757
Interest rate options	47	–	–	47	29	–	–	29
Other	–	–	–	197	693	–	7	700
<b>Total</b>	<b>5,044</b>	<b>847</b>	<b>204</b>	<b>6,292</b>	<b>4,198</b>	<b>792</b>	<b>225</b>	<b>5,215</b>

The € 197 million in other derivatives at December 31, 2001 is based on an amortizing interest rate swap that cannot be allocated to the maturity categories shown.

**Determination of Fair Value** The fair values of publicly traded financial derivatives are determined on the basis of published market prices at the balance sheet date.

In order to determine the fair values of derivatives that are not publicly traded, the Bertelsmann Group uses various financial methods that are based on the market conditions and risks prevailing at the balance sheet date.

	Notional amounts Dec. 31, 2001 € in millions	Notional amounts June 30, 2001 € in millions	Present values Dec. 31, 2001 € in millions	Present values June 30, 2001 € in millions
<b>Currency derivatives</b>				
Forward contracts and currency swaps	5,305	3,729	(27)	(199)
Currency options	–	–	–	–
<b>Interest rate derivatives</b>				
Interest rate swaps	940	757	(2)	(10)
Interest rate options	47	29	–	–
Other	–	700	–	14
<b>Total</b>	<b>6,292</b>	<b>5,215</b>	<b>(29)</b>	<b>(195)</b>

**Factoring** Where factoring involves the risk being transferred to the purchaser of receivables, the receivables are deleted from the seller's books once they have been sold. During the period under review, the interest rate risk attached to the receivables sold in the form of factoring at June 30, 2001 was transferred to the buyer. Therefore this meets the preconditions for deleting these receivables from Bertelsmann's accounts at December 31, 2001.

The total value of European receivables that had been sold at December 31, 2001 amounted to € 260 million. In each case, the Bertelsmann Group bears only part of the default risk attached to these receivables. These resultant risks are reported as provisions. The book value of this debt amounted to € 20 million at the balance sheet date.

**35 Cash Flow Statement** The Cash Flow Statement of the Bertelsmann Group is based on IAS 7 and enables to assess the company's ability to generate cash and cash equivalents. Cash flows are broken down into the net cash provided or used by operating, investing and financing activities. The net cash provided or used by operating activities is shown using the so-called indirect method, which adjusts net income for non-cash items. An amount for DVFA/SG cash flow is included voluntarily in the Cash Flow Statement.

The Cash Flow Statement recognizes the effects of movements in exchange rates and changes in the scope of consolidation.

Investing activities include the purchases of fixed assets, payments for the acquisition of participations, and proceeds from disposals of fixed assets.

Financing activities include cash-effective changes in shareholders' equity and changes in financial debt.

The amount for cash and cash equivalents comprises the total volume of liquid funds as described in Note 19. Interest payments of € 260 million (previous year € 388 million), interest income of € 67 million (previous year € 91 million) and income tax payments of € 359 million (previous year € 318 million) are included in the net cash provided/used by operating activities.

**36 Segment Reporting** Segment reporting is performed in accordance with IAS 14. The primary reporting format used is the divisions of the Bertelsmann Group. The secondary reporting format is broken down by geographical location and by the main markets in which the Bertelsmann Group operates.

**Information on Segments** Segment reporting, comprising seven operating segments, is based on the internal management and reporting structures applied within the Bertelsmann Group. Due to the financial management of the Group, the segments deviate from the Group's legal structure.

As Bertelsmann AG is a holding company for the Group without any operating businesses of its own, it is reported as a separate segment under "Corporate/BeCapital", together with the Corporate Center unit Bertelsmann Capital and the other non-operating subsidiaries.

**Information on Segment Data** The definition of the various segment data is the same as that applied to the Group's data. Segment data are reconciled to the relevant Group figures in the column "Consolidation".

Intercompany revenues are recognized at the customary market rates applied to transactions with non-Group companies.

An amount for earnings before interest and tax (EBIT) is reported for each segment in accordance with IAS 14. Segmental earnings are derived from divisional results, which form the basis for the Group's financial management. Divisional results are defined as earnings before interest, taxes and amortization. The earnings are adjusted for one-time gains and losses (one-time charges and capital gains) and for internet start-up

losses. Including one-time charges and internet start-up losses, divisional results become earnings before interest, taxes and amortization (EBITA). One-time gains in the form of capital gains are only reported under EBITA for the Corporate/BeCapital segment, as the disposal of investments is part of this segment's remit owing to its function as a holding company for the Group. Capital gains generated in other segments are shown in the column "Consolidation". Deducting goodwill amortization from EBITA gives an EBIT amount for each segment.

The depreciation, amortization and write-downs reported for each segment includes depreciation of property, plant and equipment, amortization of intangible assets, goodwill amortization, and write-downs of other financial assets.

The material write-downs reported for the period under review were:

- Goodwill amortization of € 30 million on **McCall's** in the Gruner + Jahr segment
- Goodwill amortization of € 20 million on Pixelpark in the Corporate/BeCapital segment;
- Write-downs of € 103 million on loan and license prepayments to Napster in the Corporate/BeCapital segment, which had a negative impact on the segment result (EBIT) of DirectGroup;
- Write-downs of € 66 million on the participation in Zomba Records and Zomba Publishing in the BMG segment.

Significant write-downs pertaining to the previous year included the goodwill amortization of € 862 million for FremantleMedia (former Pearson TV) in the RTL Group segment.

The segment assets constitute the operating assets needed by each segment. They consist of property, plant and equipment; intangible assets, including goodwill; and investments. They also include current assets with the exception of cash and cash equivalents, tax claims, and other non-operating assets.

Segment liabilities consist of operating liabilities and operating provisions. They therefore do not include provisions for pensions and similar commitments, provisions for deferred taxes, financial debt, or non-operating liabilities and provisions.

Each segment shows the earnings of and investments in associated companies, provided these companies can be unambiguously allocated to the segment.

Investments consist of purchases of property, plant and equipment; intangible assets, including goodwill; and other financial assets.

For the secondary reporting format, revenues are broken down by customer location, while segment assets and segment investments are broken down by company location.

In addition, the number of employees both at the balance sheet date and as an average for the period under review is given for the primary reporting format.

