



Annual Report 2000/01

Bertelsmann Financial Highlights

		2000/01 € in millions	1999/00 € in millions	1998/99 € in millions	1997/98 € in millions	1996/97 € in millions
Group Development	Revenues	20,036	16,524	13,289	11,738	11,460
	Cash flow	663	1,317	924	962	990
	Investments	3,268	2,049	2,398	726	1,378
	Results from ordinary business activities	2,292	1,100	897	840	786
	Net income after tax	970	672	465	573	523
	Total assets	17,551	14,692	10,070	7,041	6,931
	Personnel costs	4,782	3,755	3,201	2,752	2,605
Employees (as of June 30, 2001)	Germany	32,143	30,984	26,637	24,078	23,371
	Other countries	50,019	45,273	39,802	34,341	33,339
	Total	82,162	76,257	66,439	58,419	56,710
Stockholders' Equity	Capital stock					
	Bertelsmann Foundation 71.2%	330	330	330	330	330
	Mohn Family 21.4%	99	99	99	99	99
	ZEIT Foundation 7.4%	34	34	51	51	51
		463	463	480	480	480
	Retained earnings	1,456	1,212	1,109	834	651
	Profit participation certificates	706	687	687	667	641
	Minority interests	1,876	1,276	458	372	371
	Stockholders' equity	4,501	3,638	2,734	2,353	2,143
As percent of total assets	26	25	27	33	31	
Net Income	Net income	970	672	465	573	523
	To shareholders					
	Dividends paid	50	88	68	61	60
	Change in retained earnings	641	265	189	305	277
		691	353	257	366	337
	To minority interests	184	243	132	133	114
	Profit participation dividends (18.51%)	95	76	76	74	72
Employee profit sharing (offset in net income)	45	55	52	58	80	

	Thomas Middelhoff:
	2 Letter from the Chairman
	8 Executive Board
Fiscal Year 2000/01	10 Status Report
	24 Employees and Society
Divisions	26 RTL Group
	32 Random House
	38 Gruner + Jahr
	44 BMG
	50 BertelsmannSpringer
	54 Arvato
	60 DirectGroup
Supervisory Board	66 Supervisory Board
	67 Report of the Supervisory Board
	68 Corporate Governance at Bertelsmann
Financial Statements for the Fiscal Year ended June 30, 2001	71 Consolidated Balance Sheet
	72 Consolidated Statement of Income
	73 Consolidated Statement of Cash Flows
	74 Notes
	95 Corporate Structure and Companies

Annual Report

July 1, 2000 to June 30, 2001



Dear Friends of Bertelsmann,



Dr. Thomas Middelhoff
Chairman and
CEO of
Bertelsmann AG

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 Marvelene 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 ...

Results Reach
New Record Levels
Despite Difficult
Economic Environment

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!

**Half of our Corporate Value is
Made up of Businesses that Didn't
Exist Before 1995**

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.

**Strategic Focus on
Markets of the Future**

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.

The Internet is
Indispensable for Today's
Media Company

**File Sharing: An Integral
Component of the Future
Media Landscape**

■ 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

**With Our “PC/WEB OFFER FOR ALL”
Program We have
Delivered 50,000 Computers**

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.

**Our Corporate
Culture Extended
Successfully**

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.

Sincerely yours,
Thomas Middelhoff

Thomas Middelhoff

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

Dr. Thomas Middelhoff

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

Dr. Siegfried Luther



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

Dr. Arnold Bahlmann

Member of the Executive Board of Bertelsmann AG since January 1, 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

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

Hartmut Ostrowski

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

Dr. Gunter Thielen



Peter Olson, J.D./MBA

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

Rolf Schmidt-Holtz

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

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 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

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

High Speed, High Trust – Bertelsmann in Transition

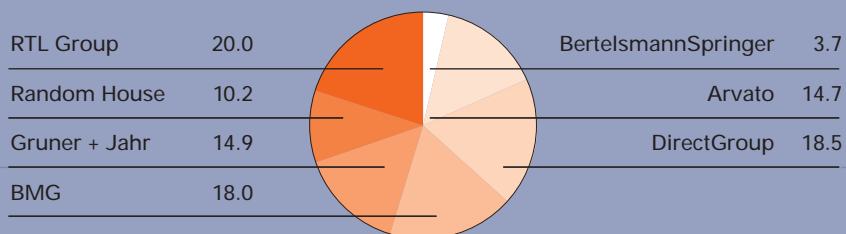


Status Report

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).

