### Bertelsmann Financial Highlights

#### Group Development

<table>
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<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>20,036</td>
<td>16,524</td>
<td>13,289</td>
<td>11,738</td>
<td>11,460</td>
</tr>
<tr>
<td>Cash flow</td>
<td>663</td>
<td>1,317</td>
<td>924</td>
<td>962</td>
<td>990</td>
</tr>
<tr>
<td>Investments</td>
<td>3,268</td>
<td>2,049</td>
<td>2,398</td>
<td>726</td>
<td>1,378</td>
</tr>
<tr>
<td>Results from ordinary business activities</td>
<td>2,292</td>
<td>1,100</td>
<td>897</td>
<td>840</td>
<td>786</td>
</tr>
<tr>
<td>Net income after tax</td>
<td>970</td>
<td>672</td>
<td>465</td>
<td>573</td>
<td>523</td>
</tr>
<tr>
<td>Total assets</td>
<td>17,551</td>
<td>14,692</td>
<td>10,070</td>
<td>7,041</td>
<td>6,931</td>
</tr>
<tr>
<td>Personnel costs</td>
<td>4,782</td>
<td>3,755</td>
<td>3,201</td>
<td>2,752</td>
<td>2,605</td>
</tr>
</tbody>
</table>

#### Employees (as of June 30, 2001)

<table>
<thead>
<tr>
<th></th>
<th>Germany (in millions)</th>
<th>Other countries (in millions)</th>
<th>Total (in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>32,143</td>
<td>45,273</td>
<td>76,257</td>
</tr>
<tr>
<td>Other countries</td>
<td>50,019</td>
<td>39,802</td>
<td>82,162</td>
</tr>
</tbody>
</table>

#### Stockholders’ Equity

<table>
<thead>
<tr>
<th></th>
<th>Bertelsmann Foundation 71.2%</th>
<th>Mohn Family 21.4%</th>
<th>ZEIT Foundation 74%</th>
<th>Capital stock</th>
<th>Retained earnings</th>
<th>Profit participation certificates</th>
<th>Minority interests</th>
<th>Stockholders’ equity</th>
<th>As percent of total assets</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>330</td>
<td>99</td>
<td>34</td>
<td>463</td>
<td>1,456</td>
<td>706</td>
<td>1,876</td>
<td>4,501</td>
<td>26</td>
</tr>
</tbody>
</table>

|                              | 330                           | 99                | 51                 | 480           | 1,212             | 687                               | 458                 | 2,734                 | 25                       |

#### Net Income

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Net income</td>
<td>970</td>
<td>672</td>
<td>465</td>
<td>573</td>
<td>523</td>
</tr>
<tr>
<td>To shareholders</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends paid</td>
<td>50</td>
<td>88</td>
<td>68</td>
<td>61</td>
<td>60</td>
</tr>
<tr>
<td>Change in retained earnings</td>
<td>641</td>
<td>265</td>
<td>189</td>
<td>305</td>
<td>277</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>To minority interests</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit participation dividends (18.51%)</td>
<td>184</td>
<td>243</td>
<td>132</td>
<td>133</td>
<td>114</td>
</tr>
<tr>
<td>Employee profit sharing (offset in net income)</td>
<td>95</td>
<td>76</td>
<td>76</td>
<td>74</td>
<td>72</td>
</tr>
<tr>
<td></td>
<td></td>
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</tbody>
</table>
Annual Report
July 1, 2000 to June 30, 2001
In a few minutes we will be landing in New York following a flight I make every couple of weeks. Nothing out of the ordinary in the trip itself, and yet everything's different this time. As I write this, it is only a week since September 11, but it is still impossible to find words to express the extent of the tragedy of the attacks on the World Trade Center and the Pentagon.

Every member of the Bertelsmann family throughout the world has been concerned about the well-being of our 9,000 employees in Manhattan. Are they safe and sound?

The news of the attacks reached me as I gave a report to our staff in Gütersloh on Bertelsmann's current status. My secretary came up on stage and handed me a note. I read aloud the words on the slip of paper and the room filled with horror and shock. In the next hours we realized the extent of the catastrophe and set up task forces in Gütersloh and New York to do what we could to help. We passed an Executive Board resolution to make a donation to the people left behind by the firefighters, police and rescue workers who died in the line of duty. Hundreds of staff members sent e-mails to ask how they could help. Berlin’s Elsnerdruck made a spontaneous donation of DM 10,000 – funds originally earmarked for a company party. Offers of aid reached Gütersloh from throughout the Bertelsmann world. The wave of solidarity that rolled through our entire organization was simply indescribable. People reached out to one another across country and company borders. Reflecting now, I see this as an expression of a strong corporate culture of which we are all extremely proud.

The e-mails I received included one sentence more often than any other: “I am proud to work for this company!”

On this trip, my plane lands in White Plains, a dozen miles north of New York City, because JFK is still closed. On the way to our corporate offices in Times Square, I recall an e-mail I received from Marvelevne Lindsay of Sonopress in Weaverville. She wrote: “This attack is an attack on us all.” It is a sentiment echoed by everyone I spoke to at our New York headquarters. Even today the shock of September 11 remains beyond belief and I sense that people are more determined than ever not to let hate and violence prevail. We are more aware than ever of the responsibilities of Bertelsmann as a media enterprise active in 56 countries, and our divisions have taken the lead in organizing a campaign with a clear theme: “For Freedom and Humanity – Against Hatred and Terror.”
Despite our grief, we still must focus on our jobs and continue to run our businesses. Otherwise, we would concede victory to the terrorists. We fully concur with New York’s Mayor Rudolph Giuliani, who spoke for so many when he vowed not to let this terrible event defeat our spirit ...

I’m writing now on a trip to our most important cities – Hamburg and Munich via Gütersloh, with further stops planned in London, Barcelona, Paris, and back to New York – where I will deliver reports on the state of our company. It’s our first opportunity to make these reports on an international scale, and people are highly interested in what we have to say! In the course of this tour I will get the chance to speak in person to more than 12,000 of our 82,000 employees. It is important to me to bring everyone the same message and to hear what people working for Bertelsmann worldwide think of the progress we are making. The global networking of our divisions and companies and a broad exchange of information have never been more critical for our success. Only in this way can we take full advantage of our strengths and meet changing customer demands.

The list of updates is long. One deals with the Bertelsmann Excellence Initiative designed to improve our work processes and hit ambitious financial targets. I also have information on the rebirth and comprehensive restructuring of BMG, the club business turnaround and our corporate performance. All of this is primarily due to the hard work of the employees with whom I am speaking. Bertelsmann has developed significantly and posted record results despite these turbulent times and adverse economic conditions. Revenue was up 21 percent to € 20 billion and earnings (before interest, taxes and amortization) surged 79 percent to € 3.17 billion.

Over the past three years, we have nearly doubled revenue and more than tripled our profit. I relate one impressive fact that seems characteristic of the phenomenal transition we have gone through: half of our corporate value comes from businesses that didn’t even exist before 1995! Our employees are surprised by this and applaud our remarkable feat. The incredible dynamism of the media industry is thrilling and exciting again and again!
At the same time, we continued to focus on our traditional strengths: Bertelsmann has become a global player in the content field. Whereas content accounted for 30 percent of consolidated revenue in 1985, it contributes over 60 percent today – and the trend is upward. In the last few years, Bertelsmann has invested some €3 billion in content businesses! From print, music, film and TV to videos and DVDs, Bertelsmann has gathered the entire range of content formats under a single roof. This has taken us a major step closer to achieving our goal of becoming an integrated media powerhouse. On the one hand, we generate compelling content and provide an environment in which talent can blossom, while on the other we maintain strong bonds of trust with our customers, club members and subscribers.

Acquiring the majority of RTL Group enabled us to strengthen our position as the driving force in the broadcasting industry, the key market of the future. Our television operations form the strategic and commercial spearhead of our organization. The RTL acquisition was an historic landmark for Bertelsmann. Both Reinhard Mohn and I share the belief that it will have a lasting importance for our company. Once again, I was impressed by how open Reinhard has been to thinking in entirely new directions and his willingness to put the status quo to the test. We acquired the additional stake in RTL through a stock swap with Groupe Bruxelles Lambert (GBL). In exchange, GBL obtained a 25.1 percent interest in Bertelsmann AG, 0.1 percent of which was in the form of non-voting stock. GBL has the option of making a public offering of these Bertelsmann shares in three to four years. An IPO subjects us to additional external controls, which we believe is a positive. Going public will motivate us to work even more efficiently and focus on our targets with even more accuracy. It is against this backdrop that we are making preparations for public trading of our stock by changing our economic measurement controls, switching from the present fiscal year to a calendar year, and establishing an investor relations department. These changes have made us a great deal more transparent even now.

Speaking of stock exchanges: We have all been aware of the difficult plight of the New Economy on stock markets worldwide and have heard pronouncements of the “End of the Internet Dream.” I don’t agree. I am convinced that for the media industry the dreams have already come true. The Internet is crucial to the survival of media enterprises today. Regardless of the standing the New Economy enjoys on the world’s stock markets, the Internet has become part of day-to-day activity of all our divisions. With our e-commerce operations and Web offerings – along with our partners – we reach 41 million unique visitors per month (as of June 2001). Together with AOL Time Warner, we are far ahead of all our competitors.
Let me give you some examples: The DirectGroup is re-energizing our tradition-rich club business through its purposeful blending of on- and offline activities. Customers are now able to access products through virtually any conceivable channel. The combination of the online music vendor CDNOW and the music club BMG Music Service has resulted in the world’s largest music distribution company, BeMusic. Bertelsmann-Springer accomplished an outstanding feat by making its specialized magazines available online. About three fourths of the books that make up Random House’s inventory have been digitized in anticipation of sale in e-book and print-on-demand formats. RTL Group ranks among the leading European online players. By efficiently linking its TV and radio businesses to its program production and Web-based operations, RTL Group has strengthened its broadcasters and branded programs, and leveraged the group’s vastly diverse synergistic and cross-promotional potential.

We began to reap the rewards of cyberspace earlier than most of our competitors. We have gained experience and created real value. Our approach is crystal-clear: e-commerce with media products is our commercial focus, not the Internet access business. Colloquially speaking, we provide the juice, not the straws. As part of this strategy we have integrated the Internet into all of our core businesses and established a diverse array of e-commerce operations. Likewise, we withdrew from the AOL Europe joint venture and the network company mediaWays when market capitalization of these enterprises peaked. We gained expertise and accumulated financial resources that can now be used to invest in our core businesses and to develop new, competitive Internet activities.

One such opportunity is file sharing, a technology that will become an integral component of the future media landscape. Our strategic partnership with Napster has given us an important lead. People who have a passion for music, books and movies have always wanted to share their interests with others. Digitization has made this much easier to do. It’s as simple as a click of the mouse. My son Frederik can’t imagine what the world would be without digital files. I told him my vision of the future: everyone will have a digital media center on the Net – something like a digital locker for storing one’s collection of digital music, movies and books. This will give people access to their media centers anytime, anywhere. Frederik thinks this is “really cool.” So do I.
By the way, another “cool” thing is the new outward appearance that we took on in July. From Gütersloh to New York to Shanghai, Bertelsmann now presents itself in a fresh, blue-and-orange outfit that signifies quality and excellence. The unveiling of our new look also marked the start of a comprehensive corporate branding process with which we hope to sharpen the organization’s profile with a view to strengthening Bertelsmann as an umbrella brand. We need to differentiate ourselves, especially in the personnel and financial markets.

This was also a topic of the “Content Meets Marketing” conference organized by Bertelsmann University in New York. More than 300 participants discussed how to leverage the power of our strong brands across all platforms. We identified group-wide synergies and elaborated on how best to utilize them. Founded just a year ago, the Bertelsmann Content Network has already given its support to many projects and now functions as a catalyst for cooperation among our divisions. Also novel is the Marketing Synergy Committee, which implements the networking of our content brands in cross-promotion and cross-selling activities.

My long trip behind me, I find that exciting news awaits me on my return to Gütersloh: We have shipped 50,000 PCs as part of the “PC/WEB OFFER FOR ALL” program. Now, that’s truly awesome! Bertelsmann provided any employee anywhere in the world that signed up for the program, free of charge, with a high-quality PC package that includes Internet access. The most creative thank-you we received came from Offset Paperback Manufacturers in Dallas, Pennsylvania, where more than 900 employees signed a billboard-sized card with the words: “We are grateful and excited about the opportunity to enter the digital world.” Their message reflects our corporate culture’s spirit of partnership.

This year we put a great deal of effort into nurturing our unique culture. In fact, I think we did more to advance it than ever before. Last year one of my personal goals was to introduce profit-sharing schemes for our worldwide workforce. We got off to a successful start in Europe. Next up is the United States, a process we will begin in the next few months.

We are always seeking ways for all our employees to feel involved and that they belong and they can make a difference. BeNet, our bilingual corporate-wide Intranet, is a prime example of our desire to make it easier for employees to engage in the internal exchange of ideas.
Our first large-scale Human Resources image campaign addresses the advantages of our corporate culture, and this message is apparently well received by potential employees. According to recent surveys, Bertelsmann is regarded as a most attractive employer by high potentials and young professionals. One illustration of this came in a letter we received from a promising applicant to our corporate strategy unit. She wrote: “Bertelsmann’s culture is truly unique. Anyone who has his or her own ideas simply has to be excited by a company that gives you entrepreneurial leeway in such an innovative environment.”

This annual report confirms that fiscal 2000/01 was a successful year for us overall. I want to express my thanks to all the employees who contributed to this accomplishment through their commitment and hard work.

New additions to the Executive Board are: Arnold Bahlmann, who assumed direction of the newly created Bertelsmann Capital division; and Peter Olson, who was put in charge of our entire portfolio of book publishers as of April. Rolf Schmidt-Holtz inherits the ambitious legacy Rudi Gassner left behind as Chairman and CEO of BMG on his sudden and unexpected passing last December. The death of Rudi Gassner is a huge loss for us – it takes from our midst a wonderful human being and an excellent entrepreneur.

Joel Klein has been at the helm of Bertelsmann Inc. in the United States since February. Thanks to our highly competent international team, we are optimally equipped to meet the challenges that lie ahead of us.

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

Dr. Thomas Middelhoff

Member of the Executive Board of Bertelsmann AG since January 1, 2000; Chairman and CEO of Bertelsmann Capital, Munich and New York

Dr. Klaus Eierhoff

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 January 1, 2001; Chairman and CEO of Bertelsmann Capital, Munich and New York

Dr. Arnold Bahlmann

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 since July 1, 1990; Chief Financial Officer and Head of the Corporate Center of Bertelsmann AG, Gütersloh
Letter from the Chairman

Executive Board

High Speed, High Trust – Bertelsmann in Transition

Gerd Schulte-Hillen
Deputy Chairman of the Executive Board of Bertelsmann AG and Chairman and CEO of Gruner + Jahr AG until October 31, 2000, Hamburg

Dr. Michael Dornemann
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

Frank Wössner
Member of the Executive Board of Bertelsmann AG and Chairman and CEO of Bertelsmann Buch AG until March 31, 2001, Gütersloh and Munich

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

Member of the Executive Board of Bertelsmann AG since July 1, 2000; Chairman and CEO of Bertelsmann Arvato AG, Gütersloh

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

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

Hartmut Ostrowski

Peter Olson, J.D./MBA

Rolf Schmidt-Holtz

Dr. Gunter Thielen

Hartmut Ostrowski

Dr. Michael Domemann

Member of the Executive Board of Bertelsmann AG until December 31, 2000 and Chairman of Bertelsmann Music Group (BMG) until March 31, 2001, New York

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

Member of the Executive Board of Bertelsmann AG and Chairman and CEO of Bertelsmann Buch AG until March 31, 2001, Gütersloh and Munich

Member of the Executive Board of Bertelsmann AG and Chairman of Bertelsmann Music Group (BMG) until March 31, 2001, New York
Status Report

Consolidated Bertelsmann revenues in fiscal year 2000/01 increased by 21 percent to € 20.0 billion (previous year: € 16.5 billion). The proportion of revenues generated in Germany, the remaining European countries and the United States was approximately equal. Earnings before interest, taxes and amortization (EBITA) rose 79 percent to € 3.17 billion, while net income increased 44 percent to € 970 million. At the end of the fiscal year, the Group employed 82,162 people, an increase of 5,905 from the previous fiscal year.

The first-time full-year consolidation of the RTL Group resulted in a revenue increase of € 1.4 billion, while acquisitions also contributed € 1.4 billion and currency exchange effects accounted for € 0.7 billion in revenue growth. Lower revenues at BMG offset organic growth at other divisions including the RTL Group, the Arvato Services Group and Random House. Total assets increased to € 17.6 billion, a 20 percent increase over the previous year. At € 3.27 billion, investments reached an all-time high (previous year: € 2.05 billion).

<table>
<thead>
<tr>
<th>Revenues by Division</th>
<th>2000/01</th>
<th>Total Change</th>
<th>2000/01</th>
<th>Germany Change</th>
<th>2000/01</th>
<th>International Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>RTL Group</td>
<td>4,079</td>
<td>2,414</td>
<td>2,155</td>
<td>1,075</td>
<td>1,924</td>
<td>1,339</td>
</tr>
<tr>
<td>Random House</td>
<td>2,074</td>
<td>176</td>
<td>177</td>
<td>(1)</td>
<td>1,897</td>
<td>177</td>
</tr>
<tr>
<td>Gruner + Jahr</td>
<td>3,027</td>
<td>96</td>
<td>1,185</td>
<td>(40)</td>
<td>1,842</td>
<td>136</td>
</tr>
<tr>
<td>BMG</td>
<td>3,664</td>
<td>(302)</td>
<td>428</td>
<td>(54)</td>
<td>3,236</td>
<td>(248)</td>
</tr>
<tr>
<td>BertelsmannSpringer</td>
<td>749</td>
<td>65</td>
<td>395</td>
<td>8</td>
<td>354</td>
<td>57</td>
</tr>
<tr>
<td>Arvato</td>
<td>2,992</td>
<td>437</td>
<td>1,575</td>
<td>124</td>
<td>1,417</td>
<td>313</td>
</tr>
<tr>
<td>DirectGroup</td>
<td>3,767</td>
<td>591</td>
<td>484</td>
<td>16</td>
<td>3,283</td>
<td>575</td>
</tr>
<tr>
<td>Total revenues</td>
<td>20,352</td>
<td>3,477</td>
<td>6,399</td>
<td>1,128</td>
<td>13,953</td>
<td>2,349</td>
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<tr>
<td>Other</td>
<td>406</td>
<td>151</td>
<td>126</td>
<td>28</td>
<td>280</td>
<td>123</td>
</tr>
<tr>
<td>Intercompany sales</td>
<td>(722)</td>
<td>(116)</td>
<td>(386)</td>
<td>(69)</td>
<td>(336)</td>
<td>(47)</td>
</tr>
<tr>
<td>Consolidated revenues</td>
<td>20,036</td>
<td>3,512</td>
<td>6,139</td>
<td>1,087</td>
<td>13,897</td>
<td>2,425</td>
</tr>
</tbody>
</table>
RTL Group, with 23 TV channels and 17 radio stations in ten countries, achieved revenues of €4.1 billion (previous year: €1.7 billion; six-month consolidation). Including the takeover of FremantleMedia (formerly Pearson TV), RTL's revenues rose by 32.4 percent in Bertelsmann's FY 2000/01 as calculated for the full 12 months. The division's major broadcasters were able to defend their market-leading positions in audience and advertising shares. Meanwhile, the publicly traded company extended its strong market presence in the production and sports rights licensing sectors. Series, shows and other productions were sold to more than 100 countries.

Random House extended its position as the world's leading trade book publisher. Despite stagnating book markets in the U.S. and Germany, Random House revenues increased by 9.3 percent to €2.1 billion (comparable previous year's figure: €1.9 billion). In the previous fiscal year, Bertelsmann's book ventures did business as Buch AG and included not only the trade publishers but also the clubs, which were subsequently assigned to DirectGroup Bertelsmann. This year, Random House publishers released approximately 8,000 new publications, received numerous literary awards and achieved an unprecedented number of bestsellers.

Gruner + Jahr, Europe's largest magazine publisher, increased its revenues by 3.3 percent to €3.0 billion (previous year: €2.9 billion), despite a steep decline in advertising during the second half of the year. Successful magazine concepts were extended through further internationalization (Capital in Spain, National Geographic in the Netherlands, Gala in Russia and Poland). With the acquisition of the business titles Inc. and Fast Company, Gruner +Jahr has become one of the top five magazine publishers in the U.S. The flagship magazine Stern, extended its leading position as the highest circulation weekly magazine in Germany; the Financial Times Deutschland daily, launched in Spring 2000, has become well established in its market.
Bertelsmann Music Group (BMG) looks back on a year of new beginnings. A difficult market environment, plus structural weaknesses long obscured by market successes, caused revenues to decline by 7.6 percent to € 3.7 billion (previous year: € 4.0 billion). A new executive team has reorganized BMG’s structure and fields of business to enable the company to focus on its core competencies: developing artists and selling music. The music clubs became part of DirectGroup Bertelsmann, while the Storage Media division was assigned to the media service provider Arvato as of the end of the fiscal year. During the period under review, BMG artists placed numerous recordings in the charts and won more than 100 awards; 16 performers individually sold more than one million albums.

BertelsmannSpringer, our specialized publishing division, has strengthened its position as the unchallenged leader in Germany, and as one of the leading international providers of scientific and professional literature. Following the successful integration of the Springer-Verlag scientific publishing company, the emphasis during the past fiscal year was on boosting the efficiency of the core businesses and on realigning the company’s online activities. Revenues grew by 9.5 percent to € 749 million (previous year: € 684 million).

Arvato reported a significant increase in revenues and international expansion, proof of the growing demand for networked media services. Revenues from logistics ventures, customer care operations for major international clients and printing operations were up by 17.1 percent to € 3.0 billion (previous year: € 2.5 billion). The focus has been on continued internationalization with new sites in Great Britain, the Netherlands, Singapore, Australia and India, as well as the steady expansion of activities in France.

DirectGroup, a newly created division that bundles our direct-to-customer businesses, includes Bertelsmann’s book clubs, music clubs and e-commerce activities. The book clubs are currently being upgraded with modern IT systems and the music clubs have benefited from the acquisition in the U.S. of the online music vendor CDNOW. Together, the music clubs and CDNOW constitute the world’s biggest music retailer, BeMusic. Revenues generated by DirectGroup companies, including all e-commerce ventures (notably BOL), were up by 18.6 percent to € 3.8 billion (previous year: € 3.2 billion).
Revenues generated by Bertelsmann companies outside Germany rose by 21 percent to €13.9 billion. As in the previous year, they represented 69.4 percent of Bertelsmann’s aggregate revenues, which also rose by 21 percent. There was particularly marked revenue growth of 33 percent in the other European countries, which was primarily attributable to the merger with Pearson TV in Great Britain and the first-time full-year consolidation of the RTL Group.

As a result of high capital gains, earnings before interest, taxes and amortization amounted to €3.17 billion. This represented an increase of €1.40 billion or 79 percent above the previous year’s profit of €1.77 billion. At €1.21 billion, the divisional result (EBITA) – i.e. ongoing operating results before Internet businesses and positive/negative one-time items – nearly reached the previous year’s level of €1.25 billion. Net income improved by €298 million or 44 percent to €970 million (previous year: €672 million). At €1.32 billion (previous year: €428 million), income tax increased, both in absolute terms and in terms of the tax rate. This rate increased to 57.7 percent (previous year: 38.9 percent). This is due to the fact that capital gains are fully taxable and that tax loss carry forwards, especially in the United States, were built up. Given the record level of investment, net interest surged to minus €313 million (previous year: minus €211 million), while amortization of goodwill and similar assets rose to €562 million (previous year: €459 million).

RTL Group achieved record divisional earnings of €537 million (previous year: €357 million; fully consolidated as of January 1, 2000). This was attributable chiefly to the economic successes of RTL Television in Germany and France’s M6 channel, and to the increase in market share achieved by the division’s core markets in Germany and France.