## Segment Reporting

	RTL Group	RTL Group	Random House	Random House
	Dec. 31, 2001 € in millions	June 30, 2001 € in millions	Dec. 31, 2001 € in millions	June 30, 2001 € in millions
Consolidated revenues	2,044	1,506	1,080	2,056
Intercompany revenues	10	14	5	18
<b>Revenues</b>	<b>2,054</b>	<b>1,520</b>	<b>1,085</b>	<b>2,074</b>
<b>Divisional results</b>	<b>107</b>	<b>108</b>	<b>(15)</b>	<b>176</b>
Internet start-up losses	(59)	(19)	(4)	(19)
One-time charges	(23)	(8)	(25)	-
Capital gains	-	-	-	-
<b>Earnings before interest, taxes and amortization (EBITA)</b>	<b>25</b>	<b>81</b>	<b>(44)</b>	<b>157</b>
Amortization of goodwill and similar rights	(129)	(1,011)	(24)	(93)
Amortization of goodwill from associates	(114)	-	(1)	(5)
<b>Earnings before interest and taxes (EBIT)</b>	<b>(218)</b>	<b>(930)</b>	<b>(69)</b>	<b>59</b>
<b>Depreciation, amortization and write-downs</b>	<b>(368)</b>	<b>(1,223)</b>	<b>(46)</b>	<b>(126)</b>
<b>Investments</b>	<b>318</b>	<b>335</b>	<b>126</b>	<b>60</b>
<b>Segment assets</b>	<b>9,048</b>	<b>3,559</b>	<b>2,075</b>	<b>2,146</b>
<b>Segment liabilities</b>	<b>1,981</b>	<b>830</b>	<b>694</b>	<b>596</b>
<b>Income from associates</b>	<b>(109)</b>	<b>8</b>	<b>(1)</b>	<b>(16)</b>
<b>Investments in associates</b>	<b>333</b>	<b>17</b>	<b>23</b>	<b>24</b>
<b>Employees (at balance sheet date)</b>	<b>6,625</b>	<b>2,554</b>	<b>6,121</b>	<b>6,235</b>
<b>Employees (average)</b>	<b>6,625</b>	<b>2,448</b>	<b>6,171</b>	<b>6,026</b>

	DirectGroup	DirectGroup	Total Divisions	Total Divisions
	Dec. 31, 2001 € in millions	June 30, 2001 € in millions	Dec. 31, 2001 € in millions	June 30, 2001 € in millions
Consolidated revenues	1,492	3,095	9,650	16,378
Intercompany revenues	2	7	351	765
<b>Revenues</b>	<b>1,494</b>	<b>3,102</b>	<b>10,001</b>	<b>17,143</b>
<b>Divisional results</b>	<b>(40)</b>	<b>(19)</b>	<b>251</b>	<b>731</b>
Internet start-up losses	(127)	(500)	(250)	(720)
One-time charges	(297)	(101)	(443)	(397)
Capital gains	-	-	-	-
<b>Earnings before interest, taxes and amortization (EBITA)</b>	<b>(464)</b>	<b>(620)</b>	<b>(442)</b>	<b>(386)</b>
Amortization of goodwill and similar rights	(48)	(104)	(359)	(1,618)
Amortization of goodwill from associates	(1)	(1)	(120)	(20)
<b>Earnings before interest and taxes (EBIT)</b>	<b>(513)</b>	<b>(725)</b>	<b>(921)</b>	<b>(2,024)</b>
<b>Depreciation, amortization and write-downs</b>	<b>(90)</b>	<b>(190)</b>	<b>(940)</b>	<b>(2,347)</b>
<b>Investments</b>	<b>242</b>	<b>300</b>	<b>948</b>	<b>2,346</b>
<b>Segment assets</b>	<b>1,500</b>	<b>1,662</b>	<b>19,706</b>	<b>14,577</b>
<b>Segment liabilities</b>	<b>779</b>	<b>716</b>	<b>7,083</b>	<b>5,600</b>
<b>Income from associates</b>	<b>(69)</b>	<b>(149)</b>	<b>(214)</b>	<b>(249)</b>
<b>Investments in associates</b>	<b>39</b>	<b>113</b>	<b>510</b>	<b>217</b>
<b>Employees (at balance sheet date)</b>	<b>13,535</b>	<b>12,034</b>	<b>78,572</b>	<b>72,553</b>
<b>Employees (average)</b>	<b>13,240</b>	<b>12,584</b>	<b>78,970</b>	<b>71,813</b>

	Gruner + Jahr	Gruner + Jahr	BMG	BMG	Bertelsmann Springer	Bertelsmann Springer	Arvato	Arvato
	Dec. 31, 2001	June 30, 2001	Dec. 31, 2001	June 30, 2001	Dec. 31, 2001	June 30, 2001	Dec. 31, 2001	June 30, 2001
	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions
	1,467	3,039	1,620	3,084	369	748	1,578	2,850
	9	15	13	25	1	1	311	685
	<b>1,476</b>	<b>3,054</b>	<b>1,633</b>	<b>3,109</b>	<b>370</b>	<b>749</b>	<b>1,889</b>	<b>3,535</b>
	<b>98</b>	<b>266</b>	<b>(43)</b>	<b>(42)</b>	<b>30</b>	<b>69</b>	<b>114</b>	<b>173</b>
	(40)	(98)	–	(22)	(6)	(18)	(14)	(44)
	–	–	(66)	(288)	–	–	(32)	–
	–	–	–	–	–	–	–	–
	<b>58</b>	<b>168</b>	<b>(109)</b>	<b>(352)</b>	<b>24</b>	<b>51</b>	<b>68</b>	<b>129</b>
	(121)	(263)	(27)	(64)	(8)	(46)	(2)	(37)
	(2)	(12)	(1)	(1)	–	–	(1)	(1)
	<b>(65)</b>	<b>(107)</b>	<b>(137)</b>	<b>(417)</b>	<b>16</b>	<b>5</b>	<b>65</b>	<b>91</b>
	<b>(179)</b>	<b>(356)</b>	<b>(116)</b>	<b>(109)</b>	<b>(21)</b>	<b>(70)</b>	<b>(120)</b>	<b>(273)</b>
	<b>64</b>	<b>822</b>	<b>62</b>	<b>233</b>	<b>18</b>	<b>67</b>	<b>118</b>	<b>529</b>
	<b>2,161</b>	<b>2,349</b>	<b>2,346</b>	<b>1,974</b>	<b>663</b>	<b>864</b>	<b>1,913</b>	<b>2,023</b>
	<b>611</b>	<b>744</b>	<b>1,834</b>	<b>1,617</b>	<b>290</b>	<b>341</b>	<b>894</b>	<b>756</b>
	–	(34)	(41)	(62)	1	(2)	5	6
	<b>67</b>	<b>41</b>	<b>35</b>	<b>12</b>	<b>1</b>	<b>1</b>	<b>12</b>	<b>9</b>
	<b>13,033</b>	<b>12,986</b>	<b>5,010</b>	<b>5,749</b>	<b>5,356</b>	<b>5,284</b>	<b>28,892</b>	<b>27,711</b>
	<b>13,371</b>	<b>12,604</b>	<b>5,175</b>	<b>5,858</b>	<b>5,351</b>	<b>5,208</b>	<b>29,037</b>	<b>27,085</b>