Revenues by Division € in millions	Total		Germany		International	
	2000/01	Change	2000/01	Change	2000/01	Change
RTL Group	4,079	2,414	2,155	1,075	1,924	1,339
Random House	2,074	176	177	(1)	1,897	177
Gruener + Jahr	3,027	96	1,185	(40)	1,842	136
BMG	3,664	(302)	428	(54)	3,236	(248)
BertelsmannSpringer	749	65	395	8	354	57
Arvato	2,992	437	1,575	124	1,417	313
DirectGroup	3,767	591	484	16	3,283	575
Total revenues	20,352	3,477	6,399	1,128	13,953	2,349
Other	406	151	126	28	280	123
Intercompany sales	(722)	(116)	(386)	(69)	(336)	(47)
Consolidated revenues	20,036	3,512	6,139	1,087	13,897	2,425



Revenues by Division in percent



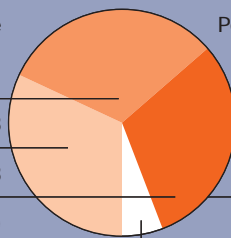
Revenues by Division
 TV business
 increasingly important

■ **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 Direct-Group 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.

	2000/01	Change	Percentage share
Germany	6,139	1,087	30.6
Other European countries	6,309	1,578	31.5
USA	6,446	878	32.2
Other countries	1,142	(31)	5.7



Revenues by Region € in millions

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 by Region
Continued improvement
in international sales

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.

Profit
Bertelsmann with
record profits

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).

Results by Division
Focus on profitability

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.

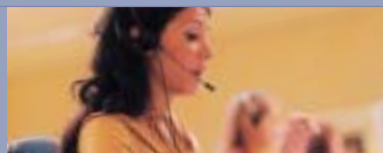
Gruner + Jahr registered economic and publishing successes that were offset by weak advertising markets, a steep increase in paper prices and publishing investments (primarily in the U.S.). These factors brought divisional earnings down to € 294 million (previous year:



€ 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

Analysis of Net Income € in millions	2000/01	1999/00
RTL Group	537	357
Random House	180	95
Gruner + Jahr	294	384
BMG	(6)	223
BertelsmannSpringer	68	64
Arvato	187	174
DirectGroup	(53)	(52)
Divisional earnings before interest, taxes and amortization (EBITA)	1,207	1,245
Corporate items	(115)	(50)
One-time charges	(538)	0
Internet start-up losses	(890)	(261)
Capital gains	3,503	836
Earnings before interest, taxes and amortization	3,167	1,770
Goodwill amortization	(562)	(459)
Net interests without yields of operations	(313)	(211)
Results from ordinary business activities	2,292	1,100
Income taxes	(1,322)	(428)
Consolidated net income	970	672



€ 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.

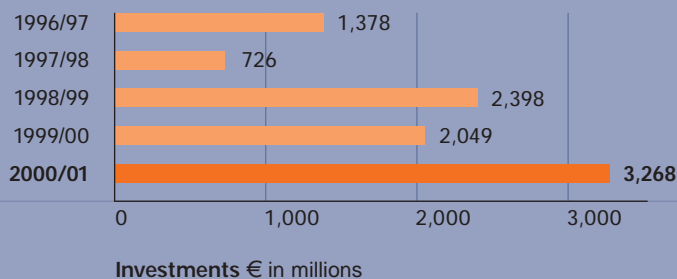
BertelsmannSpringer recorded earnings of € 68 million, which puts it above the previous year (€ 64 million) and was primarily due to successes in science publishing. The science publisher Springer-Verlag alone increased operating income by 40 percent as a result of an increase in its range of biomedicine,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

Internet Start-Up Losses ■ 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. **Internet integrated in all businesses** 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.



Extraordinary Items
High gains from AOL Europe and mediaWays

■ 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.

Investments
Record high

■ 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

■ 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.