Random House book publishing division showed a disproportionate growth in earnings, to €180 million (comparable previous year’s figure: €95 million). This was achieved primarily through operating improvements in English-language publishing and the successful integration of the book publishing businesses.

Gruner + Jahr registered economic and publishing successes that were offset by weak advertising markets, a steep increase in paper prices and publishing investments (primarily in the U.S.). These factors brought divisional earnings down to €294 million (previous year:
€ 384 million). However, Gruner + Jahr contributed the second-largest share of profits to consolidated divisional results.

**BMG** earnings reflect not only the overall weakness in the music market, but also weaknesses in the company’s development in recent years. Operating income was minus

<table>
<thead>
<tr>
<th>Analysis of Net Income</th>
<th>€ in millions</th>
<th>2000/01</th>
<th>1999/00</th>
</tr>
</thead>
<tbody>
<tr>
<td>RTL Group</td>
<td></td>
<td>537</td>
<td>357</td>
</tr>
<tr>
<td>Random House</td>
<td></td>
<td>180</td>
<td>95</td>
</tr>
<tr>
<td>Gruner + Jahr</td>
<td></td>
<td>294</td>
<td>384</td>
</tr>
<tr>
<td>BMG</td>
<td></td>
<td>(6)</td>
<td>223</td>
</tr>
<tr>
<td>BertelsmannSpringer</td>
<td></td>
<td>68</td>
<td>64</td>
</tr>
<tr>
<td>Arvato</td>
<td></td>
<td>187</td>
<td>174</td>
</tr>
<tr>
<td>DirectGroup</td>
<td></td>
<td>(53)</td>
<td>(52)</td>
</tr>
<tr>
<td><strong>Divisional earnings before interest, taxes and amortization (EBITA)</strong></td>
<td></td>
<td>$1,207$</td>
<td>$1,245$</td>
</tr>
<tr>
<td>Corporate items</td>
<td></td>
<td>(115)</td>
<td>(50)</td>
</tr>
<tr>
<td>One-time charges</td>
<td></td>
<td>(538)</td>
<td>0</td>
</tr>
<tr>
<td>Internet start-up losses</td>
<td></td>
<td>(890)</td>
<td>(261)</td>
</tr>
<tr>
<td>Capital gains</td>
<td></td>
<td>3,503</td>
<td>836</td>
</tr>
<tr>
<td><strong>Earnings before interest, taxes and amortization</strong></td>
<td></td>
<td>$3,167$</td>
<td>$1,770$</td>
</tr>
<tr>
<td>Goodwill amortization</td>
<td></td>
<td>(562)</td>
<td>(459)</td>
</tr>
<tr>
<td>Net interests without yields of operations</td>
<td></td>
<td>(313)</td>
<td>(211)</td>
</tr>
<tr>
<td><strong>Results from ordinary business activities</strong></td>
<td></td>
<td>$2,292$</td>
<td>$1,100$</td>
</tr>
<tr>
<td>Income taxes</td>
<td></td>
<td>(1,322)</td>
<td>(428)</td>
</tr>
<tr>
<td><strong>Consolidated net income</strong></td>
<td></td>
<td>$970$</td>
<td>$672$</td>
</tr>
</tbody>
</table>
€ 6 million (previous year: plus € 223 million). During the new fiscal year, the new management team will use the streamlined structure to ensure a return to profitability.

BertelsmannSpringer recorded earnings of € 68 million, which puts it above the previous year (€ 64 million) and was primarily due to successes in science publishing. The science publisher Springer-Verlag alone increased operating income by 40 percent as a result of an increase in its range of biomedicine, mathematics and computer sciences titles, sales growth in the U.S. and tight cost management.

Arvato increased earnings to € 187 million (previous year: € 174 million). This growth was generated primarily by the dynamic and increasingly international business of the Services Group.

DirectGroup, excluding Internet businesses, posted negative earnings of € 53 million (previous year: minus € 52 million). Innovations such as special-interest clubs, conversion to a modern IT system and a multi-channel strategy in media distribution promise a return to positive results in the future.

All Bertelsmann divisions have now integrated the Internet into their activities. In the period under review, start-up losses incurred by various Internet ventures totaled € 890 million (previous year’s multimedia expenditures: € 261 million) and have reached their peak. Of this total, the RTL Group accounts for € 51 million; Random House € 19 million; Gruner + Jahr € 98 million; BMG € 21 million; BertelsmannSpringer € 18 million; Arvato € 44 million and the DirectGroup, which consolidates all of Bertelsmann’s e-commerce businesses, € 500 million. The Corporate Center, which includes Bertelsmann’s venture-capital activities and Lycos Europe holdings, accounted for an additional € 139 million.

A number of measures, including the integration of online media seller BOL into the book clubs, CDNOW into the music clubs as well as RTL New Media’s increasing success in the market are expected to reduce start-up losses considerably in the new fiscal year.
Bertelsmann realized capital gains of €3.2 billion from the sale of the Internet network and services provider mediaWays to Telefónica, and the partial sale of holdings in AOL Europe. Under the terms of the agreement, the remainder of the selling price is to be paid in the year 2002. In all, the capital gains realized during the period under review total €3.5 billion (previous year: €836 million).

One-time expenditures of €538 million were largely comprised of costs for restructuring BMG (€288 million) and corporate activities such as the Bertelsmann Content Network and Bertelsmann Capital, expenses associated with the group-wide “PC/WEB OFFER FOR ALL” campaign (free computers and Internet access for all employees) and Bertelsmann’s EXPO presence (total corporate expenditure: €125 million). This amount also includes restructuring costs within the DirectGroup, in particular a new IT system for the clubs (€103 million). The integration of FremantleMedia (formerly Pearson TV) into the RTL Group resulted in one-time expenses of €22 million.

In fiscal year 2000/01, Bertelsmann invested a record €3.27 billion, an increase of 59 percent above the previous year’s level of €2.05 billion. Of this, €1.84 billion was invested in acquisitions of holdings and financial assets, including Gruner + Jahr’s acquisition of magazines and the takeover of CDNOW in the United States, as well as the purchase of shares in Antena 3 in Spain. In addition €442 million was invested in intangible assets such as movie and publishing rights. Capital expenditures for tangible assets, including the modernization of operating facilities at Arvato and Gruner + Jahr, totaled €986 million.

Cash flow amounted to €663 million (previous year: €1.32 billion). This amount includes Internet start-up losses and many one-time items, but does not reflect gains realized from the sale of holdings in AOL Europe and mediaWays. Bertelsmann’s Executive Board acts on the principle of financing Internet start-up losses from capital gains realized on divestments in this area. Taking into account the change in net current assets, the outflow of funds for ongoing business activities amounted to €233 million.
Expenditures for investments reached an all-time high of €3.27 billion (previous year: €2.05 billion). At €4.42 billion, income from disposals of fixed assets increased significantly (previous year: €554 million). This is due primarily to proceeds from the sale of mediaWays and the partial sale of holdings in AOL Europe. Including these divestments, investment activities yielded cash flow totaling €1.15 billion (previous year: outflow of funds totaled €1.50 billion).

Cash flow finances the outflow of funds from ongoing business activity and dividend payouts, which totaled €375 million (previous year: €268 million). Financial debt was reduced by €238 million (previous year: increased by €814 million). Profit distribution to minority shareholders during the fiscal year amounted to €211 million (previous year: €124 million), dividends on profit participation certificates amounted to €76 million (previous year: €76 million) and payouts to shareholders reached €88 million (previous year: €68 million). The Bertelsmann Foundation received approximately 70 percent of the latter sum, corresponding to its shareholding in Bertelsmann AG.

<table>
<thead>
<tr>
<th>Consolidated Statement of Cash Flows</th>
<th>2000/01</th>
<th>1999/00</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash Flow</strong></td>
<td>663</td>
<td>1,317</td>
</tr>
<tr>
<td><strong>Net cash used/provided by operations</strong></td>
<td>(233)</td>
<td>1,291</td>
</tr>
<tr>
<td><strong>Net cash provided/used by investing activities</strong></td>
<td>1,146</td>
<td>(1,495)</td>
</tr>
<tr>
<td><strong>Net cash used/provided by financing activities</strong></td>
<td>(588)</td>
<td>500</td>
</tr>
<tr>
<td><strong>Change in cash and marketable securities</strong></td>
<td>325</td>
<td>296</td>
</tr>
<tr>
<td><strong>Cash and marketable securities at end of year</strong></td>
<td>825</td>
<td>494</td>
</tr>
<tr>
<td><strong>Net financial debt at end of year</strong></td>
<td>1,881</td>
<td>2,148</td>
</tr>
</tbody>
</table>

*The full consolidated statement of cash flows is found on page 73.*
At the end of the fiscal year, assets totaled €17.6 billion, which represented a 20 percent increase from the previous year (€14.7 billion). The principal factors behind this increase are acquisitions, the merger with FremantleMedia (formerly Pearson TV), currency exchange fluctuations and the increase in liquid assets. The assets structure, however, has changed only marginally. Stockholders’ equity increased by €863 million to €4.50 billion; the equity ratio rose to 25.6 percent (previous year: 24.8 percent). Financial debt was down by 3 percentage points to 15 percent of assets.

The Group’s financial objectives mainly relate to its capital structure and financial debt. At 25.6 percent, the equity ratio was above the target of 25 percent – despite the high growth in total assets.

Net of liquid funds, financial debt was reduced by 12 percent to €1.88 billion (previous year: €2.15 billion). In keeping with the Group’s defined targets, financial debt should not amount to more than 1.5 times the annual cash flow. This year’s cash flow is extraordinarily low since it includes Internet start-up losses and one-time expenditures while ignoring gains from divestments. Therefore, the financial debt payback factor, which is the ratio of net financial debt to cash flow, is for the moment above target at 2.8 years.

During 2000/01 the key economic indicators to assess the return on investment were changed from the past key indicators (which were the “operating results” and “total return on assets”) to EBITA (earnings before interest, taxes and amortization) and the Bertelsmann Value Added (BVA). The BVA is the difference between EBITA and the capital costs on invested capital, which is calculated at 15 percent. During the past fiscal year, Bertelsmann increased BVA to €1.3 billion (previous year: €550 million).
Bertelsmann Excellence Initiative (BEX)

Bertelsmann launched the Bertelsmann Excellence Initiative (BEX) as a long-term, group-wide program to improve all work processes. The benefits of increased cooperation, innovation, realization of synergies and process optimization are expected to be more attractive media products and services for customers. Bertelsmann will concentrate more than before on powerful brands and on meeting rapidly changing customer interests. Excellence in corporate management and performance is the goal. The BEX initiative is intended to raise the Group’s return on revenues to 10 percent within the next three years.

Employees

At the end of the fiscal year, the number of employees totaled 82,162, an increase of 5,905 or eight percent over the previous year’s figure of 76,257. Acquisitions and newly consolidated companies (including FremantleMedia, formerly Pearson TV) accounted for 3,861 new employees, while 2,044 new jobs were created by existing businesses. The media service provider Arvato (especially the Services Group) had the biggest increase, adding 1,791 new jobs during the period under review. At the end of the fiscal year, Bertelsmann had 784 trainees.

The Status of Bertelsmann AG

Bertelsmann AG is a management holding company without any operating business of its own. It has changed its fiscal year to the calendar year and therefore applied a stub period from July 1 to December 31, 2000. Certified financial statements were prepared as of December 31, 2000.

The AG’s major income items are the dividend payouts and proceeds from services provided for the subsidiaries. Total stockholders’ equity amounted to € 2.49 billion and is equivalent to 83 percent of the fixed assets.
In fiscal 1999/00, employees shared in the Group’s success through profit participation certificates (SIN 522 994) with a nominal value of approximately €11 million. The nominal value of profit participation capital rose to €516 million. Including the premium, profit participation capital amounted to €706 million as of June 30, 2001.

The return on total assets for fiscal 2000/01 was 17.51 percent. This percentage is calculated as the ratio of the Group’s income before income taxes, profit sharing disbursements in Germany and goodwill amortization to average total assets on the balance sheet. When the return on assets exceeds 16 percent, the payout, according to the conditions governing Profit Participation Certificates 1992, is one percentage point higher than the return on assets. This results in a dividend rate of 18.51 percent on the face value both for the new Profit Participation Certificates 2001 and for any Profit Participation Certificates 1992 that were not traded in. Profit Participation Certificate 2001 stipulates that the target dividend of 15 percent on the face value is paid out whenever the consolidated net income and Bertels-
mann AG’s net income are available in a sufficient amount. For fiscal years up to December 2002, owners of Profit Participation Certificates 2001 also will receive a dividend payout exceeding 15 percent when the conditions governing the previous profit participation certificates result in an accordingly higher dividend. Pursuant to the Profit Participation Certificate Terms & Conditions, the calculation of the dividend and the payout were reviewed and certified by the independent auditor.

Thus, the target dividend of 15 percent was exceeded for the first time since the profit participation certificates were introduced to the stock exchange in 1986. On October 16, 2001, the dividend paid out for both kinds of profit participation certificates totaled € 95 million.

Profit participation capital was converted from Deutschmark to the euro in the spring of 2001. Bertelsmann had offered owners the option of trading in their previous profit participation certificates for profit participation certificates with partially changed conditions. More than 90 percent of the owners took advantage of this offer. The reason for the change is that Bertelsmann AG introduced new key economic indicators on which profit participation certificate payouts are based.

**Risk Management**

The year under review saw a continuation of the process of integrating the extensive risk determination, assessment, control and monitoring systems already in place in the various divisions into a single, all-inclusive corporate system. The idea is that the new corporate system should continue to give representation to reporting structures that have changed due to restructuring measures. This circumstance in particular made it clear that the risk management system implemented by Bertelsmann AG is highly adaptable.

For Bertelsmann AG, risk management is not an end in itself. While maintaining our philosophy of corporate responsibility, we have begun work on establishing a permanent risk monitoring system based on specific key business indicators. In so doing, we are also striving to safeguard our corporate success in an increasingly difficult competitive environment. This requires proactive entrepreneurial decisions based on reliable information.
No changes were made year on year regarding Bertelsmann AG’s existing rotational risk reporting, which is based on the pyramid principle. Rather, during the year under review, the focus was on refining and perfecting existing structures.

During the fiscal year just ended, the existing risk management system was again reviewed extensively by the Bertelsmann AG Corporate Audit and Consulting Division and by the independent auditing company KPMG.

The following are risks identified as a result of the risk inventory: At BMG, the task ahead for the newly appointed executive team is to stabilize the business and solve structural problems. Management will also concentrate on measures to counteract increasing unauthorized digital distribution and piracy of its products.

The DirectGroup noted the continuing potential threat to the book club business of the negative trend in market developments (consumer behavior) and competition. The measures already taken are proving effective and management is giving top priority to this traditional line of business. DirectGroup management is also focused on the overall restructuring of online businesses and the integration of BOL into the book clubs, along with the introduction of a consistent member care system.

After the close of the fiscal year, Bertelsmann AG strengthened its book business. Random House and the magazine and book publisher Arnoldo Mondadori SpA (Milan) jointly established the Grupo Editorial Random House Mondadori Holding SL (RMH). Based in Barcelona, it is now the second biggest publisher of Spanish-language literature. EU antitrust authorities have approved the project.

Random House succeeded in a bidding competition for Golden Books Family Entertainment. However, authorization for this acquisition from regulators is still pending. Golden Books Family Entertainment is one of the leading U.S. children’s book publishers and has extensive rights to family entertainment properties (e.g. the rights to Lassie).
The BertelsmannDirect e-Commerce unit acquired Myplay, Inc. the digital music Locker offering customers a virtual, customized music archive on the Internet. Myplay was integrated into the music distribution company BeMusic, which also includes the online music vendor CDNOW and the music club BMG Music Service.

On July 1, 2001 Bertelsmann AG became the sole shareholder of the French book club France Loisirs, which previously was operated as a 50-50 joint venture with Vivendi Universal. In return, Vivendi Universal acquired Bertelsmann AG’s shares in the online music site Getmusic, formerly operated as a joint venture. In the clubs, the development of a new IT network was accelerated. It will give the book clubs a unified database system for targeted marketing management, which will be able to address customers individually.

In August, Whitney Houston, one of the biggest stars in pop music, extended her long-standing contract with the BMG Arista label. Random House publisher Alfred A. Knopf obtained the rights to the memoirs of former U.S. President Bill Clinton, scheduled for publication in 2003.

Bertelsmann AG plans to continue its growth as a major competitor in content businesses and to align its portfolio to changing conditions. The Group focus is on extending the content businesses, expanding the services sector and developing a multi-channel strategy. Other strategic priorities include exploiting synergies and improving operational excellence.

Bertelsmann AG is conducting its business in a difficult market environment. The economic repercussions of the terrorist attacks of September 11, 2001 are unforeseeable; particularly on the Christmas season buying that is so important for Bertelsmann AG companies, as well as on advertising spending. The development of the total results in the stub year also depends on the extent of extraordinary proceeds. During the stub year, the financial statements will be prepared, for the first time, in compliance with International Accounting Standards (IAS).
Bertelsmann is a media enterprise that values leadership in partnership, and puts a high premium on the internationalization of its corporate culture. During the year under review, the corporation introduced an entirely new approach to cultivating its corporate culture. Along with financial reporting, company managers are now required to report on activities and systems which were developed and introduced in the various companies to foster a corporate culture based on partnership. This new element will help highlight approaches developed in individual countries, allow for sharing experiences, and provide individual companies with feedback on how they are performing compared with the rest of the Group.

■■■

In 1977, Bertelsmann became one of the first German companies to introduce regular surveys of its employees. With careful attention to privacy and anonymity, the results are broken down by department and group for each company, and used to help find ways to improve. During the first half of 2001, the questionnaire was adapted for international use. This program involved 60 focus groups in ten countries and intensive expert assessment. During the second half of the year, 15 companies from all corporate divisions are implementing it in five countries. All of this is in preparation for Bertelsmann’s first worldwide employee survey, scheduled for autumn 2002.

A core element of Bertelsmann’s corporate culture is to permit all employees to share in the company’s profit and capital. This has now been achieved for more than half of all employees. Complying with tax and other regulations in the various countries in which we operate has proved to be a major challenge for this program.

During the year under review, our American companies BOOKSPAN and Random House either introduced a profit-sharing plan or defined the parameters for one. In 2001, most of Bertelsmann’s other American companies took the basic steps necessary to introduce such programs beginning in fiscal 2002.

■■■

Bertelsmann has offered all its employees a free PC with Internet access for their personal use. Computers were delivered during the year under review and in the second half of 2001. The campaign is intended to foster the use of PCs among employees and their families. It makes it easier for them to master Internet skills and promotes the use of the numerous new options for information and communication. As we go to print, more than 50,000 Bertelsmann employees in over 400 companies from some 30 countries have already received Web-enabled PCs.

The planet-b.net portal was created specifically as an entry point to the Internet for our employees as part of the “PC/WEB OFFER FOR ALL” program. It offers employees and their families information about Bertelsmann and our companies in five languages, along with free e-mail service, tutorials and links to other Bertelsmann websites. It also provides an easy way to submit suggestions for improvement. The portal passed its first critical test in the wake of the September 11 terrorist attacks in the U.S., when Bertelsmann employees all over the world sent e-mails through a special “planet B” forum expressing solidarity with their approx. 18,000 American colleagues, many of whom used the forum to write about their experiences.

Parallel to this, most employees in 40 different countries are now linked to “BeNet”, Bertelsmann’s international Intranet. “BeNet” has daily breaking news bulletins, access to facts about Bertelsmann, manuals, labor-management contracts, seminar schedules and service offers. Other elements include news on personnel
Finding and Nurturing Young Talent

One of Bertelsmann’s primary concerns is to recruit and nurture potential new talent. The Corporate Management Development offices in Gütersloh and New York support the recruiting process locally, especially through numerous events at colleges and universities. Bertelsmann is the first German company to offer the “Bachelor of International Management” program in cooperation with a German university. It incorporates professional training and an “Industrial Manager” degree. The company’s newly designed job and career website, myfuture.bertelsmann.de, and our innovative Internet job applicant management system “BeCruiter” are enjoying excellent response. The “Reinhard Mohn Fellowship,” set up by Bertelsmann on the occasion of Reinhard Mohn’s 80th birthday, provides talented, upcoming leaders from all sectors of society with new opportunities for learning by doing and gives them first-hand experiences in leadership, entrepreneurial action and social responsibility.

Number of Employees Rises to 82,162 - More Than 2,000 New Jobs

On June 30, 2001, Bertelsmann had 82,162 employees (previous year: 76,257). Net of newly acquired companies, we created 2,044 new jobs, a quarter of them in Germany. Most new jobs were created in the expanding services sector, but also in the content businesses of Gruner + Jahr, Random House and BertelsmannSpringer.

This report includes only selected aspects of our personnel-related activities in keeping with the scope of the annual report. The information serves as an example and is not intended to present a fully representative picture of developments unfolding in Bertelsmann companies.
A Powerful Broadcasting Throughout Europe.
Lineup Makes Us The Viewers’ Choice
Europe’s Market Leader in Popular Entertainment and Premium Quality Information

During fiscal 2000/01 Europe’s largest broadcaster and TV producer generated € 4.1 billion in revenue (previous year: € 1.7 billion, consolidated over six months). Revenue posted by RTL Group in the Bertelsmann fiscal year 2000/01 rose 32.4 percent. These figures, calculated on a 12-month basis, include the acquisition of FremantleMedia, formerly known as Pearson TV. RTL Group, Bertelsmann’s only publicly traded division, recorded an all-time high of € 537 million in EBITA (earnings before interest, taxes and amortization). The return on revenue was 13.2 percent. As of June 30, 2001, RTL Group employed 6,901 people.

Overview

Established in 2000, RTL Group operates in 10 European countries, the United States, Australia and South Africa. On April 7, 2000, the company’s shareholders announced the merger of CLT-UFA and Pearson TV and the formation of RTL Group. The EU Commission approved the merger on June 30, 2000. Since July 26, 2000, 10.3 percent of the new company’s share capital has been listed on the London Stock Exchange. RTL Group shares are also listed on the Brussels and Luxembourg stock exchanges. Television plays a pivotal role in the future strategy of Bertelsmann and consequently Bertelsmann raised its stake in RTL Group to 67 percent as of July 2, 2001. As a result of the transaction, which was accomplished through a stock swap, Bertelsmann now directly holds 30 percent of the share capital of RTL Group and another 37 percent indirectly through the intermediary holding company BW TV. The Belgian-Canadian investment group Groupe Bruxelles Lambert (GBL) transferred its 30 percent interest in RTL Group to Bertelsmann and received 25.1 percent equity in Bertelsmann AG in return, 0.1 percent of which was in the form of non-voting stock. The London-based Pearson Group has a 22 percent shareholding in RTL Group. Another 11 percent is widely held.

Our established TV broadcasters showed significant improvement in profitability in 2000 and newer broadcasters reached the breakeven point. The advertising markets in which RTL Group operates posted only moderate growth in the first half of 2001, with some of them recording slight declines. Early in 2000, the radio business also benefited from growth in advertising sales. The RTL Group consolidated its market leadership in the production, film and sports syndication businesses. In the new media segment, the group advanced to become one of the premiere providers of online services in Europe.

Business Built on Four Pillars

Today, RTL Group is Europe’s largest broadcasting enterprise, with stakes in 23 television and 17 radio properties. Ranked first in the European content industry in 2000, the company produced over 200 programs in 35 countries for a total of more than 10,000 hours of programming. Merging with FremantleMedia was a logical step toward hitting the company’s
strategic targets, which include acquiring a majority stake in the U.K.-based television broadcaster Channel 5, expanding our content business through television production companies and their worldwide operations, and making an entrance into the southern European market by way of acquiring an interest in Spanish TV broadcaster Antena 3.

Television, radio, content and new media comprise the group’s four pillars. Our objective of meeting European needs along with the leading positions our broadcasting companies enjoy on the European markets provides RTL Group with a solid economic foundation. We benefit from powerful brand names as we pursue a strategy of evolving continuously through organic growth, expanding new businesses and making attractive acquisitions.