	Corporate/ BeCapital	Corporate/ BeCapital	Consolidation	Consolidation	Total Group	Total Group
	Dec. 31, 2001	June 30, 2001	Dec. 31, 2001	June 30, 2001	Dec. 31, 2001	June 30, 2001
	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions	€ in millions
	35	370	–	–	9,685	16,748
	1	35	(352)	(800)	–	–
	<b>36</b>	<b>405</b>	<b>(352)</b>	<b>(800)</b>	<b>9,685</b>	<b>16,748</b>
	<b>(90)</b>	<b>166</b>	<b>3</b>	<b>(71)</b>	<b>164</b>	<b>826</b>
	(4)	(146)	–	–	(254)	(866)
	11	(285)	–	–	(432)	(682)
	2,081	4,841	144	100	2,225	4,941
	<b>1,998</b>	<b>4,576</b>	<b>147</b>	<b>29</b>	<b>1,703</b>	<b>4,219</b>
	(92)	(64)	–	-2	(451)	(1,684)
	–	–	–	–	(120)	(20)
	<b>1,906</b>	<b>4,512</b>	<b>147</b>	<b>27</b>	<b>1,132</b>	<b>2,515</b>
	<b>(203)</b>	<b>(230)</b>	<b>1</b>	<b>4</b>	<b>(1,142)</b>	<b>(2,573)</b>
	<b>119</b>	<b>398</b>	<b>–</b>	<b>–</b>	<b>1,067</b>	<b>2,744</b>
	<b>1,593</b>	<b>1,866</b>	<b>(25)</b>	<b>5</b>	<b>21,274</b>	<b>16,448</b>
	<b>1,569</b>	<b>734</b>	<b>(285)</b>	<b>10</b>	<b>8,367</b>	<b>6,344</b>
	<b>(43)</b>	<b>(57)</b>	<b>–</b>	<b>4</b>	<b>(257)</b>	<b>(302)</b>
	<b>69</b>	<b>137</b>	<b>–</b>	<b>–</b>	<b>579</b>	<b>354</b>
	<b>1,724</b>	<b>1,955</b>	<b>–</b>	<b>–</b>	<b>80,296</b>	<b>74,548</b>
	<b>1,793</b>	<b>1,982</b>	<b>–</b>	<b>–</b>	<b>80,763</b>	<b>73,795</b>

Primary Reporting Format – Transition to the Consolidated Financial Statements	Dec. 31, 2001	June 30, 2001
	€ in millions	€ in millions
<b>Earnings before interest and taxes (EBIT)</b>	<b>1,132</b>	<b>2,515</b>
Financial result	(208)	(436)
Income taxes	7	(1,092)
<b>Net income before minority interests</b>	<b>931</b>	<b>987</b>
<b>Segment assets</b>	<b>21,274</b>	<b>16,448</b>
Other current assets	226	229
Cash and cash equivalents	2,044	399
Deferred tax assets	190	169
<b>Total assets</b>	<b>23,734</b>	<b>17,245</b>
<b>Segment liabilities</b>	<b>8,367</b>	<b>6,344</b>
Equity inclusive minority interests	8,384	4,477
Profit participation certificates	706	706
Provisions for pensions and similar obligations	1,682	1,589
Other provisions	1,457	1,158
Financial debts	2,466	2,304
Other liabilities	672	667
<b>Total liabilities</b>	<b>23,734</b>	<b>17,245</b>

## Secondary Reporting Format

	Germany	Germany	Other	Other	USA	USA	Other	Other	Bertels-	Bertels-
	Dec. 31,	June 30,	European	European	USA	USA	Other	Other	mann	mann
	2001	2001	countries	countries	Dec. 31,	June 30,	countries	countries	Group	Group
	€ in	€ in	Dec. 31,	June 30,	2001	2001	Dec. 31,	June 30,	Dec. 31,	June 30,
	millions	millions	2001	2001	€ in	€ in	2001	2001	2001	2001
			€ in	€ in	millions	millions	€ in	€ in	€ in	€ in
			millions	millions			millions	millions	millions	millions
Consolidated revenue	3,027	4,775	3,097	4,866	3,031	5,981	530	1,126	9,685	16,748
Sement assets	8,370	4,517	7,527	6,169	4,721	5,225	656	537	21,274	16,448
Investments	331	470	380	650	329	1,522	27	102	1,067	2,744

- 37 Related-Party Transactions** Bertelsmann Verwaltungsgesellschaft mbH, Gütersloh, a non-operating holding company, exerts control over the Bertelsmann Group. Johannes Mohn GmbH and Reinhard Mohn Verwaltungsgesellschaft mbH have informed Bertelsmann AG that they each own more than one-quarter of its share capital.

The remuneration paid to the Supervisory Board for the stub period from July 1 through December 31, 2001 totaled € 388,837 (including statutory VAT). During the period under review, the members of the Executive Board received remuneration totaling € 16,580,712, of which € 12,944,685 was paid by Bertelsmann AG. Former members of the Executive Board or their surviving dependants received pensions totaling € 1,356,906 from Bertelsmann AG. The provision established by Bertelsmann AG for pension liabilities to former members of the Executive Board amounted to € 27,334,946. The members of the Supervisory Board and the Executive Board are listed on pages 20.

- 38 Subsequent Events** After the close of the period under review, Bertelsmann AG acquired a further 22 percent stake in RTL Group from Pearson plc in January 2002. The cost of this acquisition amounted to € 1.5 billion, which corresponds to a purchase price of € 44 per share. The amount of goodwill generated by this acquisition is yet to be determined.