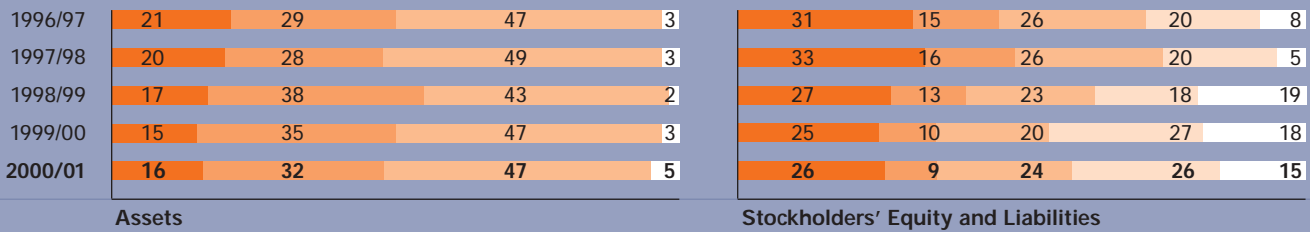


Expenditures for investments reached an all-time high of € 3.27 billion (previous year: € 2.05 billion). At € 4.42 billion, income from disposals of fixed assets increased significantly (previous year: € 554 million). This is due primarily to proceeds from the sale of mediaWays and the partial sale of 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.

Consolidated Statement of Cash Flows € in millions	Summary*	2000/01	1999/00
	Cash Flow		663
Net cash used/provided by operations		(233)	1,291
Net cash provided/used by investing activities		1,146	(1,495)
Net cash used/provided by financing activities		(588)	500
Change in cash and marketable securities		325	296
Cash and marketable securities at end of year		825	494
Net financial debt at end of year		1,881	2,148

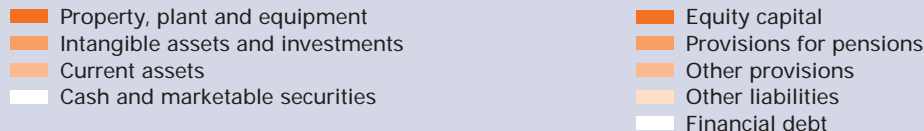
* The full consolidated statement of cash flows is found on page 73.



Assets

Stockholders' Equity and Liabilities

Assets and Financial Structure in percent



Total Assets ■ 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.

Stable asset structure despite strong growth

Key Financial Indicators ■ 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.

Bertelsmann Value Added Contribution doubled ■ 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).



The Launch of the Bertelsmann Excellence Initiative (BEX) More appealing products and services, higher net yield

■ 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 Continued growth in Germany and internationally

■ 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.



18.51 Percent Dividend on Profit Participation Certificates
For the first time since their stock-market debut dividends exceeded 15 percent

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-

Calculation of Return on Assets
 € in thousands

	2000/01	1999/00
Net income	969,520	672,230
+ Goodwill amortization	502,682	404,987
+ Income taxes	1,322,059	428,357
+ Profit sharing in Germany	27,875	35,496
Profit	2,822,136	1,541,070
Total assets at the beginning of the fiscal year	14,691,582	10,070,272
Total assets at the end of the fiscal year	17,551,372	14,691,582
Average total assets	16,121,477	12,380,927
Return on total assets = $\frac{2,822,136}{16,121,477}$ =	17.51 %	12.4 %
Dividend on profit participation certificates	18.51 %	15.0 %



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 Year's End ■ 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.

Outlook
Portfolio extension,
synergies, excellence

■ 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).

Employees and Society

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.

Learning From One Another

■ 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.

Profit Participation for All, PCs for All, and Town Hall Meetings for All

■ 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.

// planet-b.net

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

Bertelsmann's Major Countries by No. of Employees	Employees		Employees	
	June 30, 2001	% June 30, 2001	June 30, 2000	% June 30, 2000
Germany	32,143	39.1	30,984	40.6
USA	17,980	21.9	16,831	22.1
France	8,071	9.8	7,580	9.9
Great Britain	4,989	6.1	3,251	4.3
Spain	3,527	4.3	2,852	3.7
Netherlands	1,742	2.1	1,488	2.0
Italy	1,502	1.8	1,521	2.0
Austria	1,286	1.6	1,067	1.4
Poland	915	1.1	865	1.1
Switzerland	800	1.0	677	0.9
Other countries	9,207	11.2	9,141	12.0
Total	82,162	100.0	76,257	100.0

changes and in-house job postings. During live Q&A sessions on “BeNet,” members of the Executive Board field questions on important current events pertaining to the company.

We have extended the Town Hall Meetings, a long-standing corporate tradition in Germany, to other countries. At these meetings, which take place at the company’s principal locations, the Chairman & CEO personally informs employees of the results of the business year just past and about current developments. Town Hall Meetings are currently held in Barcelona, Gütersloh, Hamburg, London, Munich, New York and Paris.

**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.

// myfuture.bertelsmann.de

**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.




Tina Land - Editor

Hatice Ülker - Secretary

RTL”
GROUP

A Powerful Broadcasting
Throughout Europe.