Fiscal 2000 was a period of outstanding achievement for the group. In the first half of 2001, however, overall advertising growth rates slowed in Europe, showing more moderate increases or declines. But on most markets – notably Germany and France, which are the largest – the group continues to outperform the competition in terms of viewer and advertising market shares. Our family strategy allows us to achieve horizontal synergy. Furthermore, vertical integration provides for cross-promotional opportunities between content producers, broadcasters and the Internet. This approach has yielded success in Germany, France, Belgium and the Netherlands.

Expansion of the group’s family of broadcasters has helped to fuel growth in Germany’s highly fragmented market. In 2000 RTL Group acquired the 49.9 and 24.9 percent stakes in VOX previously held by News Corp. and Canal+ respectively, raising the RTL Group’s ownership to 99.7 percent. RTL Group subsidiary IP Deutschland now provides marketing services for four successful TV stations: RTL, RTL II, Super RTL and VOX.

RTL Group bolstered its position in France by increasing its ownership in the television station M6. Our equity in France’s No. 2 player rose to 43.8 percent by the end of 2000. Net income of M6 was up 34 percent over the 1999 level, the result of a 23.6 percent increase in advertising volume and an 18 percent increase in revenue. Spring and summer ratings and advertising income both rose significantly, thanks to the outstanding success of the reality show Loft Story.

RTL Group increased its presence in the Dutch market as well, becoming the sole shareholder of HMG (Holland Media Group), with the acquisition of the remaining 35 percent of shares not already owned. This enabled RTL Group to leverage effectively synergies produced by a family of broadcasters consisting of RTL 4, RTL 5 and Veronica (renamed Yorin in April 2001). In early 2001 we began to see positive benefit from a joint venture between Pearson TV and HMG. Our goal is to establish Holland Media House, a joint TV production enterprise domiciled in the Netherlands.
In the U.K., the group lifted its interest in Channel 5 to 65 percent as a result of the merger with FremantleMedia. Channel 5 improved both ratings and technical reach. RTL Group increased equity in Spain’s successful TV broadcaster Antena 3 from 16.23 percent to 17 percent.

RTL Klub grew its share of viewers in Hungary and saw advertising revenues climb, resulting in an impressive 39.2 percent primetime audience share in the desirable 18 to 49 demographic target. Averaged over the year, RTL Klub was profitable for the first time in 2000. RTL 7 in Poland continues to face a difficult situation.

The RTL Group family strategy also fosters opportunities for growth in our radio business. This is particularly so in France, where our three stations offer complementary program styles that appeal to a full demographic target spectrum, and are thus well suited to attractive advertising package offerings. The downward trend at the flagship RTL at the end of 2000 was halted quickly. Formidable results were reported by the music station RTL 2 and, especially, by the youth-oriented Fun Radio.

In Germany, RTL Group defended its position as the country’s radio-group revenue leader. Our two Berlin radio stations, 104.6 RTL and Berliner Rundfunk, remained the market leaders for their respective target groups. Radio NRW, which has been Germany’s most successful private radio station for the last decade, underlined its impressive record in 2000 by capturing 30.2 percent of the audience. RTL Radio – Die Größten Oldies, the classic hits station transmitted from Luxembourg, nearly doubled its listening audience in 2000 and now reaches an average of 6.9 million people – the largest audience among all private German radio stations. RTL Radio Lëtzebuerg defended its No. 1 position in Luxembourg with a market share of 75 percent. In Belgium, Bel RTL and Radio Contact again posted extraordinarily positive results.

RTL Group commands the No. 1 position in European content production. Series, shows and productions by FremantleMedia and UFA Film & TV Produktion are sold in over 100 countries and reach hundreds of millions of viewers. RTL Group is the largest independent TV marketer outside of the United States. In the light entertainment segment, the game show Greed was a major contributor to revenue growth and is now produced in 20 countries.

An important strategic move was the acquisition and marketing of valuable packages of film, television and sports rights that enable the RTL Group to achieve excellent results throughout Europe in 2000. In May 2001, management signed an agreement in principle for the merger of UFA SPORTS and Groupe Jean-Claude Darmon with Sport+, a subsidiary of the French-based Canal+ Group. The formation of one of the largest sports rights marketing enterprises in Europe is pending approval from the EU Commission.
An integrated strategy to market content over the Internet, television and radio in various markets is the basis for success of the New Media division, the fourth pillar of RTL Group. We have 85 websites across Europe generating about 400 million page impressions per month. As of July 2001 our sites were used by up to six million unique visitors on a regular basis. These successes make RTL Group one of the premiere players in the European online arena.

Management built several new businesses over the course of the year 2000, including RTL Newmedia in Germany, RTL Net in France and RTL iMedia in the Netherlands. With the emergence of the first pan-European Internet advertising marketing agency, IP Web.net, the group will optimize its position in the high-revenue fields of e-commerce and webvertising.

RTL Group derives its core strength from our pan-European structure, unrivaled positions in key markets, minimized risk through a widely diversified portfolio of business, the power of the individual companies' well-established brands, and opportunities for rapid growth in new markets and geographic regions.

Despite a slowdown in advertising growth rates in all European markets in 2001, RTL Group continued to outperform the competition in ratings and advertising revenues in most markets, thanks to our powerful brands and content. Our core business has again demonstrated its importance, particularly in the two major markets in Germany and France, where RTL Group generated nearly 70 percent of aggregate revenues in 2000/01. RTL Group is in a strong financial position and has a unique, integrated European portfolio at its disposal. Continued cost management and the creation of further synergies among business units will help the group hit its strategic targets. RTL Group is well positioned to benefit once advertising markets recover.

**Highlights**

- RTL Group is Europe's largest broadcasting enterprise with stakes in 23 TV and 17 radio stations
- No. 1 in the European content business. In 2000, RTL Group produced more than 200 programs in 35 countries and more than 10,000 hours of programming
- European market leader in sports rights trading
- Our 85 websites generate about 400 million page impressions and attract up to six million unique visitors
- RTL Television is Germany's ratings leader and the European advertising leader
Random House Collaborations with and Make Us the Most Renowned
Outstanding Authors Create Predominant Bestsellers
Trade Book Publishing House in the World.
World Market Leader - Books With a Great Future

In FY 2000/01, Random House enhanced its status as the world’s leading trade book publishing group despite a significant slowdown in the worldwide marketplace. The United States book market had a decline of 3.7 percent in 2000 and the German book market posted a mere 0.8 percent increase. Despite worsening conditions in important markets, the group increased revenues by 9.3 percent to € 2.1 billion, on the strength of a record number of bestsellers and a strong U.S. dollar and British pound. Earnings before interest, taxes and amortization (EBITA) grew significantly to € 180 million, representing a return on sales of 8.7 percent. Random House has 6,235 employees (June 30, 2001) in 13 countries.

Overview

As of April 1, 2001, all Bertelsmann AG book-publishing activities were reorganized. The trade book publishing houses of Bertelsmann Buch AG were grouped within Random House with headquarters in Times Square in New York City. This alignment of the organization reflects the shifting magnitude of our businesses: the most important market, North America, contributed 70.6 percent of the total revenue while the German language regions contributed 8.9 percent of revenue. The overall philosophy of our publishing group has remained constant: Independent, editorially diverse publishing houses, supported by aggressive corporate investment in emerging technology and state-of-the-art operational services, with the opportunity to expand each local publishing portfolio through the development of new authors, acquisitions, alliances and joint ventures.

English Language


Twenty-two of these titles were No. 1 bestsellers, including such novels as From the Corner of his Eye by Dean Koontz (Bantam); Drowning Ruth by Christina Schwartz (Doubleday); Seabiscuit, the biography of the legendary racehorse, by Laura Hillenbrand (Random House); and The O’Reilly Factor (Broadway), the provocative musings of television news personality Bill O’Reilly. Mr. O’Reilly’s book was one of 28 Random House, Inc. titles that shipped at least one million-copies during the fiscal year. The company’s top-selling newly published hardcover was The Painted House by John Grisham (Doubleday), the best-reviewed novel of Mr. Grisham’s decade-long career.
The Bantam Dell division celebrated the publication of the fiftieth book by Danielle Steel, who once again achieved multi-million copy sales with several new hardcovers and paperbacks, with a nationwide book promotion that generated enormous coast-to-coast media attention. The Harry Potter audio editions are now among Random House, Inc.'s signature franchises. With 1.8 million copies of the four titles distributed, it is the biggest and fastest-selling children's audiobook series in history. Harry Potter and the Goblet of Fire, the latest volume published by Random House Audio's Listening Library imprint and read by Jim Dale, won the 2000 Grammy for “Best Children's Recording.”

Random House, Inc.'s commercial preeminence was complemented by numerous major literary awards for its books. The company was privileged to publish books that won the Pulitzer Prize for Fiction, The Amazing Adventures of Kavalier and Clay by Michael Chabon (Random House), and for History, Founding Brothers by Joseph Ellis, (Knopf). Of the ten “Notable Books of 2000” selected by the editors of The New York Times Book Review, two were Random House, Inc. titles.

Random House, Inc. broadened its publishing opportunities with the April acquisition of Prima Communication Inc., a California-based publisher, and has integrated Prima's market-leading video game strategy guide series and lifestyle and health titles with its existing publishing divisions. Random House Ventures, LLC, the company's media/venture capital subsidiary, acquired an equity stake in ebrary, a unique online information research resource.

Substantial investment was also committed to the continuing buildup of the digital infrastructure of Random House, particularly a digital archive for newly published and backlist editorial content. This enables us to offer expediently next-generation e-books, print-on-demand and other developing editorial platforms to booksellers and readers worldwide. These new-technology applications also will be enabling forces for the Random House companies in other English-language markets.

Canada

Random House of Canada was voted “Publisher of the Year” for an unprecedented second consecutive year by the Canadian Booksellers Association. Notwithstanding the upheaval in Canada's retail marketplace, the unit posted 195 national bestsellers, 27 of them No. 1 titles. Sixty-seven were by Canadian authors, including David Adams Richards, co-winner of the prestigious Giller Prize for Fiction for Mercy Among the Children (Doubleday Canada). The fiscal year also marked the successful beginning of the company's alliance with venerable literary publisher McClelland & Stewart through a 25 percent minority ownership stake and service alliance.

North America (USA/Canada) 70.6
Great Britain/Australia/New Zealand/South Africa 14
Spanish Language Region 4.6
Germany/Austria/Switzerland 8.9
Other Countries 1.9

Revenues by Region in percent
United Kingdom The **Random House Group** elevated its position as the leading publisher in the United Kingdom with growth figures from the Random House UK and Transworld Publishers UK divisions outperforming a declining marketplace. Among our 18 No. 1 bestselling titles on The Sunday Times of London lists were The Painted House and The Brethren by John Grisham (Century, Arrow); Truth and Thief of Time by Terry Pratchett (Doubleday); and Down Under by Bill Bryson (Doubleday).

The Random House Group’s titles won 37 literary prizes during the fiscal year. The company united all its books for young readers into the new Random House Children's Book division, which will publish an impressive array of internationally acclaimed, bestselling authors and artists, together with a strong backlist of classic titles.

Random House Australia was named “Publisher of the Year 2000” and Random House New Zealand was voted “Distributor of the Year”. Random House South African author Antjie Krog won two of his country’s leading literary prizes.

German Language Beset by a flat book marketplace, market leader **Verlagsgruppe Random House** concluded the first months of corporate repositioning with a broad range of bestsellers and a new strategic focus for several of its publishing programs. Among the major bestseller successes were Der Börsenschwindel by Günter Ogger; Hurenkind by Christine Grän and Hitlers Frauen und Marlene by Guido Knopp (C. Bertelsmann); Liebesleben and Mann und Frau by Zeruya Shalev (Berlin Verlag); Die Rosenzüchterin by Charlotte Link and Die Söhne der Wölfen by Tanja Kinkel (Blanvalet); Schlangenlinien by Minette Walters (Goldmann); Älter werde ich später by Iris Berben (Mosaik); Preussens Luise by Günter de Bruyn (Siedler); and Russendisco by Wladimir Kaminer (Manhattan).

The German publishing group focused its efforts on repositioning and further developing its publishing programs. Verlagsgruppe Random House restructured its how-to book business after acquiring the outstanding 30 percent of Falken Verlag. The Mosaik, Falken, Orbis, and Bassermann imprints were brought together under unified publishing management in a single location, thereby strengthening the respective imprints’ publishing activities. The company also began extensive preparation for several new publishing programs, including the debut of the Berliner Taschenbuchverlag BVT, a sophisticated literary and nonfiction imprint. Goldmann, btb and Blanvalet strengthened their leading positions in the paperback market. The Verlagsgruppe began publishing Pep ebooks from Prisma Electronic Publishing and offering print-on-demand titles from its Impressione imprint.
Grupo Editorial Random House, comprised of the publishing groups Plaza & Janés Editores and Sudamericana, continued to improve performance in Spain and Latin America and established the strategic foundation to increase its presence in its principal markets through two important initiatives. Random House purchased the remaining 40 percent equity in Latin America’s revered Sudamericana publishing group that it did not already own. Random House and Mondadori signed an agreement in July 2001 to unite their respective worldwide Spanish-language book publishing operations in a newly created joint venture to be called Grupo Editorial Random House Mondadori. Upon signing the definitive agreement and EU approval, it will become the world’s second-largest publisher of trade books in Spanish, with a publishing presence in Spain, Mexico, Argentina, Chile, Uruguay, Venezuela and Colombia.

In Spain, Grupo Editorial Plaza & Janés, placed 25 titles on the bestseller lists, accounting for nearly 20 percent of all hardcover and paperback titles. Among the authors contributing to the outstanding success of our publishers are Isabel Allende, John le Carré, Amy Tan, Helen Fielding, Pilar Urbano, Salvador Pániker, and Sylvia de Béjar. Among the many distinctions earned by Grupo Editorial Plaza & Janés authors over the year was the awarding of the two most important literary prizes in Spain: Premio Príncipe de Asturias awarded to Doris Lessing and the Premio de la Crítica to Juan Marsé.

In its paperback operations, Grupo Editorial Plaza & Janés ended its joint-venture partnership with Planeta for publishing and distributing mass-market paperback books, and retained the imprint Debolsillo, which is the market leader and continued to improve its market share during the year. Editorial Sudamericana succeeded in placing between three to five titles on the bestseller lists in Latin America each week, which contributed to a solid financial performance despite increasingly adverse market conditions.

In the coming fiscal year, Random House will meet the enormous challenges of economically weak marketplaces, heightened consumer selectivity, and increased costs for new title acquisitions with powerful lists of attractive new books, highly focused marketing of its deep backlists, and a disciplined approach to cost management. We remain enormously bullish on the future of print books and we are confident that, through new technology, we can reposition the physical book for the demands of an ever-changing society.

Highlights

- Over 30 titles worldwide – 25 in the U.S. – shipped more than one million copies
- Two Pulitzer Prize winners: Founding Brothers by Joseph Ellis (history) and The Adventures of Kavalier and Clay by Michael Chabon (fiction)
- Two million Harry Potter audio editions sold: most successful children’s audio series in publishing history
- Co-creation with Mondadori of second-largest publisher of Spanish-language trade books, Grupo Editorial Random House Mondadori
We are Devoted to Our Readers: Stands for Journalistic Independence
Gruner +Jahr, Europe’s Largest Magazine Publisher, attractive target groups and top service.
Investments in the Most Important Print Markets Worldwide Secure the Future of Gruner + Jahr

Europe's largest magazine publisher increased revenues for fiscal 2000/01 by € 96 million to € 3.03 billion, or 3.3 percent. Despite heavy investment expenses, a steep rise in paper costs and a marked downturn in advertising revenues in the first half of 2001, Gruner + Jahr had an EBITA (earnings before interest, taxes and amortization) of € 294 million. Gruner + Jahr employed a total of 12,968 people in 14 countries at the end of the fiscal year.

Overview

Developments in fiscal 2000/01 were affected by a cyclical downturn, especially in the core markets of Germany and the United States, as well as uncertainty over future economic trends.

Gruner + Jahr reinforced its position as the world's most international periodical publishing enterprise with over 100 magazines and newspapers in 14 countries. International revenue accounted for 62 percent of the group's total, up from 58 percent in the previous financial year. The portion of revenue contributed by advertising is now 43 percent, up chiefly as a result of acquisitions made in the U.S. At 29 percent, the contribution from distribution operations declined, mostly because of the company's withdrawal from the U.K. magazine market. Printing now contributes 20 percent.

Magazines in Germany

Innovative concepts yield publishing success

Following a record 10 percent growth in the boom year of 1999/2000, revenues in the German Magazine division were stable at about € 840 million in fiscal 2000/01. G+J defended its position as the undisputed advertising leader. Moreover, G+J managed to grow market share in the face of persistently declining circulation trends. Operating income fell short of the prior year as a result of weakening advertising markets beginning in early 2001, along with the company's far-reaching investments, but matched levels of preceding years.

G+J's established magazine brands - the powerful Stern, Brigitte, Capital, Geo, Schöner Wohnen, P.M. and Eltern - have been market leaders in their respective segments for many years and in some cases even decades. All of the titles developed continuously, defending and, in certain instances even improving their market positions. Stern further extended its lead as Germany's weekly news magazine circulation leader. With stable circulation, advertising revenues remained high at Brigitte, augmenting its share of a declining market for traditional women's magazines.

Capital suffered from the cyclical downturn and a stock market slump. Nevertheless, the title maintained revenue overall by switching to a 14-day publication schedule at the be-
Beginning of 2000. Innovative magazine concepts at Capital, Börse Online, Impulse and Bizz are enabling G+J to grow large market shares among business periodicals.

The successful launch of National Geographic helped maintain the strength of the Geo family of titles, which includes Geo Saison, Geo Special, Geo Wissen, Geo Epoche and the children’s title Geolino. Introduced in Germany in the fall of 1999, National Geographic strengthened its advertising position as circulation remained constant. With the Geo family, National Geographic, the RM. Group and Art, G+J dominates the knowledge magazine segment, which serves desirable high-income, highly educated audiences.

The risk and cost of introducing new magazines have become increasingly high in today’s fiercely competitive environment. The main criterion for success is an innovative concept. In the fall of 2000, G+J successfully launched Living at Home. With sales of 220,000 copies and extremely positive reception by advertisers, the title has exceeded expectations. Living at Home online platform integrates the Internet offerings of Schöner Wohnen, Essen & Trinken, Häuser and Flora.

G+J successfully established itself in the growing celebrity magazine market with Gala. The title countered the general market trend by continuing its upward circulation trend and posting over 20 percent growth in advertising revenues.

The International Magazine division enthusiastically entered the new millennium with a series of far-reaching strategic moves. Management began an active investment program in the United States by acquiring Inc. Magazine and Fast Company and editorially revamping nearly all its periodicals. In the medium term, G+J is determined to enhance its position on the world’s largest magazine market, where it now ranks fifth. Improving market positions of existing titles and entering the business press segment are the cornerstones for achieving this ambitious goal. Not surprisingly, the economic slowdown and high investment cost depressed results in the U.S. for the fiscal year.

The International Magazine division lifted revenues by about six percent to € 1.06 billion, despite our exit from the U.K. market. Earnings fell below the year-earlier level due to substantial investments in the U.S. and ongoing startup costs incurred in connection with the recent launches of European titles such as Jack in Italy, Capital in Spain and National Geographic in the Netherlands.

Once again, our European core businesses reported excellent results and returns on revenue. In France, Prisma Presse defended its rank as the second largest magazine publisher with a consistently high profit margin. Revenue produced by circulation activities remained stable against the backdrop of another market decline, while advertising revenues advanced...
five percent. At the beginning of the new fiscal year, G+J expanded its roster of titles in Russia and Poland with the introduction of editions of Gala. Geo Russia increased its performance by about 50 percent.

**Newspapers**

The Newspaper division recorded further growth in Eastern Europe during 2000/01 and additional investment in the development of Financial Times Deutschland, which was launched in February 2000. Weak advertising markets as well as the considerable increase in paper costs depressed earnings. The division responded by making significant cost reductions without impacting editorial quality.

The market introduction of FTD has now been successfully concluded. By increasing circulation more than 40 percent to over 72,000 copies, and by attracting a desirable readership demographic, FTD has built a firm foundation as a premiere nationwide daily newspaper. Dubbed “One Brand – All Media,” this innovative concept is setting the standard for its segment. The online issue, which was introduced simultaneously with the print daily, has become one of Germany’s most successful financial websites. FTD.de provides information that can be viewed on all mobile devices, running the gamut from Palm and WAP-enabled devices to PDA and the Rocket eBook. The FTD is also available through additional marketing channels including print-on-demand, SMS, radio and books.

As it extended its readership, Berliner Zeitung also substantially strengthened its leadership position as the capital city’s largest subscription newspaper. In spite of relentlessly unfavorable economic conditions in Eastern Germany, Sächsische Zeitung and Morgenpost Sachsen registered additional editorial accomplishments and posted very gratifying positive operating results.

Eastern European operations were augmented with the acquisition of a 49 percent stake in BLIC, publisher of the largest tabloid paper in Yugoslavia. Working with several partners, Gruner +Jahr publishes Evenimentul Zilei, a Romanian tabloid with the country’s highest newspaper circulation, Népszabadság, Hungary’s largest subscription newspaper; and Nový Čas, the leading newspaper in the Slovak Republic. All of our Eastern European titles generated positive, and in some cases outstanding, results under difficult underlying conditions.

**Printing**

The Printing division exceeded profit targets despite substantial price reductions, but did not reach the level of the preceding year. Earnings fell as a result of the unexpectedly severe economic downturn, which was most pronounced in the U.S. The declines were largely offset by strict cost management and a further increase in print volume. The Itzehoe print shop in
the greater Hamburg area increased overall print volumes from the previous year despite the declining magazine volumes and print runs. Revenues at the Dresden printing center increased 11 percent and operating results improved by 43 percent, following the 32 percent rise of the previous year.

The Multimedia division’s fiscal year was characterized by high investment spending, but also by unavoidable corrections. Strategic planning is focused on integrated online offerings that benefit from Gruner + Jahr’s strong brands and can leverage cross-media strengths. The G+J Multimedia division was established on November 1, 2000 to help us capitalize on internal and external synergies. Effective May 2001, the division also assumed technical and commercial responsibility for the online operations of G+J magazines. Handy.de, the clear leader among German mobile communications portals, has been part of the Gruner + Jahr family since February of 2001 (51 percent). Handy.de reaches customers with high-quality content, powerful online brands and pay-for-use value-added services anytime and anywhere.

The goal of Gruner + Jahr’s German Magazine division is to extend leadership in existing market segments. At the same time, we intend to tap new, attractive areas in which G+J can use its competitive advantages to create high quality journalism and marketing programs. Following the significant investments to improve our position in the U.S. and the launch of several titles in Europe, our international efforts are now focused on optimizing existing businesses. Gruner + Jahr will continue an intensive development program for its established brands in the newspaper sector as well. The investment program for the Printing division, initiated in 1999/2000, has a budget of almost €500 million and will be continued through the end of fiscal 2003. The Multimedia division is resolutely pressing ahead with the integration of print and online services under the motto “One Brand – All Media.”

**Highlights**
- With over 100 magazines and newspapers in 14 countries, Gruner + Jahr is Europe’s largest and the world’s second largest periodicals enterprise.
- Germany: G+J regains magazine advertising market leadership.
- USA: Nearing the top of the magazine industry.
- Successful magazine formats with Gala in Poland and Russia, Capital in Spain and National Geographic in the Netherlands.
- Stern bolsters its news weekly leadership position.
- Financial Times Deutschland achieves firm footing among premiere national dailies.
- Living at Home launched simultaneously in print and on the Web.
Music for Every Taste and BMG is the Home of the
Every Generation on Every Platform: Artists.
Overview

Fiscal 2000/01 was a year of challenges and new beginnings for Bertelsmann Music Group. A planned merger with the British music company EMI was not realized for regulatory reasons. Among the major challenges were weak market conditions in most territories around the world and the impact of various forms of piracy. BMG's new executive team reorganized the group's structure and business units to focus the company on our core competencies—fostering artistic talent and marketing music. BMG's music clubs were transferred to Direct-Group Bertelsmann as of July 1, 2000, with the Storage Media division shifting to service provider Arvato at year-end. The goal of the new leadership and our streamlined structure is to achieve a turnaround in earnings in the new fiscal year.