**39 Material Subsidiaries and Participations at December 31, 2001**

**Germany**

AZ Bertelsmann Direct GmbH, Gütersloh	100
Berliner Verlag GmbH & Co., Berlin	74.9
Bertelsmann Distribution GmbH, Gütersloh	100
Bertelsmann Finanz Service GmbH, Verl	100
Bertelsmann Marketing Service GmbH, Gütersloh	100
Bertelsmann Medien Service GmbH, Gütersloh	100
Bertelsmann Multimedia GmbH, Gütersloh	100
Bertelsmann Music Group GmbH, Gütersloh	100
Bertelsmann Online Beteiligungsgesellschaft mbH, Gütersloh	100
Bertelsmann Online International GmbH, Gütersloh	100
Bertelsmann Services GmbH, Gütersloh	100
BertelsmannSpringer Science+Business Media GmbH, Gütersloh	100
BMG Ariola Miller GmbH & Co. KG, Quickborn	100
BMG Berlin Musik GmbH, Berlin	100
BMG Deutschland GmbH, Gütersloh	100
BMG Music International Service GmbH, Munich	100
bol.com AG, Berlin	100
BW TV und Film Verwaltungen GmbH, Gütersloh	80
CLT UFA Multi Media GmbH, Hamburg	59.33
COLOGNE SITCOM Produktions GmbH	29.87
DPV Deutscher Pressevertrieb GmbH, Hamburg	74.9
Druck- und Verlagshaus Gruner + Jahr Aktiengesellschaft, Hamburg	74.9
Fireball Internet GmbH, Hamburg	74.9
G+J Berliner Zeitungsdruck GmbH, Berlin	74.9
G+J Electronic Media Service GmbH, Hamburg	74.9
Game Channel GmbH & Co. KG, Hamburg	59.33
GGP Media GmbH, Pößneck	100
GVG Genossenschafts- verwaltungsgesellschaft mbH, Itzehoe	74.9
GZSZ GmbH, Cologne	59.33
House of Talent GmbH, Berlin	54.81
maul + co Chr. Belsler GmbH, Nuremberg	75
Mohn Media Print GmbH, Gütersloh	100
Mohn Media Sales GmbH, Gütersloh	100
Pixelpark AG, Berlin	60.27
Reinhard Mohn GmbH, Gütersloh	100
RM Buch und Medien Vertrieb GmbH, Gütersloh	100
RTL Club GmbH, Rheda-Wiedenbrück	29.75
RTL Radio Deutschland GmbH, Berlin	59.33
RTL Shop GmbH, Cologne	51.18
RTL Television GmbH, Cologne	59.33
„S 4 M“ Solutions for Media GmbH, Cologne	39.57
Springer Beteiligungs GmbH, Berlin	87.08
Springer-Verlag GmbH & Co. KG, Berlin	87.08
UFA-Fernsehproduktion GmbH, Berlin	59.33
UFA Filmproduktion GmbH, Berlin	59.33

UFA Film & Fernseh GmbH, Hamburg	59.33
UFA International Film & TV Produktions GmbH, Berlin	59.33
Universitätsdruckerei H. Stürtz Aktiengesellschaft, Würzburg	82.69
VOX Film- und Fernseh GmbH & Co. KG, Cologne	59.15
<b>Europe</b>	
IP Belgique S.A., Belgium	39.16
IP Plurimédia S.A., Belgium	39.16
Suprafin S.A., Belgium	59.33
Bertelsmann Communication Services France SARL, Noyelles sous Lens, France	100
BMG France S.A., Paris, France	100
BMG Music Publishing France S.A.R.L., Paris, France	100
Ediradio S.A., Paris, France	59.33
FRANCE LOISIRS S.A.R.L., Paris, France	100
IP France S.A., Paris, France	59.33
Media Communication S.A., Paris, France	100
Prisma Presse, Société en nom collectif, Paris, France	74.9
Bertelsmann Books and Magazines Limited, London, Great Britain	100
Bertelsmann UK Limited, London, Great Britain	100
BMG Entertainment International UK & Ireland Limited, London, Great Britain	100
BMG Music Publishing International Limited, London, Great Britain	100
BMG Music Publishing Limited, London, Great Britain	100
BOL UK Holding Limited, London, Great Britain	100
Book Club Associates Limited, London, Great Britain	100
Book Club Associates, London, Great Britain	100
Channel Five Holdings Limited, London, Great Britain	29.75
Fremantle (UK) Productions Limited, Great Britain	59.51
The Book Service Limited, London, Great Britain	100
The Random House Group Limited, London, Great Britain	100
Sonopress Ireland Limited, Dublin, Ireland	100
BMG RICORDI S.p.A., Rome, Italy	100
Editoriale Johnson S.p.A., Seriate, Italy	98.82
Eurogravure S.p.A., Bergamo, Italy	69.18
Istituto Italiano d'Arti Grafiche S.p.A., Bergamo, Italy	98.82
Nuovo Istituto Italiano d'Arti Grafiche S.p.A., Bergamo, Italy	98.82
Società Holding Industriale di Grafica S.p.A., Rome, Italy	100
Audiomedia S.A., Luxembourg	59.51
Broadcasting Center Europe S.A., Luxembourg	59.33
CLF-UFA Holding S.A., Luxembourg	59.51
CLF-UFA S.A., Luxembourg	59.33
Pearson Television Holdings S.A., Luxembourg	59.51
RTL/de Holland Media Groep S.A., Luxembourg	59.33
RTL 4 Holding S.A., Luxembourg	59.33
RTL Group S.A., Luxembourg	59.51

Bertelsmann Capital Corporation N.V., Amsterdam, Netherlands	100
Bertelsmann Nederland B.V., Amsterdam, Netherlands	100
BMG Holding B.V., Vianen, Netherlands	100
BMG Nederland B.V., Hilversum, Netherlands	100
ECI voor Boeken en Platen B.V., Vianen, Netherlands	89.8
Holland FM Producties B.V., Hilversum, Netherlands	59.33
RTL4 Productions B.V., Hilversum, Netherlands	59.33
Yorin TV B.V. (ex Veronica RTV B.V.), Hilversum, Netherlands	59.33
Buchgemeinschaft Donauland Kremayr & Scheriau, Vienna, Austria	75
Verlagsgruppe NEWS Gesellschaft m.b.H., Vienna, Austria	41.96
Bertelsmann Portuguesa SGPS Lda., Lisbon, Portugal	100
Circulo de Leitores, S.A., Lisbon, Portugal	100
Arcadia Verlag AG, Zug, Switzerland	100
Bertelsmann Holding Spain, S.A., Sant Vicenc dels Horts (Barcelona), Spain	100
BMG Music Spain, S.A., Madrid, Spain	100
Circulo de Lectores, S.A., Barcelona, Spain	100
Cobrho, S.A., Ajalvir (Madrid), Spain	100
Eurohucio, S.A., Castellbisbal (Barcelona), Spain	65
Novo Sistema Actuaciones y Servicios, S.L., Tres Cantos (Madrid), Spain	100
Printer Industria Gráfica, S.A., Sant Vicenc dels Horts (Barcelona), Spain	100
Rotedic, S.A., Tres Cantos (Madrid), Spain	100
<b>Overseas</b>	
FremantleMedia Australia Pty Ltd (ex Pearson TV Australia Pty Ltd), Australia	59.51
Grundy Films Pty Ltd, Australia	59.51
Random House Australia Pty. Ltd., Melbourne, Australia	100
BMG Brasil Ltda., Rio de Janeiro, Brazil	100
BMG FUNHOUSE, Inc., Tokyo, Japan	100
BMG Canada Inc., Toronto, Canada	100
Random House of Canada Limited, Toronto, Canada	100
Printer Colombiana, S.A., Santafé de Bogotá, D.C., Colombia	50.89
1745 Broadway LLC, New York, USA	100
Ariola Eurodisc, Inc., Wilmington, USA	100
Arista Good Girls, Inc., Wilmington, USA	100
Arista Records, Inc., Wilmington, USA	100
Arista Ventures, Inc., Wilmington, USA	100
Berryville Graphics, Inc., Wilmington, USA	100
Bertelsmann 56th Street Commercial LLC, Delaware, USA	100
Bertelsmann Music Group, Inc., Wilmington, USA	100
Bertelsmann Property, Inc., Wilmington, USA	100
Bertelsmann Publishing Group, Inc., Wilmington, USA	100
Bertelsmann Services, Inc., Valencia, USA	100
Bertelsmann U.S. Finance, Inc., Wilmington, USA	100
Bertelsmann, Inc., Wilmington, USA	100
BGJ Enterprises, Inc., Wilmington, USA	100
BMG Direct Marketing, Inc., Wilmington, USA	100
BMG Songs, Inc., Beverly Hills, USA	100
BMG Special Products, Inc., Wilmington, USA	100
BMGJ, LLC, New York, USA	100
BOL.US Online, Inc., Delaware, USA	100