A close-up photograph of a man and a woman in a control room. The man, on the left, has short dark hair, wears glasses, and a light blue collared shirt. He is smiling and looking towards the camera. The woman, on the right, has blonde hair and is also smiling. Her hands are clasped in front of her. In the background, several computer monitors are visible, some displaying blue-tinted images. The overall atmosphere is professional and collaborative.

Christophe Toulouse - Architect

Nina Schimmelpfeng-Burghagen - Editor

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).

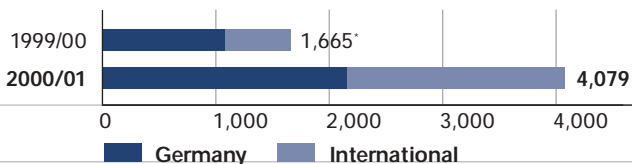
Revenue posted by RTL Group in the Bertelsmann fiscal year 2000/01 rose 32.4 percent. These figures, calculated on a 12-month basis, include the acquisition of FremantleMedia, formerly known as Pearson TV. RTL Group, Bertelsmann's only publicly traded division, recorded an all-time high of € 537 million 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.

// rtlgroup.com
// gbl.be

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 TV, radio, content and new media



Total Revenues € in millions



*First-time consolidation from fiscal year 1999/2000 for the period January 1, 2000 to June 30, 2000.

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.

Television
Horizontal synergies through families of TV stations and vertical integration

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..

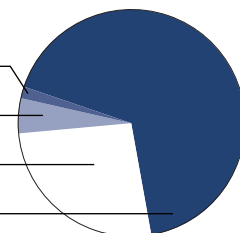
Expansion of the group's family of broadcasters has helped to fuel growth in Germany's highly fragmented market. In 2000 RTL Group acquired the 49.9 and 24.9 percent stakes in VOX previously held by News Corp. and Canal+ respectively, raising the RTL Group's ownership to 99.7 percent. RTL Group subsidiary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

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*. // m6.fr

RTL Group increased its presence in the Dutch market as well, becoming the sole shareholder of HMG (Holland Media Groep), 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. // rtl4.nl // rtl5.nl // yorin.nl



New Media	1.5
Radio	5
Content	26.5
Television	67



Revenues by Category in percent

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.

// channel5.co.uk
// antena3tv.com

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.

// rtl-klub.hu

Radio
Appealing
advertising
packages

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.

// rtl.fr
// funradio.fr

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.

// 1046rtl.de
// rtlradio.de

Content
Paving the way for
tomorrow's ratings
successes

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.



New Media ■ 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.

A leading player in the European online market

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.