Recorded Music

Arista Records' new President and CEO Antonio “LA” Reid was successful in resigning famous artists including Whitney Houston, Kenny G and Santana, and also reinvigorating the label with new talent including Boyz II Men, Blu Cantrell, Pink, Babyface and Adema. More than 10 artists achieved platinum or multi-platinum status, most notably the debut album No Angel from Dido, which sold more than nine million units worldwide. In addition, OutKast's eagerly awaited fourth album, Stankonia, went triple-platinum in the U.S.

BMG Music Canada responded to challenging market conditions through targeted promotional spending and strategic alliances with partners like Bell Telecommunications, New Line Films, General Mills, Kellogg's and Post. The result was another profitable year with platinum releases from local label ViK artists Love Inc., The Guess Who and Treble Charger.

BMG Distribution finished calendar year 2000 as the No. 2 distributor of Overall Albums for the first time. The company was also the No. 1 distributor of Singles for the first six months of 2001. In the United States a total of 54 BMG distributed albums achieved
platinum or multi-platinum status in 2000/01. In addition, six albums distributed by BMG achieved No. 1 on the Billboard 200 Chart during 2000/01.

The creation of J Records, the joint venture between legendary music executive Clive Davis and BMG Entertainment, founded in August 2000, made history as the largest new label ever launched. Platinum selling albums included releases from O-Town and Luther Vandross. In addition, Alicia Keys debuted at No. 1 on the Billboard Album Chart with Songs in A Minor.

RCA Records marked its 100th anniversary with a string of artistic and marketing successes. The fourth studio album of Dave Matthews Band sold 800,000 copies in its first week, making it the top-selling debut during the first half of 2001. RCA's relationship with Matthews's ATO label led to another triumph, as David Gray's White Ladder sold 1.5 million units in the U.S. The label also continued the multi-layered worldwide marketing of Christina Aguilera with her first album in Spanish, Mi Reflejo.

In an overall flat market for country music sales, RLG/Nashville enjoyed its best year ever, with platinum releases from Alan Jackson, Kenny Chesney, Brooks & Dunn, Sara Evans, Lonestar, Brad Paisley and Martina McBride. RLG/Nashville topped the Billboard Country Charts for 11 weeks with Ain't Nothing 'Bout You by Brooks & Dunn and I'm Already There by Lonestar.

During Fiscal Year 2000/01 BMG North America formed the RCA Victor Group, specializing in the adult music market and comprising RCA Red Seal, RCA Victor, Windham Hill, Private Music and Bluebird. Highlights from the group's first year include the release of the Broadway soundtrack of BLAST, Etta James' Matriarch of the Blues, Jim Brickman's My Romance, Cesaria Evora's São Vincente, and the celebration of Windham Hill's 25th anniversary.

BMG Special Products' Premiums & Incentives unit built national programs for such clients as General Mills, M&M/Mars, McDonald's, Visa, and Aiwa. Buddha Records, a new BMG Special Products label, introduced its first active artist title, Prisoner of Love, by country legend Ray Price.

BMG Europe

Beginning in January 2001, the regional organization BMG GSA/EE (Germany/Austria/Switzerland/Austria/Eastern Europe) as well as BMG U.K./Central Europe were consolidated into a single European unit. Despite an industry-wide decline in the second half, due in part to mass CD-R copying, the year was still a profitable one for BMG.

The success story in the U.K. centered on two international top-sellers: Dido was brought into the BMG fold with the purchase of Cheeky Records in September 2000, and the second album from Westlife, Coast to Coast, sold more than two million in the U.K. and five million worldwide.
BMG’s German unit maintained its leadership in local repertoire. Contributing to this success were ATC, Modern Talking and Die Flippers, as well as comedian Michael Mittermeier. With a production celebrating his 30th year in the music business rock legend Peter Maffay extended his unbroken series of Platinum successes with studio albums into the 21st century. BMG Germany was also the most successful European major with eight artists receiving the prestigious ECHO awards.

In Italy, Eros Ramazzotti’s album Stilelibero sold more than three million copies. Spanish group Estopa topped sales of one million units.

**BMG Asia/Pacific**

In a year that saw many of the region’s economies in sharp decline, BMG Asia Pacific remained profitable in markets where competitors did not. Westlife and Misia were strong sellers once again, with both artists selling more than two million units in the region and Westlife selling more than one million in Indonesia alone. In Australia, John Farnham enjoyed triple-platinum sales and a sold out national tour.

**BMG Latin America**

BMG’s restructuring effort in Latin America helped to produce both critical and sales successes despite unstable economic conditions and increasing piracy. Among the top sellers were releases from Jerry Rivera, Rocio Durcal, Leonardo, Cristian, Ana Carolina and Juan Gabriel, and international stars Estopa, Dido and Westlife. Mi Reflejo, the debut album in Spanish by superstar Christina Aguilera, won critical acclaim and enjoyed strong sales throughout the region.

**BMG Music Publishing**

BMG Music Publishing broke new ground, reporting record revenues, achieving a major presence on the worldwide charts, and raising the company’s online profile. Key signings in 2000/01 were Nelly, whose debut album sold more than seven million copies, and U.K. pop star Robbie Williams. Additional signings included a North American catalogue administration deal with Kenny G and a contract extension with Italy’s Gigi D’Alessio.

Among the highlights for 2000/01 were the debut album of Coldplay and Dido’s multi-platinum *No Angel*, for which BMG songwriter Rollo composed and produced five songs. Important acquisitions for the company during the year included Fiction Songs, the Elvis Costello’s catalogue, and a majority interest in Editions Salabert.
The BMG Storage Media business year was marked by a consistent expansion policy and strong investments in IT, logistics and global key account management. Despite weak music and IT markets worldwide, each of the group's companies – Sonopress, topac and Digital World Services – increased market share. As a highlight of the year in the United States and Europe, sonopress signed a major contract with Microsoft for the replication, packaging and distribution of DVD software for the company's new Xbox™ game console.

Slow CD demand led to a substantial fall off in sales for the entire CD replication industry. The Sonopress Group countered the trend and added new production sites in France and Singapore. To meet strong DVD demand, the Group increased its DVD production considerably to 400,000 units daily.

In October 2000, the specialty printer topac MultimediaPrint acquired all shares of German printing company Maack GmbH in Lüdenscheid and integrated the company successfully. Digital World Services expanded rapidly to become the leading company for tailored Digital Rights Management Solutions and the secure distribution of digitized content over the Internet. Among other projects, the company is developing key components for the launch of Napster's new legal music subscription service.

Following a number of personnel and structural changes, BMG’s music business faces the future with new confidence and a focus on its mission to find and market the world’s best music. Several of BMG’s most successful international artists will release new albums in coming months. BMG is also developing several new, young and promising artists. BMG is investing in a broad spectrum of repertoire. We are bundling our creativity to maximize the marketing of artists throughout the world. In addition to organic growth, the management also sees opportunities for expansion through acquisitions and partnerships.

Over 200 labels in 44 countries
BMG artists win more than 100 music awards worldwide
No. 1 or No. 2 in five countries
16 BMG artists sell over one million albums each
BMG Music Publishing posts record revenues
BMG licenses its catalogue to MusicNet, the world’s first legal digital music distribution platform
Sonopress USA and Europe signed a major contract with Microsoft for the replication, packaging and distribution of DVD software for the new Xbox™ game console
We Manage Expertise: Bertels as a Scientific and Professional
mann Springer is World-Renowned Publisher.
BertelsmannSpringer is one of the world’s leading professional publishing groups and the uncontested No. 1 competitor in this field in Germany. Consolidated revenues were up 9.5 percent to €749 million year-on-year. EBITA (earnings before interest, taxes and amortization) was €68 million and the return on revenues was nine percent. The employee head-count rose to 5,284 at end of fiscal year.

### Strong and Profitable: The Condition of Our Professional Publishing Group is Good

Profits remained stable at BertelsmannSpringer for 2000/01. Although economic conditions were extremely precarious in the industrial sectors that are of relevance to our publishing group, our core businesses managed again to post high returns on revenue. Efficient cost control and product management enabled the Science division to increase profits substantially. The Springer group improved earnings by 40 percent. BertelsmannSpringer once again grew its share of the U.S. market primarily in biomedicine, mathematics and computer science. The Professional division fared well, owing to its resolute focus on the customer and an active portfolio policy.

Despite adverse conditions in the construction sector, market share again increased while profits remained stable, due in part to the acquisitions of the profitable Swiss publishing company Schück Söhne AG and of German-based Bauverlag. Our construction industry publishing firms in Belgium and Eastern Europe advanced through acquisitions to become undisputed leaders in their respective markets. In the transportation information sector, the German-language driving school business exceeded expectations despite market stagnation. Consequently, the impact of one-time charges stemming from Internet-related investments was easily absorbed. The group completed a strategic repositioning of e-commerce operations. As a result of the resolute integration of online services in the core businesses of our publishing houses, our market presence is now uniform and startup losses have been minimized.

### Science, Technology, Medicine (STM)

BertelsmannSpringer’s largest division – Science, Technology, Medicine (STM) – generated more than €473 million in revenues, a growth of 8.7 percent.

Our Science Group made more effective use of resources and optimized costs, measures that had clearly positive effects on profits. The mathematics segment had an outstanding year and in this field BertelsmannSpringer is the world’s uncontested leader. Our properties cover the entire spectrum, running the gamut from financial-related mathematics products at Springer to college course material at the Berkley-based publisher Key Curriculum. LINK, the Internet service offering the digitized content of over 500 scientific periodicals, grew its market share, especially in the United States. Over 90 percent of U.S. research libraries have usage agreements with LINK.
The vocation-related media of the Professional division grew, especially in the field of technology publications at Vieweg and business-related publishing at Gabler. Internet offerings – newly combined under the roof of BertelsmannSpringer Medicin Online – are the undisputed leaders today in the markets for medical online information services.

B2B operations were challenged by stagnating markets. Moreover, investments required by new e-commerce activities caused profits to drop. Nevertheless, Construction Group revenues grew in the year under review. With the acquisition of the venerable construction publisher Bauverlag in Walluf, we now have coverage in the entire value-added chain of the construction sector. The group became market leader in Switzerland and Belgium thanks to carefully targeted acquisitions. With a double-digit return on sales, the construction publisher ABI Building in the United Kingdom achieved outstanding results.

Several of the Traffic and Transport Group product lines also exceeded profit expectations, despite weak markets. Notably, the German driving school business of the publishing company Heinrich Vogel retained its position as the undisputed No. 1 player, with a market share exceeding 50 percent.

In line with realignment of our programs and distribution worldwide, the Science, Technology, Medicine (STM) division will focus on further expanding its international product portfolio in the medium term. Significant strategic importance has been attached to supplementing print products with Internet offerings. Customer orientation and complete services will be the primary focus of the Professional division. The Business-to-Business segment will resolutely strengthen its customer-driven business models for specific occupation groups. BertelsmannSpringer growth objectives will be supported by additional acquisitions to provide comprehensive product lineups in targeted fields.

BertelsmannSpringer Medizin Online is Germany’s largest Internet-based professional publisher with six million page impressions and 140,000 registered users. One million copies sold of Springer’s Dubbel paperback on mechanical engineering. Scientific e-service LINK licenses information to 15,000 libraries worldwide. 400,000 articles online at Heinze BauDatenbank make it the premiere electronic order platform for the German construction industry.
Our Clients Get What They
Arvato is an International
Want, When They Want It, And How They Want It. Media Service Provider Poised for Global Growth.
Arvato AG, Bertelsmann’s internationally networked media services provider, developed in new dimensions in fiscal 2000/01. The employee head-count grew to 24,100. Revenues increased to approximately €3 billion. EBITA (earnings before interest, taxes and amortization) rose by about 75 percent to €187 million. Overall investment more than doubled, while funds used to acquire companies and increase existing stakes advanced to a new record level. With the completion of its expansion program, Arvato has now entered a phase of consolidation designed to optimize the rate of return over the long term.

Overview

The increase in revenues of 17.1 percent can be attributed to strong internal growth recorded by the core businesses as well as acquisitions. As a result of a targeted expansion program in the printing, services and special publishing segments, the number of countries in which Arvato operates rose from 17 to 23 worldwide.

Internet operations developed as planned. Associated startup costs totaled €44 million in fiscal 2000/01. These nascent businesses enhance our ability to link online with brick and mortar activities and thereby more effectively meet customer needs. The value added chain has improved and Arvato continues its tradition as the technology leader.

Printing

The Printing division focused on upgrading and enlarging capacity both in Germany and internationally. The company invested several million euros to expand this part of the business significantly. Over the course of the year, underlying conditions worsened – in part due to global economic weakening and a rapid increase in paper costs. Moreover, new competitors in Eastern Europe and rising energy costs compounded the situation.

Spain/Portugal

At the beginning of 2001, Arvato acquired in Spain the printing group Novo Systema including Rotedic and Cobrhi. These web offset printing plants specialize in the production of magazines and ad inserts. The new Madrid facilities in the immediate vicinity of Spain’s largest publishing companies enable Arvato to optimize service to its customers on the Iberian Peninsula. Arvato is extending its existing market lead and tapping new potential with its business part-

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*Adjusted for group-internal reorganization
ners. Another indication of this trend is the construction of a new printing plant for Printer Portuguesa in Lisbon, which came on stream mid-2000.

**Italy**
Launched at the end of last fiscal year, our joint venture with Italy’s publishing house Rizzoli has made Arvato the premiere provider of magazine printing services in Italy.

**USA**
The acquisition of Coral Graphic Services (Westminster, NY) early 2001, which gives us the ability to manufacture multi-colored protective book coverings, was consistent with Arvato’s long-term U.S. strategy of broadening the range of products and services. Coral Graphic supplements the comprehensive printing and related services of Berryville Graphics printing operations, Offset Paperback and Dynamic Graphic Finishing, providing everything from a single source.

**Russia**
Arvato increased its interest in the Jaroslawl printing plant to 51 percent. This move fortifies the group’s position in a market that management believes holds substantial potential for growth in the foreseeable future.

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**Bertelsmann Services Group** concentrated on international expansion, opening new sites in the Netherlands, Singapore, Australia and India. We plan expansion in the United Kingdom, and have set a goal of vigorous growth for our successful French operations. Other notable developments include the strong performance of core businesses and the integration of Bertelsmann mediaSystems.

Bertelsmann AG’s IT service provider BmS, which until the end of August 2000 was part of the former Multimedia Division, adjusted quickly and solidified its position as a profit center by increasing sales to external clients. BmS has now linked its activities to Arvato’s international media services network, an achievement that enhances the company’s value-added chain. BmS offers an impressive array of services, extending from software development and SAP consulting to the operation of computing centers, customer relationship management (CRM) services and Web hosting.

The Bertelsmann Services Group is the European market leader in customer retention systems. In mid-October 2000, the group acquired a 70 percent stake in Munich-based Webmiles AG. Webmiles is No. 1 in European cross-industry online incentive systems and has become a large, powerful player in the loyalty program sector.

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**Revenues by Category**

<table>
<thead>
<tr>
<th>Category</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Printing</td>
<td>46.7%</td>
</tr>
<tr>
<td>Services</td>
<td>40.5%</td>
</tr>
<tr>
<td>Special Publishers</td>
<td>10%</td>
</tr>
<tr>
<td>arvato.com</td>
<td>2.8%</td>
</tr>
</tbody>
</table>

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// coralgraphics.com  // webmiles.de
Arvato strengthened its traditional logistics sector business by adding two Web-based operations. We acquired an equity stake in medicforma.com, a business-to-business operator of an electronic marketplace for the European healthcare sector, and we established inforate, a provider of online platforms and tools for secure payment transactions in e-commerce.

As part of the realignment of the Bertelsmann book business, the encyclopedia publisher inmediaONE was integrated into Arvato on July 1, 2000. As it joined the Arvato Group, inmediaONE realigned its business strategically. The group’s publishing companies are now integrated with the Web portal wissen.de. The new alignment also places all brand direct marketing operations under uniform management. It also provides for the rapid and comprehensive development of content.

Here, too, Arvato has a long-term outlook. We are creating synergy, opening the door to new opportunities for growth and fully employing our business potential. We are benefiting customers and strengthening both our traditional business lines and the newly established inmediaONE by linking Arvato’s existing specialty publishers for calendars and supplements with B2B Web operations through wissen.de, and with general publishing houses and direct marketing organizations.

Arvato’s calendar division rounded off its full-service offerings in the promotional sector with the acquisition of a 60 percent majority stake in the Solingen-based Präsenta Promotion International GmbH, effective January 1, 2001. The move also enlarges the range of services and products offered to German and international business partners.

All three divisions – Printing, Services and Specialty Publishing – made substantial progress. Revenues of the Services division more than doubled to € 1.3 billion. Specialty Publishing operations revenues increased to € 298 million, while Printing grew to € 1.4 billion. In relative terms, the portion of total revenues accounted for by Printing activities was reduced significantly (from 55 percent in the previous year to 47 percent in fiscal 2000/01). By contrast, Services posted another significant proportional gain (from 36 to 41 percent).

Revenue developments by region were notable as well. Excluding Germany, European activities increased from 16 percent to 19 percent, and the United States increased from 12 percent to 15 percent, growing faster than German operations, where the proportion of aggregate revenues dropped from 72 percent to 65 percent. These developments, and our first venture into Asia, have extended Arvato’s international reach – a logical response to the needs of customers that operate globally.
Outlook

In the new business year Arvato will concentrate on the integration and networking of new businesses with existing operations, on rapidly and comprehensively optimizing processes, and on growth strategies in selected markets.

An example of this is the integration of the Bertelsmann Storage Media division, which began in the middle of 2001. This division includes Sonopress, the world’s leading manufacturer of CDs and DVDs; the multimedia-printing operation topac; and Digital World Services, the forerunner in Internet digital rights management. The division formerly was part of BMG.

At the corporate level, these changes take into account the Bertelsmann structure of three strategic business fields – content, media services and end-user businesses. At the Arvato level, Storage Media supplements the group with services and products that permit even stronger market presence, a more intensive utilization of synergies and clearly enhanced customer service.

Arvato places great emphasis on expanding digital technologies in the new and old economies, on expanding service-oriented businesses, further strengthening existing customer relations and building new partnerships. We are mindful of an increasingly difficult economic environment characterized by sustained higher energy costs. We also take into account the impact on our business of global economic trends, which are intensified by a further rise in over-capacity. We believe Arvato is well equipped to meet these challenges.

Highlights

- Arvato AG revenues increase to about €3 billion
- Printing capacity up 30 percent
- 24,100 employees in 23 countries
- New facilities in the Netherlands, Singapore, Australia and India extend international reach
- New Madrid printing plant optimizes customer service on the Iberian peninsula
- Acquisition of Coral Graphics Services complements comprehensive printing and service operations in the U.S.
- 70 percent stake acquired in webmiles
- Bertelsmann mediaSystems and inmediaOne integrated
We Provide All Media from the Internet for 60 Million
One Source. Retail Outlets, Catalogs and Customers Worldwide.
The corporate strategy of DirectGroup Bertelsmann is to provide a full range of media products from a single source over all available distribution channels. The division was created at the beginning of fiscal 2000/01 through the consolidation of all Bertelsmann AG consumer operations. We offer our media products through retail outlets, via direct response catalogs, using personal sales consultants and via the Internet. DirectGroup provides nearly 60 million customers and members worldwide with premium quality products tailored to their every listening, reading and viewing need. DirectGroup Bertelsmann has 15,192 employees in 22 countries (June 30, 2001). The division generated sales of €3.8 billion in its first year of operation and showed a loss in earnings before interest, taxes and amortization (EBITA) of €53 million.

Overview

DirectGroup Bertelsmann has combined our company’s traditional strengths in direct marketing and program expertise with the online distribution of books and music to form a global powerhouse. DirectGroup ranks first among book and music clubs, with more than 40 million enrolled members who regularly shop at our companies. Augmenting this customer base are nearly 20 million registered users and customers of e-commerce operations and online services.

USA: Our Biggest Market

In its first fiscal year, DirectGroup operations had sales in the United States of about €2 billion, or more than 50 percent of all group revenue. The U.S. is our largest market, followed by Europe. BOOKSPAN, a joint venture of Doubleday Direct and the Book-of-the-Month Club, is the leading book club direct marketer in the U.S., with more than nine million members. Our four well-established general-interest clubs have high levels of brand name recognition: Book-of-the-Month Club, The Literary Guild, Quality Paperback Book Club, and Doubleday Book Club. Moreover, we have established more than 40 specialty book clubs that meet the needs of specific target groups. One Spirit, for example, specializes in spiritual issues and wellness. Black Expressions has a repertoire of contemporary and classical African-American authors, while Mystery Guild serves the who-done-it fans.

In December 2000, DirectGroup acquired ZOOBA.com, which specializes in e-mail marketing. Registered users receive e-mails with editorial content on topics of their choice, as well as tailored media offerings. This enables specialty clubs to draw attention to their offerings and maintain member loyalty.

Bertelsmann Annual Report 2000/01

<table>
<thead>
<tr>
<th>Total Revenues</th>
<th>€ in millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999/00</td>
<td></td>
</tr>
<tr>
<td>2000/01</td>
<td></td>
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</tbody>
</table>

- bomc.com
- literaryguild.com
- joinqpb.com
- doubledaybookclub.com
- joinonestpirit.com
- blackexpressions.com
- mysteryguild.com
- zooba.com
Operating chiefly from New York, the Bertelsmann eCommerce Group (BeCG) integrates platforms for digital and physical distribution of media content over the Internet and via broadband and wireless networks. Companies in the BeCG group had about €1 billion in sales in fiscal 2000/01. There were 2,050 employees (June 30, 2001).

Building the largest Web-based music distribution business in the U.S. is of strategic significance to the division. Established in July 2001 as part of BeCG, the goal of BeMusic is to cover the entire online and offline value-added music distribution chain. BeMusic's Web pages serve 8.9 million unique visitors in America, approximately 50 percent of the Internet's "Music Retail" category (MMXI, June 2001).

The network is comprised of the following enterprises:

- **BMG Music Service**, the premiere direct response and Internet-based music club, with more than 12 million active members in the U.S.;
- **CDNOW**, the leading U.S. marketer of music CDs on the Net (acquired in September 2000), serving five million customers;
- **myplay Inc.**, with 6.5 million registered users. Myplay.com provides Internet users digital storage space for music files.

In October 2000 BeCG formed a strategic alliance with **Napster**, one of the world's largest music exchanges. Bertelsmann provides financing to Napster and supports the development of a business model that serves the justified interests in intellectual property of musicians and record companies, and fulfills the wishes of music aficionados and the Napster community as well. Parts of the software for the secure exchange of music are being developed by Digital World Services, a joint venture of BeCG and Bertelsmann's Arvato division.

BeCG is also involved in the dynamically developing e-commerce market in the United States. Bertelsmann has a 36 percent stake in publicly traded **barnesandnoble.com**, America's No. 2 online distributor of books and media which has shown substantial growth in sales and share of market.

Exclusive offerings and reliable service have created the loyalty of some 16 million DirectGroup club members in Europe. Our expertise in selecting content and skill in the direct marketing of media products are responsible for the success of such high-profile brand name clubs as **France Loisirs** (France, Belgium, Switzerland and Canada), **BCA** (Great Britain), **Circulo de Leitores** (Spain), **Circulo de Leitores** (Portugal), **Der Club** (Germany), **Mondolibri** (Italy), **Swiat Ksiazki Club** (Poland) and **Donauland** (Austria).
Numerous exclusive club premieres – books that were available to club members prior to release in bookstores – have become bestsellers. Among these titles are Die Vergebung by Tim Griggs in Germany (358,745 copies sold) and the novel Feu de Glace by Nicci French in France (490,000 copies sold). Underlining both our skill in title selection and the international scope of our club business, a novel Palast der Königin by Mireille Calmel is being released in the fourth quarter of 2001 as an exclusive club premiere in seven European countries simultaneously. Topicality and clear price advantages, along with exclusivity, are the chief strengths of our European clubs.