CDnow, Inc., New York, USA	100
Coral Graphic Services, Inc., Horsham, USA	95.1
DD Garden City Property, Inc., New York, USA	100
Doubleday & Company, Inc., New York, USA	100
Doubleday Direct, Inc., Garden City, USA	100
Dynamic Graphic Finishing, Inc., Horsham, USA	95.1
Fremantle Productions North America, Inc, USA	59.51
G+J Rosie's Magazine LLC, New York, USA	74.84
Gruner + Jahr Printing and Publishing Company, New York, USA	74.84
LaFace Records, New York, USA	100
Offset Paperback MFRS., Inc., Dallas/Pennsylvania, USA	100
Random House TPR, Inc., New York, USA	100
Random House, Inc., New York, USA	100
Sonopress LLC, Wilmington, USA	100
Springer-Verlag New York, Inc., New York, USA	86.42
The Malibu Branch Production Company, USA	59.51
Tuneful Assets, Inc., Wilmington, USA	100

#### Material Proportionately Consolidated

##### Companies

##### Germany

UFA Sports GmbH, Hamburg	26.36
RTL Disney Fernsehen GmbH & Co. KG, Cologne	29.64
Financial Times Deutschland GmbH & Co. KG, Hamburg	37.45
bedirect GmbH & Co. KG, Gütersloh	50
FCB FREIZEIT-CLUB Betreuungs-GmbH & Co., Hamburg	50

##### Europe

Media – Foot Belgique SARL, Belgium	26.36
Girondins de Bordeaux SAS, France	17.67
Groupe JC Darmon S.A., France	26.36
M6 Bordeaux S.A., France	26.84
M6 Web S.A., Neuilly sur Seine, France	26.84
Société Générale d'Édition et de Diffusion SGED, S.n.c., Paris, France	50
Sky Five Text Limited, Great Britain	19.22
Sports UK Limited, Great Britain	26.36
Channel 5 Broadcasting Limited, London, Great Britain	38.38
Gruner + Jahr/Mondadori S.p.A., Milan, Italy	37.45
Grupo Editorial Random House Mondadori, S.L., Barcelona, Spain	50
Plaza y Janés Editores, S.A., Esplugas de Llobregat (Barcelona), Spain	50
Total Distribución, S.A., Alcorón (Madrid), Spain	66.67

##### Overseas

Editorial Sudamericana, S.A., Buenos Aires, Argentina	49.38
Editorial Sudamericana Chilena, S.A., Santiago de Chile, Chile	50
PT BMG Music Indonesia, Jakarta Kota, Indonesia	51
Editorial Grijalbo, S.A. de C.V., Mexico D.F., Mexico	50
Bookspan (Partnership), Delaware, USA	50

#### Material Associates

##### Germany

active-film.com AG, Frankfurt am Main	32.09
CM 4 GmbH & Co. KG, Gütersloh	49
Deutsche Post Adress GmbH, Bonn	49
G+J Berlin Online GmbH & Co. KG, Berlin	33.71
I & U Information und Unterhaltung TV Produktion GmbH, Cologne	18.73
manager magazin Verlagsgesellschaft mit beschränkter Haftung, Hamburg	18.65
medicforma.com GmbH, Dortmund	31.98
RTL 2 Fernsehen Geschäftsführungs GmbH, Munich	21.3
RTL 2 Fernsehen GmbH & Co. KG, Munich	21.3
SPIEGEL-Verlag Rudolf Augstein GmbH & Co. KG, Hamburg	18.54
W.E. Saarbach Gesellschaft mit beschränkter Haftung, Cologne	18.65

##### Europe

BOL société en nom collectif, Paris, France	50
G+J/RBA Snc, Paris, France	37.45
Télévision Par Satellite S.N.C., Issy les Moulineaux, France	6.72
TPS Sport S.N.C., Issy les Moulineaux, France	6.72
HD Thames Limited, Great Britain	14.28
Mondolibri S.p.A., Milan, Italy	50
RTL 9 S.A. & S.E.C.S., Luxembourg	20.71
RTL 9 S.A., Luxembourg	20.77
Lycos Europe N.V., Amsterdam, Netherlands	15.08
Cheiron Aktiebolag, Stockholm, Sweden	50
Publicidad 3 S.A., Spain	10.24
M-RTL Rt, Budapest, Hungary	29.04

##### Overseas

Market Self S.A., Buenos Aires, Argentina	21
Antena 3 Producciones S.A., Peru	10.24
Antena 3 International, Inc., USA	10.24
barnesandnoble.com llc, New York, USA	36.2
Bertelsmann Ventures II L.P., Dover, USA	99
Bertelsmann Ventures L.P., Dover, USA	99
Joe Lies Records LLC, Delaware, USA	50
TopicalNet Europe, Inc., New York, USA	55
Xlibris Corporation, New York, USA	41.5

#### 40 Exemption of Domestic Companies from Reporting, Audit and Disclosure

The exempting regulations of § 264 (3) HGB on the supplemental rules governing stock corporations in their preparation of annual financial statements and management reports as well as in their audits and disclosure were applied to the following companies for the stub period 2001 ending on December 31, 2001:

Arabella Musikverlag GmbH, Munich
Arvato Storage Media GmbH, Gütersloh
AZ Bertelsmann Direct GmbH, Gütersloh
B.G. Teubner Gesellschaft mit beschränkter Haftung, Wiesbaden
Bauverlag Gesellschaft mit beschränkter Haftung, Walluf
Bavariaton-Verlag Gesellschaft mit beschränkter Haftung, Munich
Bertelsmann Arvato Aktiengesellschaft, Gütersloh
Bertelsmann Buch Aktiengesellschaft, Gütersloh
Bertelsmann Content Network GmbH, Hamburg
Bertelsmann Direkt Marketing Fabrik GmbH, Gütersloh
Bertelsmann Distribution GmbH, Gütersloh
Bertelsmann Event Media GmbH, Gütersloh
Bertelsmann Finanz Service GmbH, Gütersloh
Bertelsmann Immobilien GmbH, Gütersloh
Bertelsmann Interactive Studios GmbH, Gütersloh
Bertelsmann Korea Beteiligungs GmbH, Gütersloh
Bertelsmann Marketing Service Dortmund GmbH, Dortmund
Bertelsmann Marketing Service GmbH, Gütersloh
Bertelsmann Marketing Service Münster GmbH, Münster
Bertelsmann Marketing Service Neumünster GmbH, Neumünster
Bertelsmann Marketing Service Wuppertal GmbH, Wuppertal
Bertelsmann Medien Service GmbH, Gütersloh
Bertelsmann Multimedia GmbH, Gütersloh
Bertelsmann Music Group GmbH, Gütersloh
Bertelsmann Online Beteiligungsgesellschaft mbH, Gütersloh
Bertelsmann Online International GmbH, Gütersloh
Bertelsmann Services GmbH, Gütersloh
Bertelsmann Valley GmbH, Gütersloh
BertelsmannSpringer Science+Business Media GmbH, Gütersloh
BIP Industrieplanungs-GmbH, Gütersloh
BMG Berlin Musik GmbH, Berlin
BMG Deutschland GmbH, Gütersloh
BMG Music International Service GmbH, Munich
BmS Holding GmbH, Gütersloh
bol.com AG, Berlin
BS Autoflotte Medien GmbH, Walluf
BS Gesellschaft für Bauinformationsprodukte mbH, Walluf
Chr. Belser Offsetdruck GmbH, Gütersloh
Crescendo Musikverlag GmbH, Munich
Cutup GmbH, Cologne
Dinter Verlag GmbH, Kirchseeon
Dreiklang-Dreimasken, Bühnen- und Musikverlag Gesellschaft mit beschränkter Haftung, Munich
Druckhaus Maack GmbH, Lüdenscheid
empolis catalog management GmbH, Gütersloh
empolis GmbH, Gütersloh

empolis Knowledge Management GmbH, Kaiserslautern	RM Buch und Medien Vertrieb GmbH, Gütersloh	BÖRSE ONLINE Verlag GmbH & Co., Munich
empolis professional services GmbH, Gütersloh	Sonopress Data Replication Gesellschaft für Informationsträgervervielfältigung mbH, Gütersloh	BS GmbH & Co. Software + Daten KG, Walluf
FUCHSBRIEF Dr. Hans Fuchs GmbH, Berlin	UFA - International Gesellschaft mit beschränkter Haftung, Munich	„Business Traveller“ Verlag GmbH & Co. KG, Hamburg
GGP Media GmbH, Pößneck	Ufaton-Verlagsgesellschaft mit beschränkter Haftung, Munich	Dr. E. Müller Verlag GmbH & Co. KG, Eching
Gütersloher Verlagshaus GmbH, Gütersloh	Verlag Aktuelle Information Gesellschaft mit beschränkter Haftung, Frankfurt	Dresdner Druck- und Verlagshaus GmbH & Co. KG, Dresden
HEINZE Gesellschaft mit beschränkter Haftung, Celle	Verlag Heinrich Vogel GmbH Fachverlag, Munich	eB2B market place GmbH & Co. KG, Hamburg
Hotel & Gastronomie Gütersloh GmbH, Gütersloh	Verlag RM GmbH, Gütersloh	Ehrlich & Sohn GmbH & Co., Hamburg
inmediaONEJ GmbH, Gütersloh	Verlagsgruppe Random House GmbH, Gütersloh	Falken Verlag GmbH & Co. KG, Niedernhausen
Interworld Musik-Verlag Gesellschaft mit beschränkter Haftung, Munich	Wiener Bohème Verlag Gesellschaft mit beschränkter Haftung, Munich	G+J Medien-Vertrieb GmbH & Co. KG, Hamburg
Media Log Spedition GmbH, Gütersloh	Wilhelm Goldmann Verlag GmbH, Munich	Gruner + Jahr AG & Co., Hamburg
Media-Daten Verlagsgesellschaft mit beschränkter Haftung, Walluf	wissen Media Group GmbH, Munich	PRO FUTURA Vertriebsgesellschaft mbH & Co. KG, Munich
Medien Dr. phil. Egon Müller Service GmbH, Verl		STABLON Grundstücks-Vermietungsges. mbH & Co. Dritte G+J Pressehaus am Alex KG, Berlin
Mohn Media Bindery GmbH, Gütersloh		Tip Verlag GmbH & Co. KG, Berlin
Mohn Media Elsnerdruck GmbH, Berlin		Verlag für bauwirtschaftliche Fachschriften „ibau“
Mohn Media Energy GmbH, Gütersloh		Karl Wilmers GmbH & Co. KG, Münster
Mohn Media Print GmbH, Gütersloh		
Mohn Media Sales GmbH, Gütersloh		
MSN Marketing Service Nordwest GmbH, Schortens		
MSW Marketing Service Süd-West GmbH, Stuttgart		
Mtec Gesellschaft für Medientechnologie mbH, Rostock		
Musik Edition Discoton, Gesellschaft mit beschränkter Haftung, Munich		
O-rai GmbH, Berlin		
ProBind Professional Binding GmbH, Gütersloh		
PSC Print Service Center GmbH, Oppurg		
Reinhard Mohn GmbH, Gütersloh		

Furthermore, the exempting regulations of § 264b HGB were applied to the following companies for the stub period 2001 ending on December 31, 2001:

ANDSOLD GmbH & Co. KG, Gütersloh
Auto Business Verlag GmbH & Co. KG, Ottobrunn
BauNetz Online-Dienst GmbH & Co. KG, Berlin
BERLIN VERLAG GmbH & Co. KG, Berlin
Berliner Verlag GmbH & Co., Berlin
Bertelsmann Broadband Group GmbH & Co. KG, Gütersloh
Bertelsmann Game Channel GmbH & Co. KG, Hamburg
BMG Ariola Miller GmbH & Co. KG, Quickborn

**41 Proposed Appropriation of Distributable Profit**

On May 28, 2002, a dividend of € 39 million will be paid on profit participation certificates from Bertelsmann AG's distributable profit of € 1,029 million. This corresponds to 7.5 percent of the par value of € 516 million. The Executive Board will also propose during the Annual General Meeting that, once holders of profit participation certificates have received their dividends, the remaining distributable profit of € 990 million be appropriated as follows:

Dividends paid to shareholders	€ 300 million
Profit carried forward	€ 690 million
	<b>€ 990 million</b>

Gütersloh, April 8, 2002

Bertelsmann Aktiengesellschaft  
 The Executive Board:

Thomas Middelhoff	Arnold Bahlmann	Klaus Eierhoff	Bernd Kundrun	Siegfried Luther
Peter Olson	Hartmut Ostrowski	Rolf Schmidt-Holtz	Gunter Thielen	Ewald Walgenbach

## Independent Auditors' 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 the Bertelsmann AG for the six month business year from July 1, 2001 to December 31, 2001. The preparation and the content of the consolidated financial statements in accordance with International Accounting Standards (IAS) 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) and in supplementary compliance with International Standards on Auditing (ISA). 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 are 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 Group for the six month business year in accordance with International Accounting Standards.

Our audit, which also extends to the group management report prepared by the Company's management for the six month business year from July 1, 2001 to December 31, 2001 has not led to any reservations. In our opinion on the whole the group management report 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 group management report for the six month business year from July 1, 2001 to December 31, 2001 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.

Bielefeld, April 9, 2002

KPMG Deutsche Treuhand-Gesellschaft  
Aktiengesellschaft  
Wirtschaftsprüfungsgesellschaft

Reinke	Kämpf
Wirtschaftsprüfer	Wirtschaftsprüfer
[German Public Auditor]	[German Public Auditor]

# Mandates

## Supervisory Board

### Reinhard Mohn

Honorary Chairman

### Gerd Schulte-Hillen

Chairman

Vice-Chairman of the Executive Board of Bertelsmann Foundation and Shareholder of Bertelsmann Verwaltungsgesellschaft mbH (BVG)

Further Mandates Supervisory Board:  
Druck- und Verlagshaus Gruner + Jahr AG (Chairman)

Hamburg-Mannheimer Versicherung-AG

Advisory Council:

Hamburg-Mannheimer Sachversicherungs-AG

### Dr. Dieter H. Vogel

Vice-Chairman

Managing Partner of Bessemer,  
Vogel und Treichl GmbH

Further Mandates Supervisory Board:  
ABB AG (Chairman)

Gerling Industrie-Service AG (Vice-Chairman)

Mapress GmbH (Chairman)

Mobilcom AG

Board of Directors:

HSBC Trinkaus & Burkhardt KGaA

### Dr. Rolf-E. Breuer

Spokesman of the Group Board of Deutsche Bank AG

Further Mandates Supervisory Board:

Deutsche Börse AG (Chairman)

Deutsche Lufthansa AG

E.ON AG

Münchener Rückversicherungs-Gesellschaft AG

Siemens AG (Vice-Chairman)

Board of Directors:

Compagnie de Saint-Gobain S.A.

Landwirtschaftliche Rentenbank

Group Mandates Supervisory Board:

DB Investor/DB Industrial Holdings AG

(Chairman)

### Dr. Hugo Büttler

Editor-in-Chief and Managing Director of Neue Zürcher Zeitung

Further Mandates Advisory Council:

Bosch Internationale Beteiligungen

Board of Directors:

Bund Verlags AG (until December 31, 2001)

St. Galler Tagblatt AG (until December 31, 2001)

### André Desmarais

President and Co-Chief Executive Officer of Power Corporation of Canada

Further material Mandates Board of Directors:

Bombardier Inc.

CITIC Pacific Limited

Material Group Mandates Board of Directors:

The Great-West Life Assurance Company

Great-West Lifeco Inc.

Groupe Bruxelles Lambert S.A.

Investors Group Inc.

Pargesa Holding S.A.

Power Financial Corporation (Vice-Chairman)

### Dr. Michael Hoffmann-Becking

Lawyer

Further Mandates Supervisory Board:

Delton AG

Rheinische Bahngesellschaft AG

Stihl AG

Vereinte Versicherung AG

Board of Directors/comparable Mandates:

C.H. Boehringer Sohn (Chairman)

de Haen-Carstanjen GmbH

Felix Schoeller Holding GmbH & Co. KG

(Chairman)

### Oswald Lexer

Member of Bertelsmann Corporate Works Council

### Liz Mohn

Member of the Executive Board of Bertelsmann

Foundation and Shareholder of Bertelsmann

Verwaltungsgesellschaft mbH (BVG)

### Willi Pfannkuche

Vice-Chairman of Bertelsmann Corporate Works

Council

### Erich Ruppik

Chairman of Bertelsmann Corporate Works

Council

### Gilles Samyn

Managing Director and Vice-Chairman of

Compagnie Nationale à Portefeuille S.A.

Material Group Mandates Board of Directors:

Groupe Bruxelles Lambert S.A.

Pargesa Holding S.A.

Petrofina S.A.

RTL Group S.A.

Material Group Mandates:

Imerys S.A.

### Prof. Dr. Jürgen Strube

Chairman of the Board of Executive Directors of BASF AG

Further Mandates Supervisory Board:

Allianz Lebensversicherungs-AG

BMW AG

Commerzbank AG

Hapag-Lloyd AG

Hochtief AG

Linde AG

### Dr. Uwe Swientek

Chairman of the Representative Committee of Bertelsmann AG

Further Mandates Supervisory Board:

CEYONIQ AG (Chairman)

Group Mandates Board of Directors:

Sonopress Imbermemory S.A. (Chairman)

Sonopress Pan Asia Ltd.

Sonopress Pan Asia Tokyo Ltd.

Sonopress Rimo Industria e Comercio

Fonografica Ltda.