// ip-web.net

Outlook ■ 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



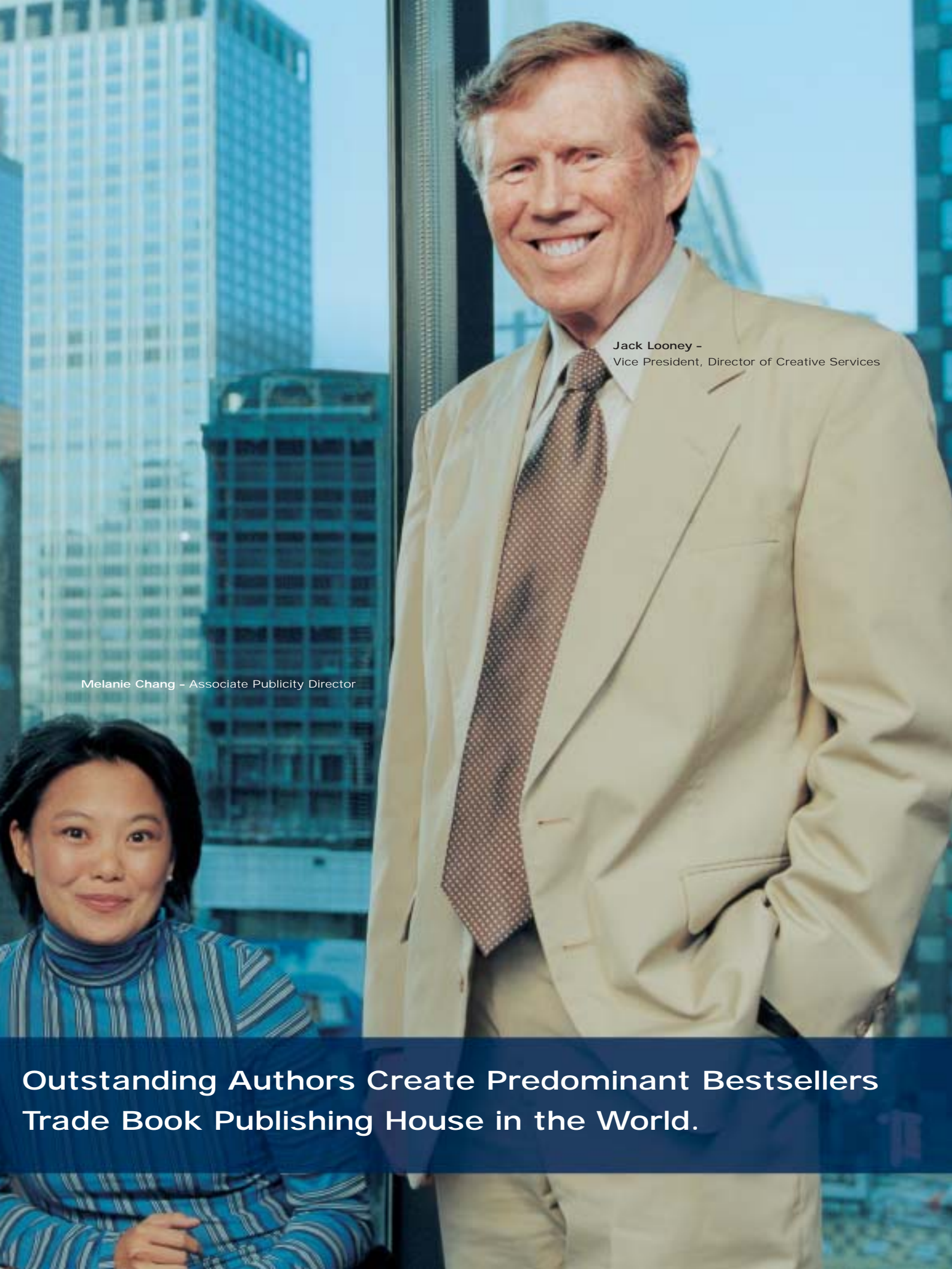
Zoë Rice - Associate Editor

Matthew Pakula - New Media Publicist



RANDOM HOUSE
BERTELSMANN

Random House Collaborations with
and Make Us the Most Renowned



Jack Looney -
Vice President, Director of Creative Services

Melanie Chang - Associate Publicity Director

**Outstanding Authors Create Predominant Bestsellers
Trade Book Publishing House in the World.**

**World Market Leader –
Books With a Great Future**

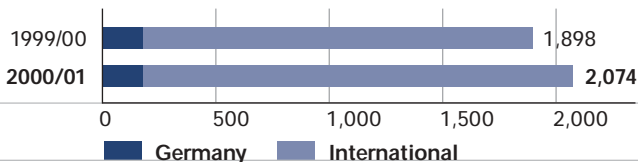
In FY 2000/01, Random House enhanced its status as the world's leading trade book publishing group despite a significant slowdown in the worldwide marketplace. The United States book market had a decline of 3.7 percent in 2000 and the German book market posted a mere 0.8 percent increase. Despite worsening 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.

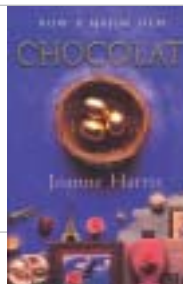
// randomhouse.com

English Language ■ With its wide-ranging adult and children's publishing programs, Random House, Inc., Random House's U.S. division, produced outstanding fiscal year sales and revenue results. **Our best bestseller year ever** The company enhanced its domestic market supremacy by placing a record-setting 169 of its titles on the *The New York Times* bestseller lists from July 2, 2000 to June 24, 2001, the best bestseller performance ever recorded by a single publishing group.

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.



Total Revenues € in millions



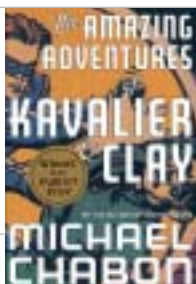
The Bantam Dell division celebrated the publication of the fiftieth book by Danielle Steel, who once again achieved multi-million copy sales with several new hardcovers and paperbacks, with a nationwide book promotion that generated enormous coast-to-coast media attention. The Harry Potter audio editions 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.