Throughout Europe, the clubs operate more than 600 retail outlets that were remodeled in fiscal 2000/01 and equipped with additional services enabling them to become full service centers. Club catalogs were updated to reflect current marketing trends. Today, the Web is an integral component of the division’s core businesses and we have expanded our Internet presence. The clubs generated up to nine percent of their worldwide sales via the Internet in the 2000/01 and acquired 1.4 million new members through the Web.

DirectGroup companies are well prepared for further growth on the Internet, in part due to the restructuring of our European and Asian e-commerce and club activities. In May 2001, about two years after its launch, the international media and entertainment shop BOL was integrated into the regional club operations. Online and offline businesses are being networked, since customers shop on the Internet as well as by mail order and in stores.

BOL International had dynamic growth in fiscal 2000/01. Sales rose 185 percent to nearly €100 million year-on-year. The growth rate in Germany of 163 percent was well above the sector average of 129 percent. Internationally, the BOL customer base grew by 140 percent to 2.5 million. In Europe and Asia BOL secured strong No. 2 positions in e-commerce media product markets. BOL suspended its activities in Norway, Denmark, France and Spain because of adverse market environments. In Japan, BOL activities are operated in cooperation with e-commerce provider BK1.

DirectGroup expanded business operations in Asia. The Shanghai book club registered strong growth and now has over 1.5 million members, about 60 percent of them under the age of 24. The company has customers in China’s other major cities.

BOL China has been operating since December 19, 2000, and was one of the first international platforms for the distribution of media products in China. Customers can choose from 60,000 book titles, which BOL ships throughout the country. At present, some
50,000 customers visit BOL China’s website each day. This represents a 10 percent share of the Chinese online book market. BOL China is aiming to become the leading provider in the near future.

There also were positive developments in the South Korean market. Launched in January 2000, the Korean book club already has more than 230,000 members. Sales grew five-fold over the previous year. A new website to handle Internet-based activities was launched in December 2000. Approximately 40,000 members were acquired via the Internet in fiscal 2000/01 and sales generated through e-commerce account for close to 10 percent of total revenue.

Outlook

The borders between the online and offline worlds continue to dissolve. DirectGroup Bertelsmann will continue to transition our business from clubs primarily aimed at single customers to those serving larger communities of interest. In December 2000 we began the installation of sophisticated new information systems. These technologies support the strategic approach of DirectGroup to enhance product offerings to clearly defined target groups. Experience gained at our specialty clubs in the U.S. and U.K. is being adapted and applied to club operations in Europe. A first test of a specialized club in Germany – Moments – began in July 2001. A special product offering for detective novel fans is being introduced in France in the fall of 2001.

In the music sector, Bertelsmann will be one of the first media enterprises in the world to give customers the ability to listen to music on CD as well as in digital form via the Internet. The future path of DirectGroup is well defined: We will provide the full range of media over all distribution channels from a single source.

Highlights

- DirectGroup serves about 60 million customers and members worldwide — One of the world’s largest media communities.
- About 150 media clubs in 19 countries belong to DirectGroup.
- Book clubs ship 170 million books every year.
- Twelve percent of new club members came to us through the Internet last year.
- About 20 million users visit DirectGroup’s e-commerce offerings monthly.
- Unique visitors to DirectGroup clubs and partners in the U.S. account for 25 percent of the American Web-based book market.
- BeMusic ships 150 million CDs to customers each year, making it the largest direct response CD company in the U.S.
Supervisory Board

Reinhard Mohn
Honorary Chairman,
Gütersloh

Gerd Schulte-Hillen
Chairman
(since November 1, 2000)
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
Partner of Bessemer, Vogel und Treichl GmbH, Düsseldorf

Dr. Rolf-E. Breuer
Spokesman of the Group Board of Deutsche Bank AG, Frankfurt/Main, (since December 1, 2000)

Dr. Hugo Bütler
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

Martin Kohlhaussen
Chairman of the Executive Board of Commerzbank AG, Frankfurt/Main (until November 30, 2000)

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., Louvain, Belgium (since July 5, 2001)

Dr. Ronaldo Schmitz
Member of the Group Board of Deutsche Bank AG, Frankfurt/Main (until November 30, 2000)

Prof. Dr. Jürgen Strube
Chairman of the Board of Executive Directors of BASF Aktiengesellschaft, Ludwigshafen (since December 1, 2000)

Dr. Uwe Swientek
Chairman of the Management Representative Committee of Bertelsmann AG, Gütersloh

Heinrich Weiss
Chairman of the Management Board of SMS Aktiengesellschaft, Düsseldorf

Dr. Mark Wössner
Chairman, Gütersloh (until October 31, 2000)

Bernd Wrede
Chairman of the Executive Board of Hapag-Lloyd AG, Hamburg
Report of the Supervisory Board

The Supervisory Board received regular written and oral reports on business developments and operations, the state of the Corporation and plans for major investments. The Supervisory Board reviewed significant business transactions with the Executive Board and monitored management of the company.

The consolidated financial statements of Bertelsmann AG as of June 30, 2001 and the group status report for the fiscal year 2000/01 were audited by KPMG Deutsche Treuhand-Gesellschaft Wirtschaftsprüfungsgesellschaft, Frankfurt/Main, and received an unqualified auditor's opinion.

The auditor attended the financial review meeting of the Supervisory Board and submitted and explained his report. The Board took note with approval of the examination's result. After its own, final scrutiny of the consolidated financial statements and the group status report, the Supervisory Board also raised no objections. It, therefore, approves the consolidated financial statements as submitted by the Executive Board.

The composition of the Supervisory Board underwent the following changes during the fiscal year: Dr. Mark Wössner, who had been Chairman since November 1, 1998, resigned effective October 31, 2000. The Supervisory Board expresses its gratitude to Dr. Wössner for his committed work for the benefit of Bertelsmann in all of his leadership positions. Dr. Wössner was succeeded as Chairman effective November 1, 2000 by Gerd Schulte-Hillen, who relinquished his position as Deputy Chairman of the Executive Board of Bertelsmann AG. New appointments to the Supervisory Board include Dr. Rolf-E. Breuer, Spokesman of the Group Board of Deutsche Bank AG, and Professor Dr. Jürgen Strube, Chairman of the Board of Executive Directors of BASF AG (both as of December 1, 2000). Retired from the Board are Dr. Martin Kohlhaussen, Chairman of the Executive Board of Commerzbank AG, and Dr. Ronaldo Schmitz, member of the Group Board of Deutsche Bank AG (both as of November 30, 2000). The Supervisory Board thanks its exiting members for their many years of service.

Other changes occurred after the end of the business year. Because Groupe Bruxelles Lambert S.A. (GBL) joined the circle of Bertelsmann AG shareholders, the Bertelsmann AG Supervisory Board was expanded from 12 to 15 members effective July 1, 2001. New appointees were Liz Mohn, member of the Executive Board of Bertelsmann Foundation and shareholder of 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.

Four new members were appointed to the Bertelsmann Executive Board: Rolf Schmidt-Holtz effective July 1, 2000; Bernd Kundrun effective November 1, 2000; Arnold Bahlmann and Rudi Gassner effective January 1, 2001; and Peter Olson effective April 1, 2001. Following the sudden death of Rudi Gassner end of December 2000, Rolf Schmidt-Holtz additionally took on the management of Bertelsmann Music Group (BMG) in January 2001. Hartmut Ostrowski was appointed Deputy Board Member effective October 1, 2001. On September 1, 2002 he will become a Board Member.

The wide-ranging and sometimes radical transformation of markets in which Bertelsmann is active continued during 2000/01. Bertelsmann has once again taken advantage of this environment and used it as an opportunity to shape the future of the company and assure continued profitable growth. In keeping with its strategic objectives, Bertelsmann has further strengthened key business areas through high investments and has optimized our portfolio through new alliances and divestments. The Supervisory Board was actively involved in these ongoing developments. It is with great appreciation that the Supervisory Board recognizes and honors the accomplishments of the company’s Executive Board, managers and employees.

Gütersloh, October 31, 2001

Gerd Schulte-Hillen
At Bertelsmann, an important management responsibility has always been the continued refinement of the corporate constitution in order to create an efficient system for managing and governing the company. In this respect, the German Stock Corporation Act has established the legal parameters for Executive Board and Supervisory Board responsibilities at Bertelsmann. Our company has sought to meet the demands for effective corporate governance within these guidelines. Accordingly, assuring effective corporate governance is part of the corporate culture of Bertelsmann. Following principles established by Reinhard Mohn, Bertelsmann has always played a lead role in supporting modern and active Supervisory Board oversight. As an actively involved body obliged to conduct an independent scrutiny, the Supervisory Board at Bertelsmann AG operated on a model of cooperative enterprise and corporate monitoring as early as the 1980s.

Since that time, the Bertelsmann Executive Board and Supervisory Board have sought through intensive and critically constructive dialogue to reconcile the requirements of an effective corporate review structure with the need for an expedient and streamlined decision-making process. Consequently, beginning in the mid-1980s, certain duties and functions of the Supervisory Board were increasingly delegated to board committees. From the beginning we established specific criteria and qualifications for the selection of members of the Supervisory Board. The fact that the employees of Bertelsmann are viewed as indispensable partners in the effort to meet enterprise goals is a fundamental feature of our corporate culture. One illustration of this is that representatives of the employee and executive staffs are voting members of the Bertelsmann AG Supervisory Board, even though the company, as a so-called “Ideological Enterprise” (Tendenzbetrieb), is exempted from the requirements of Germany’s co-determination laws and therefore not required to have such representatives on the board.

The procedures and structures set forth for corporate governance in the internal rules of procedure of the Supervisory Board of Bertelsmann AG exceed the statutory requirements. To the largest extent possible they meet the demands of modern, pro-active corporate governance standards that have emerged in recent corporate governance debates.
Bertelsmann continuously evaluates the work of the Executive and Supervisory boards and improves corporate governance standards. The demands made on the Supervisory Board have risen dramatically in the increasingly complex environment of the media and communication industry. As a result, our Executive and Supervisory boards have further intensified discussions concerning strategy and the corporate principles of Bertelsmann. The resolute pursuit of main tasks and continued improvement in cooperation between the responsible bodies have become established practice. Thus, for example, should problems occur that were identified too late or were not sufficiently addressed, a process would begin for reviewing and then developing information, reporting and management solutions.

As part of this transformation, the duties of the Supervisory Board committees were reorganized in the recently completed fiscal year. With respect to the work of the Personnel Committee, Audit and Finance Committee, Strategy and Investment Committee, and the Working Group of Employee and Management Representatives, areas of responsibility or specialization were restructured, interlocking these activities with the Supervisory Board. In that connection, more emphasis has been placed on the delegation of authority. Responsibilities of the committees have been expanded and approval levels for investment projects have been increased. At the same time, the committees’ reporting duties to the Board have been more carefully defined. The decision-making authorities of the committees within specific limitations are designed to provide the Board with more time to focus on fundamental topics and issues. As a consequence of Bertelsmann’s exchange of shares with Groupe Bruxelles Lambert, the Supervisory Board was expanded from 12 to 15 members at the beginning of July 2001, thereby paving the way structurally for Bertelsmann to prepare for a possible initial public offering in the coming years. In addition, we expect the Supervisory Board to have a more international makeup.

The Executive and Supervisory boards of Bertelsmann AG are currently reviewing the company’s corporate governance standards in light of the recommendations of the “Government Commission on Corporate Governance” of July 2001. In order to meet the demands of international investors seeking greater transparency, a commission of experts of the German Federal Government plans to introduce a “Corporate Governance Codex” for German enterprises in early 2002. The Executive and Supervisory boards of Bertelsmann AG welcome the initiative and intend to follow its standards and also to expand and disclose the central corporate governance standards and procedures specific to Bertelsmann AG. As an international media company, Bertelsmann will continue to address the topic of corporate governance intensively and, above all, the specific demands on publicly listed companies.

Gerd Schulte-Hillen
Financial Statements

July 1, 2000 to June 30, 2001
## Consolidated Balance Sheet

### Assets

<table>
<thead>
<tr>
<th>as of June 30, 2001</th>
<th>Notes</th>
<th>€ in millions</th>
<th>June 30, 2001 € in millions</th>
<th>Previous year € in millions</th>
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<tr>
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<tr>
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<tr>
<td>Investments</td>
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### Stockholders' Equity and Liabilities

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<th>June 30, 2001 € in millions</th>
<th>Previous year € in millions</th>
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<td><strong>Stockholders’ Equity</strong></td>
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<td>Capital stock</td>
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<td>Profit participation certificates</td>
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<td>Retained earnings</td>
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<td>1,276</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>4,501</strong></td>
<td></td>
<td><strong>3,638</strong></td>
</tr>
<tr>
<td><strong>Provisions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Provisions for pensions and similar commitments</td>
<td>12</td>
<td>1,537</td>
<td></td>
<td>1,446</td>
</tr>
<tr>
<td>Other provisions</td>
<td></td>
<td>4,172</td>
<td></td>
<td>2,914</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>5,709</strong></td>
<td></td>
<td><strong>4,360</strong></td>
</tr>
<tr>
<td><strong>Financial Debt</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other Liabilities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred Income</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total Stockholders’ Equity and Liabilities</strong></td>
<td></td>
<td><strong>17,551</strong></td>
<td></td>
<td><strong>14,692</strong></td>
</tr>
</tbody>
</table>
### Consolidated Statement of Income

<table>
<thead>
<tr>
<th>July 1, 2000 to June 30, 2001</th>
<th>Notes</th>
<th>2000/01 € in millions</th>
<th>Previous year € in millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenues</td>
<td>16</td>
<td>20,036</td>
<td>16,524</td>
</tr>
<tr>
<td>Change in inventories and</td>
<td>17</td>
<td></td>
<td></td>
</tr>
<tr>
<td>other manufacturing costs</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>capitalized</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Operating Income</td>
<td></td>
<td>20,458</td>
<td>16,584</td>
</tr>
<tr>
<td>Other operating income</td>
<td>15</td>
<td>4,612</td>
<td>1,607</td>
</tr>
<tr>
<td>Cost of materials</td>
<td>19</td>
<td>(7,311)</td>
<td>(5,171)</td>
</tr>
<tr>
<td>Royalty and license expenses</td>
<td>20</td>
<td>(1,840)</td>
<td>(1,912)</td>
</tr>
<tr>
<td>Personnel costs</td>
<td>21</td>
<td>(4,782)</td>
<td>(3,755)</td>
</tr>
<tr>
<td>Amortization/depreciation of</td>
<td>22</td>
<td>(1,419)</td>
<td>(946)</td>
</tr>
<tr>
<td>intangible assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>and property, plant and</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>equipment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>23</td>
<td>(6,673)</td>
<td>(5,154)</td>
</tr>
<tr>
<td>Income on investments (net)</td>
<td>24</td>
<td>(451)</td>
<td>37</td>
</tr>
<tr>
<td>Net interest income</td>
<td>25</td>
<td>(302)</td>
<td>(190)</td>
</tr>
<tr>
<td>Income from Ordinary Business</td>
<td></td>
<td>2,292</td>
<td>1,100</td>
</tr>
<tr>
<td>Activities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income taxes</td>
<td>26</td>
<td>(1,322)</td>
<td>(428)</td>
</tr>
<tr>
<td>Net Income</td>
<td></td>
<td>970</td>
<td>672</td>
</tr>
</tbody>
</table>

#### Allocation of Profits

<p>| | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Income applicable to minority</td>
<td>261</td>
<td>(261)</td>
<td>(300)</td>
</tr>
<tr>
<td>shareholders</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Losses applicable to minority</td>
<td>77</td>
<td>57</td>
<td></td>
</tr>
<tr>
<td>shareholders</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Change in retained earnings</td>
<td>(641)</td>
<td>(265)</td>
<td></td>
</tr>
<tr>
<td>Dividends of Bertelsmann AG</td>
<td>(145)</td>
<td>(164)</td>
<td></td>
</tr>
<tr>
<td>holders of profit participation</td>
<td>(95)</td>
<td>(76)</td>
<td></td>
</tr>
<tr>
<td>certificates</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>shareholders</td>
<td>(50)</td>
<td>(88)</td>
<td></td>
</tr>
</tbody>
</table>
### Consolidated Statement of Cash Flows

<table>
<thead>
<tr>
<th>Operations</th>
<th>2000/01</th>
<th>Previous year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income</td>
<td>970</td>
<td>672</td>
</tr>
<tr>
<td>Depreciation of fixed assets</td>
<td>1,644</td>
<td>1,121</td>
</tr>
<tr>
<td>Increase in profit participation certificates and long-term provisions</td>
<td>108</td>
<td>82</td>
</tr>
<tr>
<td>Other cash and non-cash items</td>
<td>(2,059)</td>
<td>(558)</td>
</tr>
<tr>
<td><strong>Cash Flow according to DVFA/SG</strong></td>
<td><strong>663</strong></td>
<td><strong>1,317</strong></td>
</tr>
<tr>
<td>Result from disposal of fixed assets</td>
<td>(39)</td>
<td>(1)</td>
</tr>
<tr>
<td>Change of inventories</td>
<td>(88)</td>
<td>13</td>
</tr>
<tr>
<td>Increase in receivables, other assets and prepaid expenses</td>
<td>(421)</td>
<td>(557)</td>
</tr>
<tr>
<td>Change in short-term reserves</td>
<td>(21)</td>
<td>210</td>
</tr>
<tr>
<td>Change in other liabilities and deferred income</td>
<td>(327)</td>
<td>319</td>
</tr>
<tr>
<td><strong>Net Cash used/provided by Operations</strong></td>
<td><strong>(233)</strong></td>
<td><strong>1,291</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investing Activities</th>
<th>2000/01</th>
<th>Previous year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Payments for investing activities</td>
<td>(3,268)</td>
<td>(2,049)</td>
</tr>
<tr>
<td>Proceeds from disposal of fixed assets</td>
<td>4,414</td>
<td>554</td>
</tr>
<tr>
<td><strong>Net Cash provided/used by Investing Activities</strong></td>
<td><strong>1,146</strong></td>
<td><strong>(1,495)</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Financing Activities</th>
<th>2000/01</th>
<th>Previous year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change of Stockholders’ Equity</td>
<td>25</td>
<td>(46)</td>
</tr>
<tr>
<td>Dividends paid</td>
<td>(375)</td>
<td>(268)</td>
</tr>
<tr>
<td>Change in financial debt</td>
<td>(238)</td>
<td>814</td>
</tr>
<tr>
<td><strong>Net Cash used/provided by Financing Activities</strong></td>
<td><strong>(588)</strong></td>
<td><strong>500</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Change in Cash and Marketable Securities</th>
<th>2000/01</th>
<th>Previous year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effect of exchange rate changes on cash and marketable securities</td>
<td>6</td>
<td>(2)</td>
</tr>
<tr>
<td>Cash and marketable securities at beginning of year</td>
<td>494</td>
<td>200</td>
</tr>
<tr>
<td><strong>Cash and Marketable Securities at End of Year</strong></td>
<td><strong>825</strong></td>
<td><strong>494</strong></td>
</tr>
</tbody>
</table>
Notes

The Consolidated Financial Statements of Bertelsmann AG are prepared in accordance with the accounting and valuation principles as required by the German Commercial Code. Euro-based accounting principles have not yet been adopted. However, the Consolidated Financial Statements and the Group Status Report have been converted into euro. Amounts disclosed are shown in millions of euro.

For a clear presentation, some positions of the Consolidated Balance Sheet and Statement of Income have been summarized. These positions are detailed in the Notes to the Consolidated Financial Statements.

The Consolidated Statement of Income is presented by applying the method of total cost.

For tax reasons, Bertelsmann AG and its affiliated German subsidiaries have changed from a fiscal year to a calendar year, effective December 31, 2000. For most companies included in the Consolidated Financial Statements the fiscal year ends on June 30, 2001. In order to be included in the Consolidated Financial Statements, those companies that transitioned to the calendar year as of December 31, 2000, as well as companies that have a different cutoff date due to local or other reasons, have prepared interim financial statements as of June 30, 2001.

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### Summary of Significant Accounting Policies

- The accounting and valuation rules applied are consistent with the prior year.

  - The Consolidated Financial Statements of Bertelsmann AG (holding company) and its affiliates have been prepared by applying uniform accounting principles. These accounting principles are based on rules that are applicable to Bertelsmann AG. In case of deviations due to different local requirements, the individual financial statements of the entities to be consolidated are adjusted to comply with the principles and format of the holding company. However, if the deviations are immaterial, the financial statements of the associated companies have not been changed.

  - Intangible assets are carried at acquisition cost, tangible assets are carried at either acquisition or production cost.

  - The straight-line depreciation method is applied to fixed assets.

  - Low-value assets are immediately expensed in the year of acquisition.

  - Investments are carried at acquisition cost. Any risks identified are recorded through devaluation to the appropriate value.

  - Long-term loans are valued with their nominal value or lower discounted value depending on the interest rate involved.

  - Investments in associated companies are carried as assets according to the book value method with their pro-rata equity capital (at equity).

  - Inventories are valued by applying the lower of cost or market method. Inventories purchased from consolidated affiliates are stated at Group production costs or at appropriate lower values. Risks from obsolete and slow-moving inventories are recorded through value adjustments following the net realizable value principle. Film rights are valued at acquisition or production cost minus the amount of capital asset consumption.

  - Value adjustments have been provided for all foreseeable risks with regard to receivables and other assets. A general allowance for doubtful accounts has been recognized to consider general collection risks.

  - Marketable securities are stated at the lower of either acquisition cost or market value as of the closing date.
The Chief Committee of Experts of the Institute of Auditors has commented on the treatment of equity in its Recommendation No. I/1994. Pursuant to its comments, the profit participation certificates meet the criteria set forth therein and are disclosed as a separate item under stockholders’ equity. According to the economic approach, the return on profit participation certificates is therefore disclosed as an appropriation of net income.

Provisions for pension plans and similar commitments have been stated at their actuarially computed present values discounted at the rate of 6 percent for Bertelsmann AG and consolidated domestic affiliates. Similar valuation procedures have been applied to foreign subsidiaries considering local practice. The interest included in the allocation to pension provisions is reported as interest expense.

Provisions for taxes and other accrued liabilities are valued at the amount required based on sound business judgment. Interest on taxes as well as tax proceeds affecting the Consolidated Statement of Income are disclosed as “income taxes.”

The method of calculating provisions for impending losses on contracts is that of variable costs. Liabilities, including debt, are stated at their redemption value.

The Consolidated Financial Statements comprise 1,074 companies including Bertelsmann AG, compared with 824 companies last year. The Consolidated Financial Statements include all German and international subsidiaries with the exception of 154 companies. The latter do not have any material business activities and have not been included in the Consolidated Financial Statements because of their minor importance. Within the scope of the full consolidation of the RTL Group, 37 companies were included by a proportionate consolidation. Fifty of the 175 associated companies were valued at equity. This method was not applied to the remaining companies because of their minor economic importance. However, these investments were valued at their acquisition cost.

The major newly acquired consolidated companies included the television production company FremantleMedia (formerly Pearson TV) in Great Britain; the e-commerce company CDNOW in the United States; the U.S. business magazine Fast Company; the BS Fachmediengruppe in Germany; and the printing operation Coral Graphics in the U.S. When balanced against the companies divested, there was a net addition of 250 companies to the group of consolidated companies.

For the first time, the RTL Group was fully consolidated for the entire fiscal year; in the previous year, this group was reported at equity for a six-month period. In the previous year, €1,655 million of revenues generated by RTL Group were consolidated. RTL Group comprises the activities of the former CLT-UFA as well as Pearson TV, which was acquired in July 2000 and now operates as FremantleMedia. It accounted for €789 million in revenue in fiscal 2000/01.