### Dr.-Ing. E.h. Heinrich Weiss

Chairman of the Management Board of SMS AG

Further Mandates Supervisory Board:

Commerzbank AG

Deutsche Bahn AG

Ferrostaal AG

HOCHTIEF AG

J.M. Voith AG

Thyssen-Bornemisza Group

Group Mandates Supervisory Board:

SIEMAG Transplan GmbH

SMS Demag AG (Chairman)

Board of Directors:

Concast Holding AG (President)

Concast Standard AG (President)

### Bernd Wrede

Former Chairman of the Executive Board of

Hapag-Lloyd AG

Further Mandates Supervisory Board:

Deutsche Hyp Deutsche Hypothekbank

Frankfurt-Hamburg AG

ERGO Versicherungsgruppe AG

Goldschmidt AG

Board of Directors:

Kühne & Nagel International AG

Group Mandates Supervisory Board

(until December 31, 2001)

Hapag-Lloyd Container-Linie GmbH (Chairman)

Pracht Spedition + Logistik GmbH

VTG-LEHNKERING AG (Chairman)

Group Mandates Conseil de Surveillance

(until December 31, 2001):

ALGECO S.A.

# Mandates

## Executive Board

### Dr. Thomas Middelhoff

Chairman

Group Mandates Chairman of the Board of Directors:  
Bertelsmann Inc.

Group Mandates Board of Directors:  
RTL Group S.A.

Group Mandates Advisory Committee:  
Bertelsmann Ventures L.P.

### Dr. Arnold Bahlmann

#### Dr. Klaus Eierhoff

Group Mandates Supervisory Board:  
bol.com AG (Chairman)  
Donauland – Geschäftsführungsgesellschaft mbH (Chairman)  
ECl voor boeken en platen B.V. (Chairman)  
Pixelpark AG (Chairman)  
(until December 10, 2001)

Group Mandates Board of Directors:  
Barnes & Nobles.com  
BOOKSPAN  
Shanghai Bertelsmann Culture Industry Co. Ltd. (Vice-Chairman)

External Mandates Board of Directors:  
DealTime Ltd.

### Dr. Bernd Kundrun

Group Mandates Supervisory Board:  
Gruner + Jahr Holding AG (Chairman)  
News Networkworld Internetservice AG (Chairman)  
President, CEO and Chairman of the Board of Gruner + Jahr USA Group Inc.  
Sole Director of Stern Magazine Corporation

### Dr. Siegfried Luther

Group Mandates Supervisory Board:  
Druck- und Verlagshaus Gruner + Jahr AG  
Lycos Europe N.V.  
RTL Group S.A.  
Springer Verlag GmbH & Co. KG  
Group Mandates Board of Directors:  
Bertelsmann Inc.

### Peter Olson, J.D./MBA

Group Mandates Board of Directors:  
Bertelsmann Inc.  
Random House, Inc. (Chairman)  
Random House Direct, Inc.  
Random House TPR, Inc.

### Hartmut Ostrowski

(Deputy Member since October 1, 2001)  
Group Mandates Supervisory Board:  
Webmiles AG  
Group Mandates Board of Directors:  
Bertelsmann Services Inc.

### Rolf Schmidt-Holtz

Group Mandates Supervisory Board:  
Druck- und Verlagshaus Gruner + Jahr AG  
RTL Group S.A.  
Zomba Record Holdings B.V.  
Group Mandates Board of Directors:  
Ariola Eurodisc, Inc.  
Arista Records, Inc.  
Bad Girlz 4 Life LLC  
Bertelsmann Music Group, Inc.  
Bertelsmann TJS, Inc.  
BMG Australia Limited  
BMG Songs, Inc.  
BMG Music  
BMG New Zealand Limited  
BMG Special Products, Inc.  
Careers-BMG Music Publishing, Inc.  
Zomba Enterprises, Inc.  
Zomba Music Publishers Limited  
Zomba Recording Corporation  
Zomba Records Ltd.

### Dr. Gunther Thielen

Group Mandates Supervisory Board:  
Printer Colombiana S.A.  
Group Mandates Board of Directors:  
Bertelsmann Holding Spain, S.A. (Chairman)  
Cobrhi, S.A. (Chairman)  
Eurohueco, S.A. (Chairman)  
Istituto Italiano d'Arti Grafiche S.p.A. (Chairman)  
maul + co – Chr. Belser GmbH  
Novo Sistema Actuaciones y Servicios, S.L. (Chairman)  
Printer Industria Gráfica, S.A. (Chairman)  
Rotedic, S.A. (Chairman)

Group Mandates Board of Directors:  
Berryville Graphics, Inc.  
Coral Graphic Services, Inc.  
Coral Graphic Services of Virginia, Inc.  
Dynamic Graphic Finishing, Inc.  
Offset Paperback MFRS., Inc.  
Stampers, LTD.

External Mandates Supervisory Board:  
KarstadtQuelle AG

Group Mandates Board of Directors:  
Hannover'sche Leben  
Saarländische Landesbank

### Dr. Ewald Walgenbach

(since February 6, 2002)  
Group Mandates Board of Directors:  
CLT-UFA Los Angeles Inc.  
CLT-UFA S.A. (Executive Director)  
CLT-UFA UK Television Ltd.  
Delux Productions S.A.  
Ediradio S.A.  
International Film Productions (IFP) S.A.  
IP Deutschland GmbH (Advisory Council)  
IP Medien GmbH  
Métropole Television S.A.  
RTL De Holland Media Groep (HMG) S.A.  
RTL Group S.A. (Executive Director)  
RTL New Media GmbH  
RTL Plus S.A.  
RTL Television GmbH (Chairman)  
SPORTFIVE S.A.  
Studio Luxembourg S.A.

## Our Mission

■ Bertelsmann is the most international of all media companies. Our passion is to provide new inspiration for people – day by day. Throughout the enterprise, our focus is on content, creativity and customers, and we strive to be leaders in the markets we serve. As an integrated media corporation, our goal is to achieve respect and renown worldwide. Bertelsmann is *the* home for creatives, a company that gives its artists and entrepreneurs every scope for developing and establishing own thoughts and ideas. At Bertelsmann, equal importance is given to continuity on one hand and to the capacity for change and evolution on the other. We strive to provide a working environment that is both equitable and motivating.

We seek to engage in dialog with all who have an interest in Bertelsmann. We would like to provide you with the best information possible on the Bertelsmann organization – from late-breaking news to insightful commentary. We invite inquiries or comments by e-mail, postal mail, or telephone. We look forward to hearing from you!

■ Current information on Bertelsmann is available at:

[www.bertelsmann.com](http://www.bertelsmann.com)

■ For further information please contact:

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**Corporate Communications/Media Relations**  
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## Imprint

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<b>Printed by</b>	MOHN Media · Mohndruck GmbH, Gütersloh, Germany

2001

International Accounting Standards

Revenues in Millions of €

Total Revenue Share by Division, in percent