The list of the investments will be submitted to the commercial register at the district court of Gütersloh (Department B No. 3,100).

Capital consolidation has been performed according to the book value method since July 1, 1987. First-time consolidation is performed at the date of acquisition.

Goodwill that is remaining from the capital consolidation of former years has been included in goodwill according to the legally prescribed transition rules. Goodwill is amortized via the Consolidated Statement of
Income with an effect on net income over periods ranging from 5-20 years. Divergent from this and pursuant to Paragraph 309, Section 1, Sentence 3, German Commercial Code, goodwill in the amount of € 615 million from the newly acquired companies Fast Company and CDNOW was offset against reserves or minority interests during the fiscal year just ended.

Goodwill amortization from capital consolidation in the amount of € 366 million and from individual financial statements in the amount of € 116 million is stated in the Consolidated Statement of Income under depreciation and amortization (note 22). Goodwill amortization of € 20 million resulting from at-equity valuation is stated under income on investments (net) (note 24). The total amount of € 502 million is used as a basis for determining the total return on assets using the profit participation certificate formula.

Consistent with the German Commercial Code, negative goodwill in the amount of € 22 million resulting from the capital consolidation has been netted against goodwill.

Intercompany receivables and payables have been eliminated. Intercompany profits resulting from intercompany sales of goods and services have been eliminated in the areas of fixed and current assets.

The amount of tax-favored reserves is divided into the equity portion and deferred tax accruals and disclosed in the appropriate positions.

Deferred taxes are not stated in the Consolidated Financial Statements. The deferred tax assets resulting from the individual financial statements exceed the summary of the deferred tax liabilities from the individual financial statements and the balance of deferred tax assets from the consolidation entries. The company elected the option of not stating this surplus amount in the financial statements.

Provisions, depreciations and value adjustments, which were established in individual financial statements concerning intercompany risks, have been reversed to income if no third-party risk was involved.

---

Foreign Currency Translation

- Foreign currency receivables are valued at the lower of the exchange rate as of the date of the business transaction or the closing date. In contrast, foreign currency payables are valued with the higher of the exchange rate as of the date of the business transaction or the closing date. Where foreign exchange positions have been hedged, the underlying instruments are valued at the rate so covered.

- Individual balance sheets of non-German companies are translated using the exchange rate as of the closing date. The statements of income of non-German companies as well as fixed asset transactions are translated using the average exchange rate for the fiscal year. The difference between the converted net income and the average exchange rate is recorded to retained earnings.

The Consolidated Financial Statements were presented in euros as of June 30, 2001. This was done by translating the corresponding DM amounts reported in the previous and reporting year using the fixed euro exchange rate.

---

<table>
<thead>
<tr>
<th>Notes to the Consolidated Balance Sheet</th>
<th>J June 30, 2001 € in millions</th>
<th>J June 30, 2000 € in millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Patent and similar rights, licenses</td>
<td>975</td>
<td>945</td>
</tr>
<tr>
<td>Goodwill</td>
<td>3,195</td>
<td>2,703</td>
</tr>
<tr>
<td>Advance payments</td>
<td>71</td>
<td>209</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,241</strong></td>
<td><strong>3,857</strong></td>
</tr>
</tbody>
</table>
The patent rights and advance payments balances include rights ensuing from (co-) productions, along with audiovisual and sports rights owned by the RTL Group, which are sold to broadcasting stations as part of a licensing procedure. These rights are valued at acquisition cost.

Write-downs are determined based on estimated total proceeds, which means the acquisition costs are written down in line with the ratio of net proceeds generated to total estimated proceeds. Estimated net proceeds are regularly reviewed and adjusted. If they fall below the rights’ acquisition costs, a value adjustment is accrued to ensure that the rights’ book values correspond to future estimated net proceeds.

<table>
<thead>
<tr>
<th>Property, Plant and Equipment</th>
<th>June 30, 2001 € in millions</th>
<th>June 30, 2000 € in millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land, land titles and buildings</td>
<td>943</td>
<td>824</td>
</tr>
<tr>
<td>Technical equipment and machinery</td>
<td>902</td>
<td>745</td>
</tr>
<tr>
<td>Other equipment, factory and office equipment</td>
<td>512</td>
<td>450</td>
</tr>
<tr>
<td>Advance payments and construction in progress</td>
<td>410</td>
<td>106</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,767</strong></td>
<td><strong>2,125</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Investments</th>
<th>June 30, 2001 € in millions</th>
<th>June 30, 2000 € in millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments in affiliated companies</td>
<td>60</td>
<td>67</td>
</tr>
<tr>
<td>Loans to affiliated companies</td>
<td>201</td>
<td>–</td>
</tr>
<tr>
<td>Investments in associated companies</td>
<td>389</td>
<td>865</td>
</tr>
<tr>
<td>Loans to associated companies</td>
<td>10</td>
<td>3</td>
</tr>
<tr>
<td>Other investments</td>
<td>485</td>
<td>193</td>
</tr>
<tr>
<td>Loans to other investments</td>
<td>3</td>
<td>9</td>
</tr>
<tr>
<td>Non-current securities</td>
<td>6</td>
<td>5</td>
</tr>
<tr>
<td>Other loans</td>
<td>297</td>
<td>148</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>1,451</strong></td>
<td><strong>1,290</strong></td>
</tr>
</tbody>
</table>

Investments in affiliated companies relate to companies without any major business activity, which are not included in the Consolidated Financial Statements.

Investments in associated companies comprise the original investments and other additions, as well as proportionate net income minus profit distributions, capital repayments and depreciation. The marked decline is due to the reclassification of AOL Europe as a current asset reflecting management’s intention to divest the operation in 2002.

Where it has been determined that profits will be disbursed in the following year, these profits are stated as receivables on the Consolidated Balance Sheet.

The rise in other investments is primarily due to the RTL Group’s acquisition of a stake in the Spanish company Antena 3.

As of June 30, 2001, € 42 million of goodwill resulted from the equity consolidation process (previous year: € 58 million). The additions during the fiscal year amounted to € 26 million.
### Consolidated Statement of Fixed Assets

#### Acquisition/Manufacturing Costs

<table>
<thead>
<tr>
<th></th>
<th>July 1, 2000 € in millions</th>
<th>Exchange rate difference € in millions</th>
<th>Additions € in millions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Intangible Assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Patent rights and similar</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>rights, licenses</td>
<td>2,866</td>
<td>52</td>
<td>1,031</td>
</tr>
<tr>
<td>Goodwill</td>
<td>4,645</td>
<td>239</td>
<td>1,566</td>
</tr>
<tr>
<td>Advance payments</td>
<td>209</td>
<td>(1)</td>
<td>148</td>
</tr>
<tr>
<td></td>
<td><strong>7,720</strong></td>
<td><strong>290</strong></td>
<td><strong>2,745</strong></td>
</tr>
<tr>
<td><strong>Property, Plant and Equipment</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Land, land titles</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>and buildings</td>
<td>1,252</td>
<td>38</td>
<td>155</td>
</tr>
<tr>
<td>Technical equipment and machinery</td>
<td></td>
<td>2,401</td>
<td>95</td>
</tr>
<tr>
<td>Other equipment, factory and</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>office equipment</td>
<td>1,296</td>
<td>53</td>
<td>397</td>
</tr>
<tr>
<td>Advance payments and construction in progress</td>
<td></td>
<td>107</td>
<td>18</td>
</tr>
<tr>
<td></td>
<td><strong>5,056</strong></td>
<td><strong>204</strong></td>
<td><strong>1,277</strong></td>
</tr>
<tr>
<td><strong>Investments</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments in affiliated companies</td>
<td>99</td>
<td>–</td>
<td>66</td>
</tr>
<tr>
<td>Loans to affiliated companies</td>
<td>3</td>
<td>–</td>
<td>234</td>
</tr>
<tr>
<td>Investments in associated companies</td>
<td>1,130</td>
<td>50</td>
<td>318</td>
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<tr>
<td>Loans to associated companies</td>
<td>4</td>
<td>3</td>
<td>13</td>
</tr>
<tr>
<td>Other investments</td>
<td>230</td>
<td>6</td>
<td>596</td>
</tr>
<tr>
<td>Loans to related companies</td>
<td>10</td>
<td>–</td>
<td>1</td>
</tr>
<tr>
<td>Non-current securities</td>
<td>5</td>
<td>–</td>
<td>2</td>
</tr>
<tr>
<td>Other loans</td>
<td>300</td>
<td>8</td>
<td>142</td>
</tr>
<tr>
<td></td>
<td><strong>1,781</strong></td>
<td><strong>67</strong></td>
<td><strong>1,372</strong></td>
</tr>
<tr>
<td></td>
<td><strong>14,557</strong></td>
<td><strong>561</strong></td>
<td><strong>5,394</strong></td>
</tr>
</tbody>
</table>

Additions include €2,956 million in amounts carried forward from companies that were consolidated for the first time.
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1,032</td>
<td>3</td>
<td>2,920</td>
<td>1,945</td>
<td>975</td>
<td>945</td>
<td>(3)</td>
</tr>
<tr>
<td>132</td>
<td>4</td>
<td>6,322</td>
<td>3,127</td>
<td>3,195</td>
<td>2,703</td>
<td>-</td>
</tr>
<tr>
<td>282</td>
<td>(3)</td>
<td>71</td>
<td>-</td>
<td>71</td>
<td>209</td>
<td>-</td>
</tr>
<tr>
<td><strong>1,446</strong></td>
<td><strong>4</strong></td>
<td><strong>9,313</strong></td>
<td><strong>5,072</strong></td>
<td><strong>4,241</strong></td>
<td><strong>3,857</strong></td>
<td><strong>(3)</strong></td>
</tr>
<tr>
<td>29</td>
<td>20</td>
<td>1,436</td>
<td>493</td>
<td>943</td>
<td>824</td>
<td>-</td>
</tr>
<tr>
<td>84</td>
<td>79</td>
<td>2,804</td>
<td>1,902</td>
<td>902</td>
<td>745</td>
<td>-</td>
</tr>
<tr>
<td>216</td>
<td>14</td>
<td>1,544</td>
<td>1,032</td>
<td>512</td>
<td>450</td>
<td>-</td>
</tr>
<tr>
<td>13</td>
<td>(113)</td>
<td>411</td>
<td>1</td>
<td>410</td>
<td>106</td>
<td>-</td>
</tr>
<tr>
<td><strong>342</strong></td>
<td><strong>-</strong></td>
<td><strong>6,195</strong></td>
<td><strong>3,428</strong></td>
<td><strong>2,767</strong></td>
<td><strong>2,125</strong></td>
<td><strong>-</strong></td>
</tr>
<tr>
<td>38</td>
<td>-</td>
<td>127</td>
<td>67</td>
<td>60</td>
<td>67</td>
<td>-</td>
</tr>
<tr>
<td>4</td>
<td>-</td>
<td>233</td>
<td>32</td>
<td>201</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>716</td>
<td>(4)</td>
<td>778</td>
<td>389</td>
<td>389</td>
<td>865</td>
<td>(1)</td>
</tr>
<tr>
<td>10</td>
<td>-</td>
<td>10</td>
<td>-</td>
<td>10</td>
<td>3</td>
<td>-</td>
</tr>
<tr>
<td>81</td>
<td>1</td>
<td>752</td>
<td>267</td>
<td>485</td>
<td>193</td>
<td>-</td>
</tr>
<tr>
<td>7</td>
<td>(1)</td>
<td>3</td>
<td>-</td>
<td>3</td>
<td>9</td>
<td>-</td>
</tr>
<tr>
<td>1</td>
<td>-</td>
<td>6</td>
<td>-</td>
<td>6</td>
<td>5</td>
<td>-</td>
</tr>
<tr>
<td>147</td>
<td>-</td>
<td>303</td>
<td>6</td>
<td>297</td>
<td>148</td>
<td>-</td>
</tr>
<tr>
<td><strong>1,004</strong></td>
<td><strong>(4)</strong></td>
<td><strong>2,212</strong></td>
<td><strong>761</strong></td>
<td><strong>1,451</strong></td>
<td><strong>1,290</strong></td>
<td><strong>(1)</strong></td>
</tr>
<tr>
<td><strong>2,792</strong></td>
<td><strong>-</strong></td>
<td><strong>17,720</strong></td>
<td><strong>9,261</strong></td>
<td><strong>8,459</strong></td>
<td><strong>7,272</strong></td>
<td><strong>(4)</strong></td>
</tr>
</tbody>
</table>
4 Inventories

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2001 € in millions</th>
<th>June 30, 2000 € in millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw materials and supplies</td>
<td>211</td>
<td>194</td>
</tr>
<tr>
<td>Work in process</td>
<td>258</td>
<td>239</td>
</tr>
<tr>
<td>Finished goods and merchandise</td>
<td>1,693</td>
<td>1,248</td>
</tr>
<tr>
<td>Advance payments</td>
<td>50</td>
<td>15</td>
</tr>
<tr>
<td></td>
<td><strong>2,212</strong></td>
<td><strong>1,696</strong></td>
</tr>
</tbody>
</table>

As in the previous year, other assets primarily include royalty advances to artists and authors in the amount of €1,174 million and €453 million in tax claims.

5 Receivables and Other Assets

<table>
<thead>
<tr>
<th></th>
<th>Maturing after more than 1 year € in millions</th>
<th>June 30, 2001 € in millions</th>
<th>June 30, 2000 € in millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Receivables from sales of goods and services</td>
<td>38</td>
<td>3,249</td>
<td>3,021</td>
</tr>
<tr>
<td>Receivables from related companies</td>
<td>1</td>
<td>76</td>
<td>98</td>
</tr>
<tr>
<td>Other assets</td>
<td>378</td>
<td>2,497</td>
<td>1,933</td>
</tr>
<tr>
<td></td>
<td><strong>417</strong></td>
<td><strong>5,822</strong></td>
<td><strong>5,052</strong></td>
</tr>
</tbody>
</table>

The finished goods amount primarily relates to the RTL Group’s movie rights to be sold or broadcast on television. The capitalized costs associated with quiz, game and music shows, sports events, “soaps” and documentaries are fully reflected in the Consolidated Statement of Income upon their first broadcast. Children’s films are depreciated at a minimum of 50 percent at first broadcast; the remainder is depreciated at second broadcast. All other formats are depreciated at a minimum of 67 percent at first broadcast, with the remainder depreciated at second broadcast.

6 Cash and Marketable Securities

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2001 € in millions</th>
<th>June 30, 2000 € in millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketable securities</td>
<td>125</td>
<td>119</td>
</tr>
<tr>
<td>Cash</td>
<td>700</td>
<td>375</td>
</tr>
<tr>
<td></td>
<td><strong>825</strong></td>
<td><strong>494</strong></td>
</tr>
</tbody>
</table>
Prepaid expenses include various discounts totaling €1 million.

### Development of Group Stockholders’ Equity

<table>
<thead>
<tr>
<th></th>
<th>Capital Stock Reserves € in millions</th>
<th>Profit Participation Certificates € in millions</th>
<th>Dividends of Bertelsmann AG € in millions</th>
<th>Minority Interests € in millions</th>
<th>Total € in millions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>June 30, 1999</strong></td>
<td>1,445</td>
<td>687</td>
<td>144</td>
<td>458</td>
<td>2,734</td>
</tr>
<tr>
<td>Profit distributions</td>
<td>–</td>
<td>–</td>
<td>(144)</td>
<td>(124)</td>
<td>(268)</td>
</tr>
<tr>
<td>Consolidated net income</td>
<td>265</td>
<td>–</td>
<td>164</td>
<td>243</td>
<td>672</td>
</tr>
<tr>
<td>Contribution to capital/capital reduction</td>
<td>(205)</td>
<td>–</td>
<td>–</td>
<td>159</td>
<td>(46)</td>
</tr>
<tr>
<td>Currency translation</td>
<td>49</td>
<td>–</td>
<td>–</td>
<td>3</td>
<td>52</td>
</tr>
<tr>
<td>Other changes</td>
<td>(43)</td>
<td>–</td>
<td>–</td>
<td>537</td>
<td>494</td>
</tr>
<tr>
<td><strong>June 30, 2000</strong></td>
<td>1,511</td>
<td>687</td>
<td>164</td>
<td>1,276</td>
<td>3,638</td>
</tr>
<tr>
<td>Profit distributions</td>
<td>–</td>
<td>–</td>
<td>(164)</td>
<td>(211)</td>
<td>(375)</td>
</tr>
<tr>
<td>Consolidated net income</td>
<td>641</td>
<td>–</td>
<td>145</td>
<td>184</td>
<td>970</td>
</tr>
<tr>
<td>Contribution to capital</td>
<td>–</td>
<td>–</td>
<td>–</td>
<td>25</td>
<td>25</td>
</tr>
<tr>
<td>Increase in profit participation certificates</td>
<td>–</td>
<td>19</td>
<td>–</td>
<td>–</td>
<td>19</td>
</tr>
<tr>
<td>Immediate offset of goodwill</td>
<td>(509)</td>
<td>–</td>
<td>–</td>
<td>(106)</td>
<td>(615)</td>
</tr>
<tr>
<td>Currency translation</td>
<td>90</td>
<td>–</td>
<td>–</td>
<td>21</td>
<td>111</td>
</tr>
<tr>
<td>Other changes</td>
<td>41</td>
<td>–</td>
<td>–</td>
<td>687</td>
<td>728</td>
</tr>
<tr>
<td><strong>June 30, 2001</strong></td>
<td>1,774</td>
<td>706</td>
<td>145</td>
<td>1,876</td>
<td>4,501</td>
</tr>
</tbody>
</table>
The previous profit participation certificates governed by terms established in 1992 (referred to in the following as “profit participation certificates 1992”) were converted to euros effective January 8, 2001. The nominal value of each individual profit participation certificate was determined to be € 0.01. In January 2001, Bertelsmann offered the owners of profit participation certificates 1992 the option of trading them in on a one to one basis for profit participation certificates with partially changed terms (referred to in the following as “profit participation certificates 2001”). The key distinguishing feature of the profit participation certificate 2001 is a new dividend provision. It stipulates that the dividend shall always be 15 percent provided that the consolidated net income and net income of Bertelsmann AG, as defined in the Profit Participation Certificate Terms and Conditions, are available in a sufficiently high amount. The profit participation certificates 2001 have a nominal value of € 10.00. At June 30, 2001, 90.3 % of all profit participation certificate owners had accepted the trade-in offer.

The employee profit-sharing scheme in fiscal year 1999/2000 reflected an increase in profit sharing capital based on the profit participation certificates 2001. The face value of the profit participation certificates increased by € 11 million, while the premium rose by € 8 million.

---

### Capital Stock

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2001</th>
<th>June 30, 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital stock</td>
<td>€ 463</td>
<td>€ 480</td>
</tr>
<tr>
<td>Capital earmarked to be called-in</td>
<td>-</td>
<td>(€ 17)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>€ 463</td>
<td>€ 463</td>
</tr>
</tbody>
</table>

As of June 30, 2001, Bertelsmann AG shareholders are as follows:

- Reinhard Mohn Verwaltungs GmbH: 44.23 %
- Johannes Mohn GmbH: 48.34 %
- ZEIT-Stiftung Ebelin and Gerd Bucerius: 7.43 %
- **Total**: 100.00 %

Pursuant to an Executive Board resolution passed on March 13, 2000, the company called-in 3,360 shares of Bertelsmann AG stock that had been purchased from the ZEIT-Stiftung for DM 400 million (€ 205 million). The called-in shares correspond to DM 33,600,000 (€ 17 million) in capital stock. Thus, Bertelsmann AG’s capital stock is now at DM 904,800,000 (€ 463 million).

The company’s initial capital consists of 90,480 shares at DM 10,000 per share.

### Profit Participation Certificates

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2001</th>
<th>June 30, 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nominal value</td>
<td>€ 516</td>
<td>€ 505</td>
</tr>
<tr>
<td>Premiums</td>
<td>€ 190</td>
<td>€ 182</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>€ 706</td>
<td>€ 687</td>
</tr>
</tbody>
</table>

The previous profit participation certificates governed by terms established in 1992 (referred to in the following as “profit participation certificates 1992”) were converted to euros effective January 8, 2001. The nominal value of each individual profit participation certificate was determined to be € 0.01. In January 2001, Bertelsmann offered the owners of profit participation certificates 1992 the option of trading them in on a one to one basis for profit participation certificates with partially changed terms (referred to in the following as “profit participation certificates 2001”). The key distinguishing feature of the profit participation certificate 2001 is a new dividend provision. It stipulates that the dividend shall always be 15 percent provided that the consolidated net income and net income of Bertelsmann AG, as defined in the Profit Participation Certificate Terms and Conditions, are available in a sufficiently high amount. The profit participation certificates 2001 have a nominal value of € 10.00. At June 30, 2001, 90.3 % of all profit participation certificate owners had accepted the trade-in offer.

The employee profit-sharing scheme in fiscal year 1999/2000 reflected an increase in profit sharing capital based on the profit participation certificates 2001. The face value of the profit participation certificates increased by € 11 million, while the premium rose by € 8 million.
Retained Earnings

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2001</th>
<th>June 30, 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>€ in millions</td>
<td>€ in millions</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,311</td>
<td>1,048</td>
</tr>
</tbody>
</table>

The retained earnings balance comprised not only the reserves of Bertelsmann AG, including capital reserves of € 17 million and the legally required reserves of € 48 million, but also the profits and losses of the consolidated subsidiaries as well as adjustments resulting from the consolidation procedure.

Minority Interests

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2001</th>
<th>June 30, 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>€ in millions</td>
<td>€ in millions</td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,876</td>
<td>1,276</td>
</tr>
</tbody>
</table>

Minority interests in the equity of consolidated companies mainly comprise stakes held by outsiders in the capital of RTL Group, Gruner + Jahr, BOOKSPAN, maul-belser and France Loisirs.

Provisions

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2001</th>
<th>June 30, 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>€ in millions</td>
<td>€ in millions</td>
<td></td>
</tr>
<tr>
<td>Pensions and similar commitments</td>
<td>1,537</td>
<td>1,446</td>
</tr>
<tr>
<td>Provisions for taxes</td>
<td>1,160</td>
<td>262</td>
</tr>
<tr>
<td>Other provisions</td>
<td>3,012</td>
<td>2,652</td>
</tr>
<tr>
<td>long-term</td>
<td>156</td>
<td>141</td>
</tr>
<tr>
<td>short-term</td>
<td>2,856</td>
<td>2,511</td>
</tr>
<tr>
<td></td>
<td>5,709</td>
<td>4,360</td>
</tr>
</tbody>
</table>

The increase in the provisions for taxes is primarily a result of the sale of AOL Europe and mediaWays. Other long-term provisions primarily refer to employee profit sharing and jubilee provisions. Other short-term provisions include obligations in the personnel/social area, personnel Christmas bonuses, outstanding personnel vacation claims and royalty or license obligations.
The debt amounting to €2,706 million results in a net debt of €1,881 million when offset against cash and marketable securities amounting to €825 million.

The financial debts were not secured.

Bertelsmann U.S. Finance bonds that were not issued in U.S. dollars economically result in a U.S. dollar liability as well, due to swap agreements.

The financial debts were not secured.
The increase in other liabilities is mainly attributable to the strategic alliance with TerraLycos and the RTL Group’s purchase of FremantleMedia (formerly Pearson TV).

The other liabilities were not secured.

As in the previous year, deferred income primarily includes prepaid magazine subscriptions.
Interest and currency fluctuations imply a risk that is difficult to estimate. Derivatives are entered into in order to reduce these risks from the operational business or financial transactions. These include foreign currency forward and option contracts, combined interest rate and currency swaps and pure interest rate swaps and options. Such transactions are only entered into with banks of first-class solvency. Contraction and documentation are subject to strict internal control. The transaction risks as of the balance sheet date have been taken into account. The presentation is stated in nominal values.
Besides leasing, factoring is employed as a financial instrument. According to the principles of Bertelsmann AG, however, factoring is used only in precisely stipulated exceptional cases, usually of receivables from installment transactions with consumers in the encyclopedia business. As of June 30, 2001, the amount of outstanding receivables factored was approximately €337 million (previous year: €416 million).

Other obligations are primarily due to RTL Group, of which €2,808 million are attributable to rights agreements, (co-) productions and programs.

### Other Financial Obligations

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2001 (€ in millions)</th>
<th>June 30, 2000 (€ in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Rental and leasing contracts</td>
<td>1,044</td>
<td>838</td>
</tr>
<tr>
<td>Other obligations</td>
<td>2,875</td>
<td>3,283</td>
</tr>
<tr>
<td></td>
<td><strong>3,919</strong></td>
<td><strong>4,121</strong></td>
</tr>
</tbody>
</table>

### Factoring

Besides leasing, factoring is employed as a financial instrument. According to the principles of Bertelsmann AG, however, factoring is used only in precisely stipulated exceptional cases, usually of receivables from installment transactions with consumers in the encyclopedia business. As of June 30, 2001, the amount of outstanding receivables factored was approximately €337 million (previous year: €416 million).

### Notes to the Consolidated Statement of Income

#### Revenue

<table>
<thead>
<tr>
<th></th>
<th>2000/01 (€ in millions)</th>
<th>1999/00 (€ in millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Germany</td>
<td>6,139</td>
<td>5,052</td>
</tr>
<tr>
<td>Other European countries</td>
<td>6,309</td>
<td>4,731</td>
</tr>
<tr>
<td>USA</td>
<td>6,446</td>
<td>5,568</td>
</tr>
<tr>
<td>Other countries</td>
<td>1,142</td>
<td>1,173</td>
</tr>
<tr>
<td></td>
<td><strong>20,036</strong></td>
<td><strong>16,524</strong></td>
</tr>
</tbody>
</table>

The above table discloses the regional breakdown of revenue. For revenues by corporate division, please refer to the Status Report.
The increase in profits from the disposal of fixed assets is primarily attributable to the divestitures of holdings in AOL Europe and mediaWays. Other income includes refunds, rent and lease income, foreign exchange gains, and income from the reversal of redundant value adjustments. An amount totaling €42 million is attributable to prior years.

<table>
<thead>
<tr>
<th>Change in Inventories and Other Manufacturing Costs Capitalized</th>
<th>2000/01 € in millions</th>
<th>1999/00 € in millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in inventories of finished goods and work in process</td>
<td>421</td>
<td>58</td>
</tr>
<tr>
<td>Other manufacturing costs capitalized</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td><strong>422</strong></td>
<td><strong>60</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Other Operating Income</th>
<th>2000/01 € in millions</th>
<th>1999/00 € in millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gains on disposal of fixed assets</td>
<td>3,471</td>
<td>662</td>
</tr>
<tr>
<td>Income from the reversal of accruals</td>
<td>332</td>
<td>93</td>
</tr>
<tr>
<td>Other income</td>
<td>809</td>
<td>852</td>
</tr>
<tr>
<td></td>
<td><strong>4,612</strong></td>
<td><strong>1,607</strong></td>
</tr>
</tbody>
</table>

The increase in profits from the disposal of fixed assets is primarily attributable to the divestitures of holdings in AOL Europe and mediaWays. Other income includes refunds, rent and lease income, foreign exchange gains, and income from the reversal of redundant value adjustments. An amount totaling €42 million is attributable to prior years.

<table>
<thead>
<tr>
<th>Cost of Materials</th>
<th>2000/01 € in millions</th>
<th>1999/00 € in millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of raw materials, supplies and merchandise</td>
<td>2,702</td>
<td>2,414</td>
</tr>
<tr>
<td>Cost of services received</td>
<td>4,609</td>
<td>2,757</td>
</tr>
<tr>
<td></td>
<td><strong>7,311</strong></td>
<td><strong>5,171</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Royalty and License Expenses</th>
<th>2000/01 € in millions</th>
<th>1999/00 € in millions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>1,840</strong></td>
<td><strong>1,912</strong></td>
</tr>
</tbody>
</table>
The interest included in the allocation to pension provisions is disclosed under interest expenses.

<table>
<thead>
<tr>
<th>Personnel Costs</th>
<th>2000/01 € in millions</th>
<th>1999/00 € in millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wages and salaries</td>
<td>4,018</td>
<td>3,122</td>
</tr>
<tr>
<td>Social security charges</td>
<td>551</td>
<td>454</td>
</tr>
<tr>
<td>Cost of pension plans</td>
<td>116</td>
<td>77</td>
</tr>
<tr>
<td>Cost of social support</td>
<td>52</td>
<td>47</td>
</tr>
<tr>
<td>Employee profit participation</td>
<td>45</td>
<td>55</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,782</strong></td>
<td><strong>3,755</strong></td>
</tr>
</tbody>
</table>

The total includes 578 employees from partially consolidated companies.

<table>
<thead>
<tr>
<th>Number of Employees by Division</th>
<th>Germany</th>
<th>International</th>
<th>2000/01 Total</th>
<th>1999/00 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>RTL Group</td>
<td>2,223</td>
<td>4,389</td>
<td>6,612</td>
<td>2,698</td>
</tr>
<tr>
<td>Random House</td>
<td>528</td>
<td>5,498</td>
<td>6,026</td>
<td>5,778</td>
</tr>
<tr>
<td>Gruner + Jahr</td>
<td>6,851</td>
<td>5,865</td>
<td>12,716</td>
<td>11,976</td>
</tr>
<tr>
<td>BMG</td>
<td>2,000</td>
<td>7,758</td>
<td>9,758</td>
<td>12,032</td>
</tr>
<tr>
<td>BertelsmannSpringer</td>
<td>3,186</td>
<td>2,022</td>
<td>5,208</td>
<td>4,965</td>
</tr>
<tr>
<td>Arvato</td>
<td>14,011</td>
<td>9,299</td>
<td>23,310</td>
<td>19,854</td>
</tr>
<tr>
<td>Direct Group</td>
<td>1,834</td>
<td>13,800</td>
<td>15,634</td>
<td>13,068</td>
</tr>
<tr>
<td>Corporate Services</td>
<td>1,546</td>
<td>429</td>
<td>1,975</td>
<td>918</td>
</tr>
<tr>
<td><strong>Total annual average</strong></td>
<td><strong>32,179</strong></td>
<td><strong>49,060</strong></td>
<td><strong>81,239</strong></td>
<td><strong>71,289</strong></td>
</tr>
</tbody>
</table>

To improve comparability, changes in the re-composition of the company’s divisions were also taken into account in the previous year’s figures.
Amortization of intangible assets includes an amount totaling €482 million (previous year: €255 million) representing the amortization of goodwill from individual financial statements and capital consolidation. Amortization of goodwill resulting from equity-based valuation is disclosed under the caption Income on Investments (net).

Other operating expenses primarily relate to advertising expenses of €1,688 million, distribution and selling expenses of €1,127 million and administration expenses of €2,016 million.
The clear decline in income from associated companies is a result of the first-time full consolidation of RTL Group for the full twelve-month period. In the previous year, the group was accounted for using the equity method for a six-month period. Also as a result of its IPO, Lycos Europe contributed a high income in the previous year. This year, Lycos Europe's negative results led to an increase in losses from associated companies.

The reduction in the amortization of goodwill from the equity valuation is due to the complete amortization of the goodwill of barnesandnoble.com in the previous year.

The interest included in the allocation of provisions for pensions and similar commitments is disclosed under the net interest income as in the prior year.

The income tax burden rose markedly in absolute figures, as did the associated tax ratio, which rose to 57.7 percent from the previous year's 38.9 percent. This reflects fully taxable gains on disposals and the fact that tax loss carry forwards, primarily in the United States, were built up.
Exemption of domestic companies from audit and disclosure.

- The exemption rulings of Paragraph 264, Section 3, of the German Commercial Code, applicable to the supplemental rules governing stock corporations in their preparation of annual financial statements and reviews of operation as well in their audits and disclosure, were applied to the following companies for the first time as of December 31, 2000:

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bertelsmann Immobilien GmbH, Gütersloh</td>
<td></td>
</tr>
<tr>
<td>Verlag RM GmbH, Gütersloh</td>
<td></td>
</tr>
<tr>
<td>Medien Dr. phil. Egon Müller Service GmbH, Verl</td>
<td></td>
</tr>
<tr>
<td>Gütersloher Verlagshaus GmbH, Gütersloh</td>
<td></td>
</tr>
<tr>
<td>Reinhard Mohn GmbH, Gütersloh</td>
<td></td>
</tr>
<tr>
<td>Arabella Musikverlag GmbH, Munich</td>
<td></td>
</tr>
<tr>
<td>Bertelsmann Medien Service GmbH, Gütersloh</td>
<td></td>
</tr>
<tr>
<td>MSN Marketing Service Nordwest GmbH, Shortents</td>
<td></td>
</tr>
<tr>
<td>AZ Bertelsmann Direct GmbH, Gütersloh</td>
<td></td>
</tr>
<tr>
<td>Dreiklang-Dreimasken, Bühnen- und Musikverlag</td>
<td></td>
</tr>
<tr>
<td>Gesellschaft mit beschränkter Haftung, Munich</td>
<td></td>
</tr>
<tr>
<td>Bertelsmann Multimedia GmbH, Gütersloh</td>
<td></td>
</tr>
<tr>
<td>Media Log Spedition GmbH, Gütersloh</td>
<td></td>
</tr>
<tr>
<td>BMG Music International Service GmbH, Munich</td>
<td></td>
</tr>
<tr>
<td>Bertelsmann Interactive Studios GmbH, Gütersloh</td>
<td></td>
</tr>
<tr>
<td>Verlag Heinrich Vogel GmbH Fachverlag, Munich</td>
<td></td>
</tr>
<tr>
<td>Wilhelm Goldmann Verlag GmbH, Munich</td>
<td></td>
</tr>
<tr>
<td>Bertelsmann Korea Beteiligungs GmbH, Gütersloh</td>
<td></td>
</tr>
<tr>
<td>Hotel &amp; Gastronomie Gütersloh GmbH, Gütersloh</td>
<td></td>
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<tr>
<td>Mohn Media Elsnerdruck GmbH, Berlin</td>
<td></td>
</tr>
<tr>
<td>Crescendo Musikverlag GmbH, Munich</td>
<td></td>
</tr>
<tr>
<td>BIP Industrieplanungs-GmbH, Gütersloh</td>
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<tr>
<td>UFA International Gesellschaft mit beschränkter Haftung, Munich</td>
<td></td>
</tr>
<tr>
<td>Wiener Bohême Verlag Gesellschaft mit beschränkter Haftung, Munich</td>
<td></td>
</tr>
<tr>
<td>Ufaton-Verlagsgesellschaft mit beschränkter Haftung, Munich</td>
<td></td>
</tr>
<tr>
<td>Musik Edition Discoton, Gesellschaft mit beschränkter Haftung, Munich</td>
<td></td>
</tr>
<tr>
<td>Bavariaton-Verlag Gesellschaft mit beschränkter Haftung, Munich</td>
<td></td>
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<tr>
<td>HEINZE Gesellschaft mit beschränkter Haftung, Celle</td>
<td></td>
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<tr>
<td>Arvato Storage Media GmbH, Gütersloh</td>
<td></td>
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<tr>
<td>FUCHSBRIEFE Dr. Hans Fuchs GmbH, Berlin</td>
<td></td>
</tr>
<tr>
<td>Verlag Aktuelle Information Gesellschaft mit beschränkter Haftung, Frankfurt</td>
<td></td>
</tr>
<tr>
<td>O-rai GmbH, Berlin</td>
<td></td>
</tr>
<tr>
<td>Mtc Gesellschaft für Medientechnologie mbH, Rostock</td>
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<tr>
<td>Bertelsmann Event Media GmbH, Gütersloh</td>
<td></td>
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<tr>
<td>ProBind Professional Binding GmbH, Gütersloh</td>
<td></td>
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<tr>
<td>Mohn Media Energy GmbH, Gütersloh</td>
<td></td>
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<tr>
<td>MSW Marketing Service Süd-West GmbH, Stuttgart</td>
<td></td>
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<tr>
<td>Bertelsmann Marketing Service Dortmund GmbH, Dortmund</td>
<td></td>
</tr>
<tr>
<td>Dinter-Verlag GmbH, Kirchseoen</td>
<td></td>
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<tr>
<td>PSC Print Service Center GmbH, Oppurg</td>
<td></td>
</tr>
<tr>
<td>RM Buch und Medien Vertrieb GmbH, Gütersloh</td>
<td></td>
</tr>
<tr>
<td>Bertelsmann Arvato Aktiengesellschaft, Gütersloh</td>
<td></td>
</tr>
<tr>
<td>Bertelsmann Music Group GmbH, Gütersloh</td>
<td></td>
</tr>
<tr>
<td>Verlagsgruppe Random House GmbH, Gütersloh</td>
<td></td>
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<tr>
<td>Mohn Media Sales GmbH, Gütersloh</td>
<td></td>
</tr>
<tr>
<td>Mohn Media Print GmbH, Gütersloh</td>
<td></td>
</tr>
<tr>
<td>Sonopress Data Replication Gesellschaft für Informationsträgervervielfältigung mbH, Gütersloh</td>
<td></td>
</tr>
<tr>
<td>BMG Berlin Musik GmbH, Berlin</td>
<td></td>
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<tr>
<td>Bertelsmann Distribution GmbH, Gütersloh</td>
<td></td>
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<tr>
<td>Bertelsmann Finanz Service GmbH, Gütersloh</td>
<td></td>
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<tr>
<td>Bertelsmann Direkt Marketing Fabrik GmbH, Gütersloh</td>
<td></td>
</tr>
<tr>
<td>Bertelsmann Marketing Service GmbH, Gütersloh</td>
<td></td>
</tr>
<tr>
<td>Bertelsmann Services GmbH, Gütersloh</td>
<td></td>
</tr>
<tr>
<td>Bertelsmann Marketing Service Neumünster GmbH, Neumünster</td>
<td></td>
</tr>
<tr>
<td>Bertelsmann Marketing Service Wuppertal GmbH, Wuppertal</td>
<td></td>
</tr>
<tr>
<td>Bertelsmann Marketing Service Münster GmbH, Münster</td>
<td></td>
</tr>
<tr>
<td>Bertelsmann Online Beteiligungsgesellschaft mbH, Gütersloh</td>
<td></td>
</tr>
<tr>
<td>Interworld Musik-Verlag GmbH, München</td>
<td></td>
</tr>
<tr>
<td>PRO FUTURA Vertriebsgesellschaft mbH &amp; Co. KG, Munich</td>
<td></td>
</tr>
<tr>
<td>Auto Business Verlag GmbH &amp; Co. KG, Ottobrunn</td>
<td></td>
</tr>
<tr>
<td>BauNetz Online-Dienst GmbH &amp; Co. KG, Berlin</td>
<td></td>
</tr>
<tr>
<td>&quot;ibau&quot;-Karl Wilmers GmbH &amp; Co. KG, Münster</td>
<td></td>
</tr>
<tr>
<td>BERLIN VERLAG GmbH &amp; Co. KG, Berlin</td>
<td></td>
</tr>
<tr>
<td>Falken Verlag GmbH &amp; Co. KG, Niedernhausen</td>
<td></td>
</tr>
<tr>
<td>Bertelsmann Game Channel GmbH &amp; Co. KG, Hamburg</td>
<td></td>
</tr>
<tr>
<td>Dr. E. Müller Verlag GmbH &amp; Co. KG, Eching</td>
<td></td>
</tr>
<tr>
<td>ANDSOLD GmbH &amp; Co. KG, Gütersloh</td>
<td></td>
</tr>
<tr>
<td>Bertelsmann Broadband Group GmbH &amp; Co. KG, Gütersloh</td>
<td></td>
</tr>
<tr>
<td>BS GmbH &amp; Co. Software + Daten KG, Walluf</td>
<td></td>
</tr>
<tr>
<td>BMG Ariola Miller GmbH &amp; Co. KG, Quickborn</td>
<td></td>
</tr>
</tbody>
</table>

- The exemption rulings of Paragraph 264 b of the German Commercial Code, were also claimed for the following companies for the first time as of December 31, 2000:

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>PRO FUTURA Vertriebsgesellschaft mbH &amp; Co. KG, Munich</td>
<td></td>
</tr>
<tr>
<td>Auto Business Verlag GmbH &amp; Co. KG, Ottobrunn</td>
<td></td>
</tr>
<tr>
<td>BauNetz Online-Dienst GmbH &amp; Co. KG, Berlin</td>
<td></td>
</tr>
<tr>
<td>&quot;ibau&quot;-Karl Wilmers GmbH &amp; Co. KG, Münster</td>
<td></td>
</tr>
<tr>
<td>BERLIN VERLAG GmbH &amp; Co. KG, Berlin</td>
<td></td>
</tr>
<tr>
<td>Falken Verlag GmbH &amp; Co. KG, Niedernhausen</td>
<td></td>
</tr>
<tr>
<td>Bertelsmann Game Channel GmbH &amp; Co. KG, Hamburg</td>
<td></td>
</tr>
<tr>
<td>Dr. E. Müller Verlag GmbH &amp; Co. KG, Eching</td>
<td></td>
</tr>
<tr>
<td>ANDSOLD GmbH &amp; Co. KG, Gütersloh</td>
<td></td>
</tr>
<tr>
<td>Bertelsmann Broadband Group GmbH &amp; Co. KG, Gütersloh</td>
<td></td>
</tr>
<tr>
<td>BS GmbH &amp; Co. Software + Daten KG, Walluf</td>
<td></td>
</tr>
<tr>
<td>BMG Ariola Miller GmbH &amp; Co. KG, Quickborn</td>
<td></td>
</tr>
</tbody>
</table>

- The exemption rulings of Paragraph 264 b of the German Commercial Code were also claimed for the following companies for the first time as of 31.06.2001.

<table>
<thead>
<tr>
<th>Company Name</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>Berliner Verlag GmbH &amp; Co. Berlin</td>
<td></td>
</tr>
<tr>
<td>BÖRSE ONLINE Verlag GmbH &amp; Co. Munich &quot;BusinessTraveller&quot; Verlag</td>
<td></td>
</tr>
<tr>
<td>Dresdner Druck- und Verlagshaus GmbH &amp; Co. KG, Dresden</td>
<td></td>
</tr>
<tr>
<td>eB2B market place GmbH &amp; Co. KG, Hamburg</td>
<td></td>
</tr>
<tr>
<td>Ehrlich &amp; Sohn GmbH &amp; Co., Hamburg</td>
<td></td>
</tr>
<tr>
<td>G-ij Medien-Vertrieb GmbH &amp; Co. KG, Hamburg</td>
<td></td>
</tr>
<tr>
<td>STABLON Grundstücks-Vermietungsges. mbH &amp; Co. Dritte G-ij, Pressehaus am Alex KG, Berlin</td>
<td></td>
</tr>
</tbody>
</table>
The remuneration paid to the Supervisory Board amounted to €636,558 plus VAT for fiscal 2000/01. The Executive Board received payments amounting to €63,999,480 of which €50,299,947 was paid by Bertelsmann AG. Former Executive Board members and their beneficiaries received €23,566,107 in disbursements (retirement pensions and severance pay), which was paid by Bertelsmann AG. The provision for pension obligations to former members of the Executive Board of Bertelsmann AG totaled €28,007,631. For a list of members of the Supervisory Board and the Executive Board, please refer to pages 66 and 8-9 of the Annual Report.

Total retained earnings of Bertelsmann AG amounted to DM 403,119,000 (€206 million) of which DM 186,668,414 (€95 million) will be distributed as dividends on profit participation certificates. This distribution is due on October 16, 2001 and is 18.51 percent of the par value of the profit participation certificates totaling DM 1,008,473,333.36 (€516 million).

The Executive Board proposes in the Annual General Meeting to appropriate the remaining retained earnings of DM 216,450,586 (€111 million) after distribution to the holders of profit participation certificates as follows:

<table>
<thead>
<tr>
<th>Dividends to stockholders</th>
<th>97,791,036 DM (€50 million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carry forward to new fiscal year</td>
<td>118,659,550 DM (€61 million)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>216,450,586 DM (€111 million)</strong></td>
</tr>
</tbody>
</table>

Gütersloh, October 12, 2001

Bertelsmann Aktiengesellschaft
The Executive Board

Thomas Middelhoff  Arnold Bahlmann  Klaus Eierhoff  Bernd Kundrun  Siegfried Luther

Peter Olson  Hartmut Ostrowski  Rolf Schmidt-Holtz  Gunter Thielen
Independent Auditors’ Report

We have audited the consolidated financial statements and the group status report prepared by the Bertelsmann Aktiengesellschaft, Gütersloh, for the business year from July 1, 2000 to June 30, 2001. The preparation of the consolidated financial statements and the group status report in accordance with German commercial law and supplementary provisions in the articles of association agreement are the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated financial statements and the group status report based on our audit.

We conducted our audit of the consolidated annual financial statements in accordance with § 317 HGB [“Handelsgesetzbuch: German Commercial Code”] and the generally accepted German standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer [in Germany] (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with [German] principles of proper accounting and the group status report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Company and evaluations of possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the internal control system relating to the accounting system and the evidence supporting the disclosures in the consolidated financial statements and the group status report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of the companies included in consolidation, the determination of the companies to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group status report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, the consolidated financial statements give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with German principles of proper accounting. On the whole the group status report provides a suitable understanding of the Group’s position and suitably presents the risks of future development.

Gütersloh, October 15, 2001

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Reinke Kämpf
Wirtschaftsprüfer Wirtschaftsprüfer
[German Public Auditor] [German Public Auditor]
Corporate Structure and Companies

RTL Group

Television

Free-TV
- Antena 3, Madrid, Spain: 17%
- Channel 5, London, Great Britain: 65%
- Club RTL, Brussels, Belgium, Luxembourg: 66%
- M6, Neuilly-sur-Seine, France: 43.8%
- RTL II, Grünwald, Germany: 35.9%
- RTL Klub, Budapest, Hungary: 49%
- RTL Télé Lëtzebuerg, Luxembourg
- RTL Television, Cologne, Germany
- RTL TVI, Brussels, Belgium, Luxembourg: 66%
- RTL4, Hilversum, Netherlands, Luxembourg: 2%
- RTL5, Hilversum, Netherlands, Luxembourg: 2%
- RTL7, Warsaw, Poland, Luxembourg
- RTL9, Luxembourg, France: 35%
- Super RTL, Cologne, Germany: 50%
- TMC – Télé Monte Carlo, Monaco: 23.8%
- VOX, Cologne, Germany: 99.7%
- Yorin, Hilversum, Netherlands, Luxembourg: 2%

PayTV
- Via Digital, Madrid, Spain: 5%

TV Services
- Broadcasting Center Europe, Luxembourg
- CBC – Cologne Broadcasting Center, Cologne, Germany
- ENEX – European News Exchange, Luxembourg: 69.3%
- VCF – Vidéo Communication France, Saint-Cloud, France

Radio
- 104.7 RTL, Stockholm, Sweden: 49%
- 104.6 RTL, Berlin, Germany
- Antenne Bayern, Unterföhring, Germany: 16%
- Atlantic 252, Trim, Ireland: 80%
- Bel RTL, Brussels, Belgium: 43%
- Berliner Rundfunk 91.4, Berlin, Germany: 30%
- Fun Radio, Paris, France
- Radio 21 – der neue Rocksender, Munich, Germany: 9.8%

Radio Contact, Brussels, Belgium: 35%
Radio NRW, Oberhausen, Germany: 16.1%
RTL Radio – Die größten Oldies, Germany, Luxembourg:
RTL Radio Lëtzebuerg, Luxembourg
RTL, Paris, France, Luxembourg
RTL2, Paris, France
WOW 105.5, Stockholm, Sweden
Yorin FM, Hilversum, Netherlands: 2%

Radio Services
- FM Radio Network, Augsburg, Germany: 51%

Content
- Alomo, London, Great Britain
- Delux Productions, Luxembourg
- FremantleMedia, London, Great Britain
- Groupe Jean-Claude Darmon, Paris, France: 28%
- Talkback Productions, London, Great Britain
- Thames Television, London, Great Britain
- Trebitsch Produktion, Hamburg, Germany: 64%
- UFA Film & TV Produktion, Potsdam-Babelsberg, Germany
- UFA SPORTS, Hamburg, Germany
- BMG Video, Munich, Germany
- CLT-UFA International, Luxembourg

Internet
- IP Web.net, Luxembourg
- M6Web, Neuilly-sur-Seine, France
- RTL iMedia, Hilversum, Netherlands: 2%
- RTL Net, Paris, France
- RTL Newmedia, Cologne, Germany
- RTL Newmedia, Luxembourg

Random House

Publishing Houses North America/Great Britain/New Zealand/Australia/South Africa
- Ballantine Books, New York, USA
- Bantam Dell Publishing Group, New York, USA
- Crown Publishing Group, New York, USA
- Doubleday Broadway Publishing Group, New York, USA
- Doubleday Religious Publishing Group, New York, USA
- Fodor’s Travel Publications, New York, USA
- Fodors.com, New York, USA
- Knopf Publishing Group, New York, USA
- McClelland & Stewart, Toronto, Canada: 25%
- Random House Adult Trade Publishing Group, New York, USA
- Random House Audio & Diversified Publishing Group, New York, USA
- Random House Australia, Sydney, Australia
- Random House Children’s Books, New York, USA
- Random House Information Group, New York, USA
- Random House New Zealand, Auckland, New Zealand
- Random House of Canada, Toronto, Canada
- Random House South Africa, Johannesburg, South Africa
- Random House UK, London, Great Britain
- Transworld Publishers, London, Great Britain

Verlagsgruppe Random House
- Albrecht Knaus Verlag, Berlin, Munich, Germany
- Berliner Verlag, Berlin, Germany: 74.8%
- Blanvalet Verlag, Munich, Germany
- C. Bertelsmann J. übergab Buch Verlag, Munich, Germany
- C. Bertelsmann Verlag, Munich, Germany
- Frederking & Thaler, Munich, Germany
- Gütersloher Verlagshaus, Gütersloh, Germany
- Karl Blessing Verlag, Munich, Germany
- Kremayr & Scheriau, Vienna, Austria: 75

All shareholding percentages reflect stakes held by RTL Group. Companies lacking such figures are wholly owned by RTL Group.

1) Including the special-interest channels Série Club, TEVA, M6 Music, Fun TV, Club Téléachat
2) Stake held via Holland Media Groep
Mosaik Verlag, Munich, Germany
Orac, Vienna, Austria
ORBIS Verlag, Munich, Germany
Prisma Electronic Publishing, Munich, Germany
Riemann Verlag, Munich, Germany
Verlagsgruppe Falken, Niedernhausen, Germany
Wilhelm Goldmann Verlag, Munich, Berlin, Germany
Wolf Jobst Siedler Verlag, Berlin, Germany

Grupo Editorial Random House Mondadori

Grijalbo Mondadori, Barcelona, Spain 50
Nueva Galaxia Gutenberg, Barcelona, Spain 45
Nuevas Ediciones del Bolsillo, Barcelona, Spain 50
Plaza y Anés Editores, Barcelona, Spain 50
Editorial Grijalbo Colombia, Bogotá, Colombia 49.9
Editorial Grijalbo, Mexico City, Mexico 50
Editorial Grijalbo, Santiago de Chile, Chile 50
Editorial Sudamericana, Buenos Aires, Argentina 49.4
Editorial Sudamericana, Montevideo, Uruguay 45
Editorial Sudamericana, Santiago de Chile, Chile 49.9
Grijalbo Editor, Montevideo, Uruguay 50
Grijalbo, Buenos Aires, Argentina 50
Grijalbo, Caracas, Venezuela 50
Plaza y Anés Mexico, Mexico City, Mexico 50

Magazines/Newspapers/Printing

Druck- und Verlagshaus Gruner + Jahr, Hamburg, Itzehoe, Germany 74.9

Magazine Publishing Houses

Börse Online Verlag, Munich, Germany 74.9
Ehrlich & Sohn, Hamburg, Germany 74.9
Gy Esplanada Ediciones, Madrid, Spain 74.9
Gruner + Jahr (Schweiz), Zurich, Switzerland 74.9
Gruner + Jahr Polska, Warsaw, Poland 74.9
Gruner + Jahr ZAO, Moscow, Russia 74.9
Gruner + Jahr USA Printing and Publishing Company, New York, Waseca, USA 74.9
GJ Verlagsgesellschaft, Vienna, Austria 74.9
Gruner + Jahr Mondadori, Milan, Italy *) 50
Gruner + Jahr Medien Vertrieb, Hamburg, Germany *) 60
GJ /RBA, Hamburg, Germany *) 50
GJ /RBA, Warsaw, Poland *) 50
GJ /RBA, Paris, France *) 50
GJ /RBA, Amsterdam, Netherlands 74.9
Manager magazin Verlagsgesellschaft, Hamburg, Germany *) 24.9
M. C. Verlagsgesellschaft, Munich, Germany *) 50
MVF Magazin-Verlag am Fleetbrand, Hamburg, Germany 74.9
News-Gruppe, Vienna, Austria *) 75
Norddeutsche Verlagsgesellschaft, Hamburg, Germany 74.9
Prisma Presse, Paris, France 74.9
SPIEGEL-Verlag Rudolf Augustin, Hamburg, Germany *) 24.75
TIP Verlag, Berlin, Germany 74.9

Newspapers

Dresdner Druck- und Verlagshaus, Dresden, Germany *) 60
Berliner Verlag, Berlin, Germany 74.9
Vydavatelstvo casopisov a novin, Bratislava, Slovakia *) 51
Expres, Bucharest, Romania *) 50
Népszabadság, Budapest, Hungary 67.65
Financial Times Deutschland, Hamburg, Germany *) 50
Blic press, Belgrad, Jugoslawia *) 49

Printing/Technical Companies

Brown Printing Company, Waseca, USA 74.9
GJ Berliner Zeitungsdruck, Berlin, Germany 74.9

Services

GJ Electronic Media Service EMS, Hamburg, Germany 74.9
GJ Multimedia Ventures, Hamburg, Germany 74.9
travelchannel, Hamburg, Germany *) 50
GJ Business Channel, Hamburg, Germany 74.9
GJ Computer Channel, Hamburg, Germany 74.9
handy.de, Hamburg, Germany *) 51.03
GJ Berlin Online, Berlin, Germany *) 50
Lycos Europe, Haarlem, Netherlands *) 5.5
Daum Communications, Seoul, South Korea *) 10.7
Yam Digital Technology, Taipei, Taiwan *) 5
Picture Press Bild- und Textagentur, Hamburg, Germany 74.9
Berliner Pressevertrieb, Berlin, Germany 74.9
DPV Deutscher Pressevertrieb, Hamburg, Germany 74.9
IPV Inland Presse Vertrieb, Hamburg, Germany 74.9
Hamburger Journalistenschule (Henri-Nannen-Schule), GJ -Die Zeit, Hamburg, Germany *) 95
K-IS Kundenzeitschriften- und Service-Verlagsgesellschaften, Hamburg, Germany 74.9

Broadcasting

MedienKontor FFP, Dortmund, Germany *) 25

*) parent company’s share
BMG

Music

Arista Records, New York, USA
Bad Boy Records, New York, USA 50
Bakery Music Thailand, Bangkok, Thailand 52

BMG

Athens, Greece
Auckland, New Zealand
Bangkok, Thailand 75
Bombay, India 70
Brussels, Belgium
Budapest, Hungary
Buenos Aires, Argentina
Copenhagen, Denmark
Dublin, Ireland
Hamburg, Germany
Helsinki, Finland
Hilversum, Netherlands
Hong Kong, China
Istanbul, Turkey
Jakarta, Indonesia 51
Johannesburg, South Africa
Kuala Lumpur, Malaysia
Lisbon, Portugal
Madrid, Spain
Manila, Philippines
Mexico City, Mexico
Moscow, Russia
Munich, Germany
Oslo, Norway
Paris, France
Prague, Czech Republic
Rio de Janeiro, Brazil
Rome, Italy
Santiago de Chile, Chile
Seoul, South Korea
Singapore, Singapore
Stockholm, Sweden
Sydney, Australia
Taipei, Taiwan
Tokyo, Japan
Toronto, Canada
Vienna, Austria
Warsaw, Poland
Zurich, Switzerland

BMG Ariola Media, Munich, Germany
BMG Ariola Miller, Quickborn, Germany
BMG Berlin Musik, Berlin, Germany
BMG Central America, San José, Costa Rica
BMG Distribution, New York, USA
BMG Entertainment Canada, Toronto, Canada
BMG Entertainment International, New York, USA
BMG Funhouse, Tokyo, Japan
BMG Köln Musik, Cologne, Germany
BMG Middle East, Dubai, United Arab Emirates 49.5
BMG Music, New York, USA
BMG Special Products, New York, USA
BMG U.S. Latin, Miami, USA
Conifer Records, London, Great Britain
Flyte Tyme Records, Los Angeles, USA 50
J Records, New York, USA 50
LaFace Records, New York, USA
Le Groupe BMG Quebec, Montreal, Canada
Melisma Records, Los Angeles, USA 50
Music Impact, Hong Kong, China 80
Musicnet.com, New York, USA 20
Network Music, San Diego, USA
NuAmerica Music, Los Angeles, USA 50
RCA Label Group, Nashville, USA
RCA Records, New York, USA
RCA Victor Group, New York, USA
Spere Records, Atlanta, USA 50
Zomba Records, New York, USA 20

Music Publishing

BMG Music Publishing

Athens, Greece
Beijing, China
Berlin, Germany
Brussels, Belgium
Budapest, Hungary
Buenos Aires, Argentina
London, Great Britain
Manila, Philippines
Milan, Italy
Mexico City, Mexico
Montreal, Canada
Munich, Germany
New York, USA (Worldwide Headquarters)
Oslo, Norway
Paris, France
Prague, Czech Republic
Rio de Janeiro, Brazil
Rome, Italy
Santiago de Chile, Chile
Seoul, South Korea
Singapore, Singapore
Stockholm, Sweden
Sydney, Australia
Taipei, Taiwan
Tokyo, Japan
Toronto, Canada
Vienna, Austria
Warsaw, Poland
Zurich, Switzerland

BMG Songs, Los Angeles, Nashville, New York, USA
Zomba Music, New York, USA 25
BertelsmannSpringer

Science+Business Media

- ABI Building Data, Neston South Wirral, Great Britain
- ArchiPoint, Zaventem, Belgium
- ÄRZTE WOCHE Zeitungsverlagsgesellschaft, Vienna, Austria
- Ärzte Zeitung Verlagsgesellschaft, Neus-Isenburg, Germany
- Auto Business Verlag, Ottobrunn, Germany
- B.G. Teubner, Wiesbaden, Germany
- Bau-Data, Hallein-Vigaun, Austria
- Bau-Datenbank, Celle, Germany
- BauNetz Online-Dienst, Berlin, Germany
- Bauerverlag, Walluf, Germany
- Beijing Bertelsmann Construction Information Service, Beijing, China
- Bertelsmann Fachzeitschriften, Gütersloh, Germany
- Bertelsmann Information Professionnelle, Paris, France
- BertelsmannSpringer Business-to-Business (Schweiz), Schlieren, Switzerland
- BertelsmannSpringer CZ, Prague, Czech Republic
- BertelsmannSpringer Magyarország, Budapest, Hungary
- Betriebswirtschaftlicher Verlag Dr. Th. Gabler, Wiesbaden, Germany
- Birkhäuser Verlag Basel, Basel, Switzerland
- Böhlau Verlag, Vienna, Austria
- BWF-Bertelsmann Wydawnictwa Fachowe, Warsaw, Poland
- CoboSystems, Zaventem, Belgium
- Codes Rousseau, Les Sables d’Olonne, France
- Der Platow Brief, Frankfurt, Germany
- design & production, Heidelberg, Germany
- Deutscher Universitäts-Verlag, Wiesbaden, Germany
- Eastern Book Service, Tokyo, Japan
- ETRASA Editorial Trafico Vial, Madrid, Spain
- European Software, Madrid, Spain
- Forum Press, Schlieren, Switzerland
- Friedr. Vieweg & Sohn Verlagsgesellschaft, Wiesbaden, Germany
- FUCHSBRIEFE, Berlin, Germany
- Garage Fachverlag, Schlieren, Switzerland
- Groupe Impact Médecin, Paris, France
- Grupa Image, Warsaw, Poland
- Health Online Service LIFELINE, Berlin, Germany
- Heinzle, Celle, Germany
- HOS multimedia Online Service, Berlin, Germany
- ibau Informationsdienst für den Baumarkt, Münster, Germany
- ICW Publications, Neston South Wirral, Great Britain
- INFO-BUILD, Kortrijk, Belgium
- InfoChem Gesellschaft für chemische Information, Munich, Germany
- Key Curriculum Press, Emeryville, USA
- Media Office, Lasne, Belgium
- Media-Daten, Zurich, Switzerland
- Meritum, Bratislava, Slovakia
- MMV Medien & Medizin Verlagsgesellschaft, Munich, Germany
- MMV Medien & Medizin Verlag, Basel, Switzerland
- ProEdit, Heidelberg, Germany
- Princeton Architectural Press, New York, USA
- Renata Film, Prague, Czech Republic
- Saladruck, Berlin, Germany
- Schück Söhne, Rüsschikon, Switzerland
- Scientific Publishing Services, Bangalore, India
- Septima, Paris, France
- Springer Auslieferungs-Gesellschaft, Heidelberg, Germany
- Springer-VDI-Verlag, Düsseldorf, Germany
- Springer-Verlag Berlin/Heidelberg, Berlin, Germany
- Springer-Verlag France, Paris, France
- Springer-Verlag Hong Kong, Hong Kong, China
- Springer-Verlag Ibérica, Barcelona, Spain
- Springer-Verlag Italia, Milan, Italy
- Springer-Verlag London, London, Great Britain
- Springer-Verlag New York, New York, USA
- Springer-Verlag Tokyo, Tokyo, Japan
- Springer-Verlag Vienna, Austria
- Steinkopf-Verlag, Dr. Dietrich, Darmstadt, Germany
- technopress Fachzeitschriftenverlag, Klosterveuburg, Austria
- Universitätssubdrucke H. Stürtz, Würzburg, Germany
- Urban & Vogel Medien und Medizin Verlagsgesellschaft, Munich, Germany
- Verlag Heinrich Vogel Fachverlag, Munich, Germany
- Wendel-Verlag, Kassel, Germany
- Westdeutscher Verlag, Wiesbaden, Germany

Printin/Technical Companies

- Berryville Graphics, Berryville, USA
- Cobri, Madrid, Spain
- Coral Graphic Services, Hicksville, USA
- Dynamic Graphic Finishing, Horsham, USA
- Eurogravure, Milan, Italy
- Eurohuco, Barcelona, Spain
- Fernwärme GmbH, Gütersloh, Germany
- J. aroslawski Poligrafitscheskij Kombinat, Nuremberg, Germany
- maul-belser Klebebindung, Nuremberg, Germany
- maul-belser Studios, Nuremberg, Germany
- Offset Paperback Manufacturers, Dallas, USA
- OffsetPaperbackManufacturers, Dallas, USA
- Printer Colombiana, Bogotá, Colombia
- Printer Portuguesa Indústria Grafica, Lisbon, Portugal
- Printer Portuguesa Indústria Grafica, Lisbon, Portugal
- ProBind Professional Binding, Marienfeld, Germany
- Rotedic, Madrid, Spain

Services

- AZ Bertelsmann Direct, Gütersloh, Germany
- AZ Direct Marketing Bertelsmann, Vienna, Austria
- BD Medien Service, Münchenstein, Switzerland
- BD Medien Service, Münchenstein, Switzerland
- BenefitNation, Delaware, USA
- Bertelsmann Communication Services France, Noyelles-sous-Lens, France
- Bertelsmann Direct, Barcelona, Spain
- Bertelsmann Direkt Marketing Fabrik, Gütersloh, Germany
- Bertelsmann Direkt Marketing Fabrik, Springe, Germany
- Bertelsmann Distribution Financial Services, Dublin, Ireland
- Bertelsmann Distribution, Gütersloh, Germany
- Bertelsmann Finanz Service, Gütersloh, Germany
- Bertelsmann Finanz Service, Münster, Germany
Bertelsmann IT Infrastructure North America, Delaware, USA
Bertelsmann mediaSystems España, Barcelona, Spain
Bertelsmann mediaSystems France, Paris, France
Bertelsmann mediaSystems Italia, Milan, Italy
Bertelsmann mediaSystems North America, Delaware, USA
Bertelsmann mediaSystems UK, London, Great Britain
Bertelsmann mediaSystems, Shanghai, China
Bertelsmann mediaSystems, Gütersloh, Germany
Bertelsmann MediaService, Gütersloh, Germany
CM4, Gütersloh, Germany
Mtec Gesellschaft für Medientechnologie, Rostock, Germany
Prompt 92, Budapest, Hungary
QuBiz, Gütersloh, Germany
“S4M” Solutions für Media, Gütersloh, Germany
SSB Software Service und Beratungsgesellschaft, Munich, Germany

Storage Media
Bertelsmann Speichermedien, Gütersloh, Germany
Digital World Services, Hamburg, New York, USA
Sonopress Ibermemory, Madrid, Spain
Sonopress Pan Asia, Hong Kong, China
Sonopress Pan Asia, Tokyo, Japan
Sonopress Rimo, Buenos Aires, Argentina
Sonopress Rimo, São Paulo, Brazil
Sonopress, Birmingham, Great Britain
Sonopress, Dublin, Ireland *)
Sonopress, Gütersloh, Germany
Sonopress, Johannesburg, South Africa
Sonopress, Mexico City, Mexico
Sonopress, Paris, France
Sonopress, São Paulo, Brazil
Sonopress, Weaverville, USA
Topac, Gütersloh, Germany

Special Publishing/Other
Bertelsmann Arvato Middle East Sales, Dubai, United Arab Emirates
Astrosat, Prague, Czech Republic
Bertelsmann Event Media, Gütersloh, Germany
Bertelsmann Kalender & Promotion Service, Gütersloh, Germany
Bertelsmann Lexikon Verlag, Gütersloh, Germany
cutup vision, Cologne, Germany
Deutscher Supplement Verlag, Nuremberg, Germany
Editoriale J. Johnson, Seriate, Italy
empolis, Gütersloh, Germany
empolis catalog management, Gütersloh, Germany
empolis content management, Würzburg, Germany
empolis knowledge management, Kaiserslautern, Germany
empolis professional services, Gütersloh, Germany
empolis Hungarian, Budapest, Hungary
empolis North America, Boston, USA
empolis Polska, Warsaw, Poland
empolis Scandinavia, Oslo, Norway
empolis UK, Swindon, Great Britain
EMS Digital Elektronischer Marketing Service für Verlage, Hamburg, Germany
EPS Programm Service, Zurich, Switzerland
InmediaONE, Gütersloh, Vienna, Austria, Gladbruck, Switzerland
Medicformia.com, Dortmund, Germany
MM Concept Service, Gütersloh, Germany
Mobilitätsverlag, Berlin, Germany
Mohndruck Kalenders, Breda, Netherlands
Mohndruck Wädawnitcwo Kalendarzowe, Poznan, Poland
NEON Newspaper Online Network, Nuremberg, Germany
Nionex, Gütersloh, Germany
P&P Redaktion für Publikation und Präsentation, Gütersloh, Germany
Präsentation für German International, Solingen, Germany
Pressens Media Service DSV, Stockholm, Sweden
Print Service, Solingen, Germany
Publicisterna Söderberg, Stockholm, Sweden
tele-Zeitschriftenverlagsgesellschaft, St. Pölten, Austria
TopPublishing, Gütersloh, Germany
TV Information Services, Nuremberg, Germany
Wissen.de, Munich, Germany
WV Kalenderverlag, Himberg/Vienna, Austria

*) The company has availed of exemptions under Section 17 of the Irish Companies’ (Amendment) Act 1986 from publicly filing its financial statements.
DirectGroup

Clubs/Community Businesses

Central / Eastern Europe
Der Club, Gütersloh, Rheda-Wiedenbrück, Germany
Buchgemeinschaft Donauland
Kremayr & Scheriau, Vienna, Austria 75
Bertelsmann Medien (Schweiz), Zug, Switzerland
Knizni Klub, Prague, Czech Republic
Swiat Ksiazki, Warsaw, Poland
Media Klub, Bratislava, Slovakia
BOL Deutschland, Gütersloh, Germany
Bertelsmann Media Moskau, Moscow, Russia

Europe South/West
ECI voor Boeken en Platen, Vianen, Netherlands 88.6
France Loisirs, Paris, France *)
France Loisirs Belgique, Ath, Belgium *)
France Loisirs (Suisse), Crissier, Switzerland *)
Quebec Loisirs, Montreal, Canada *)
Mondolibri, Milan, Italy 49.9
Circulo de Lectores, Barcelona, Spain
Circulo de Leitores, Lisbon, Portugal
BOL Niederlande, Vianen, Netherlands
BOL Nordic, Lund, Sweden 50

BOL Italiani, Milan, Italy 50
S.G.E.D. Suisse, Switzerland 50
S.G.E.D. France, France 50
Lexicatografico, Lisbon, Portugal

Asia
Club China, Shanghai, China 70
Club Südkorea, Seoul, South Korea
BOL Japan, Tokyo, Japan 85.1

English Speaking Countries
BOOKSPAN, New York, USA 50
Zooba, Boston, USA
Doubleday Book Clubs, Toronto, Canada
Doubleday Australia, Sydney, Australia
Doubleday New Zealand, Auckland, New Zealand
BCA, London, Great Britain
BOL UK, London, Great Britain 50

Bertelsmann Capital

ARTISTdirect, Los Angeles, USA 5
Cocomore, Frankfurt/Main, Germany 28.3
Listen.com, San Francisco, USA 2
Lycos Europe, Haarlem, Netherlands 10.96
Pixelpark, Berlin, Germany 60.3
PlanetOut Partners, San Francisco, USA 3
Publishers Market, Munich, Germany 35
TopicalNet, Waltham, USA 2.4
Tradenable, Redwood Shores, USA 6
Urban Entertainment, Los Angeles, USA 14
YOUtopia.com, New York, USA 19

barnesandnoble.com, New York, USA 36.2

BeCG
BMG Direct, Wilmington, USA
CDNOW, Fort Washington, USA

BeMusic

DealTime, Netanya, Israel 18.7
Stadtmagazin, Hamburg, Germany 75
Yam Digital Technology, Taipei, Taiwan 5
Daum Communications, Seoul, South Korea 9.5
Eurofund 2000, Tel Aviv, Israel 3.7

*) Increase of shareholdings from 50 to 100 percent subject to cartel office’s approval

The organizational chart only partly reflects the legal company structure. Ownership indicated by percentage

Companies without figures = 100 percent

August 31, 2001
Our Mission

Bertelsmann is an international media corporation providing information, education and entertainment around the globe. Throughout the enterprise, our focus is on creative excellence, good customer relations and strong return on capital. We strive to be leaders in the markets we serve. Our purpose is to contribute to the advancement of society. We are committed to the continuity and progress of our Corporation. We will provide fair working conditions that will help motivate our employees.

We seek to engage in dialogue with all who have an interest in Bertelsmann: holders of profit participation certificates, journalists, analysts, business partners, and potential new personnel. 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!

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Imprint

Editing and Coordination
Corporation Communications/Media and Financial Information

Design
Kuhn, Kammann & Kuhn AG, Cologne, Germany

Photography
Marek Vogel, Munich, Germany (Cover, pages 1, 10–13, 14 (photo left), 15-23, 26/27, 32/33, 38/39, 44/45, 50/51, 54/55, 60/61)

Production
TopPublishing GmbH, Gütersloh, Germany

Printed by
MOHN Media – Mohndruck GmbH, Gütersloh, Germany