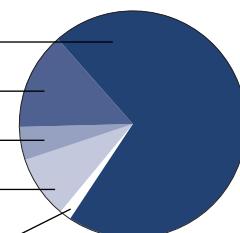
Random House, Inc. broadened its publishing opportunities with the April acquisition of Prima Communication Inc., a California-based publisher, and has integrated Prima's market-leading video game strategy guide series and lifestyle and health titles with its existing publishing divisions. Random House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

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).

// randomhouse.co.uk

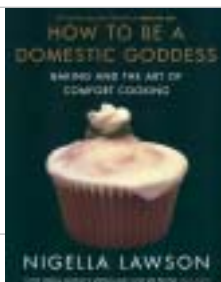
The Random House Group's titles won 37 literary prizes during the fiscal year. The company united all its books for young readers into the new Random House Children's Book division, which will publish an impressive array of internationally acclaimed, bestselling authors and artists, together with a strong 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 Wölfin* by Tanja Kinkel (Blanvalet); *Schlangelinien* 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).

// randomhouse.de

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 Impression imprint.



Spanish Language Joint venture with Mondadori ■ 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.

Outlook ■ 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

- 169 titles on **The New York Times** bestseller list: single-year record for any trade book publishing group
- 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





Sandrine Trouvelot - Journalist

Patrice Piquard - Deputy Editor in Chief



We are Devoted to Our Readers:
Stands for Journalistic Independ



Véronique Mottot -
Documentation Service Manager

Yann Reveret - Photo Editor

**Gruner + Jahr, Europe's Largest Magazine Publisher,
ence, 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.

// guj.de

Magazines in Germany Innovative concepts yield publishing success

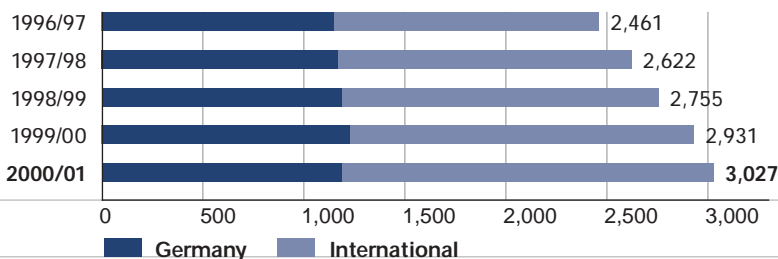
Following a record 10 percent growth in the boom year of 1999/2000, revenues in the German Magazine division were stable at about € 840 million in fiscal 2000/01. G+J defended its position as the undisputed advertising leader. Moreover, G+J managed to grow market share in the face of persistently declining 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, PM. 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.

// eltern.de
// stern.de
// brigitte.de

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-

// capital.de



Total Revenues € in millions

gining 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 P.M. Group and Art, G+J dominates the knowledge magazine segment, which serves desirable high-income, highly educated audiences.

// nationalgeographic.de
// geo.de
// geo.de/geolino

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. The Living at Home online platform integrates the Internet offerings of Schöner Wohnen, Essen & Trinken, Häuser and Flora.

// livingathome.de

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.

// gala.de

International Magazines

USA: Nearing the top of our industry

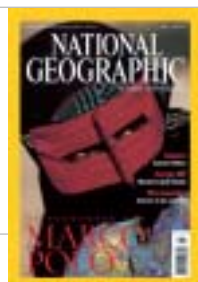
The International Magazine division enthusiastically entered the new millennium with a series of far-reaching strategic moves. Management began an active investment program in the United States by acquiring Inc. Magazine and Fast Company and editorially revamping nearly all its periodicals. In the medium 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.

// inc.com
// fastcompany.com

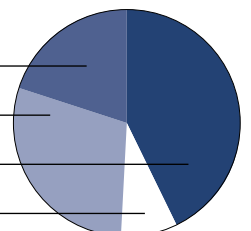
The International Magazine division lifted revenues by about six percent to € 1.06 billion, despite our exit from the U.K. market. Earnings fell below the year-earlier level due to substantial investments in the U.S. and ongoing startup costs incurred in connection with the recent launches of European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

// nationalgeographic.nl

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



Printing	20
Distribution	29
Advertising	43
Other	8



Revenues by Category in percent

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. // geoclub.ru

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. // ftd.de

FTD: "One Brand – All Media"

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. // berlinonline.de
// sz-online.de

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. // blic.co.yu

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 decline in earnings 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.

Multimedia ■ 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.


// handy.de

Outlook ■ 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



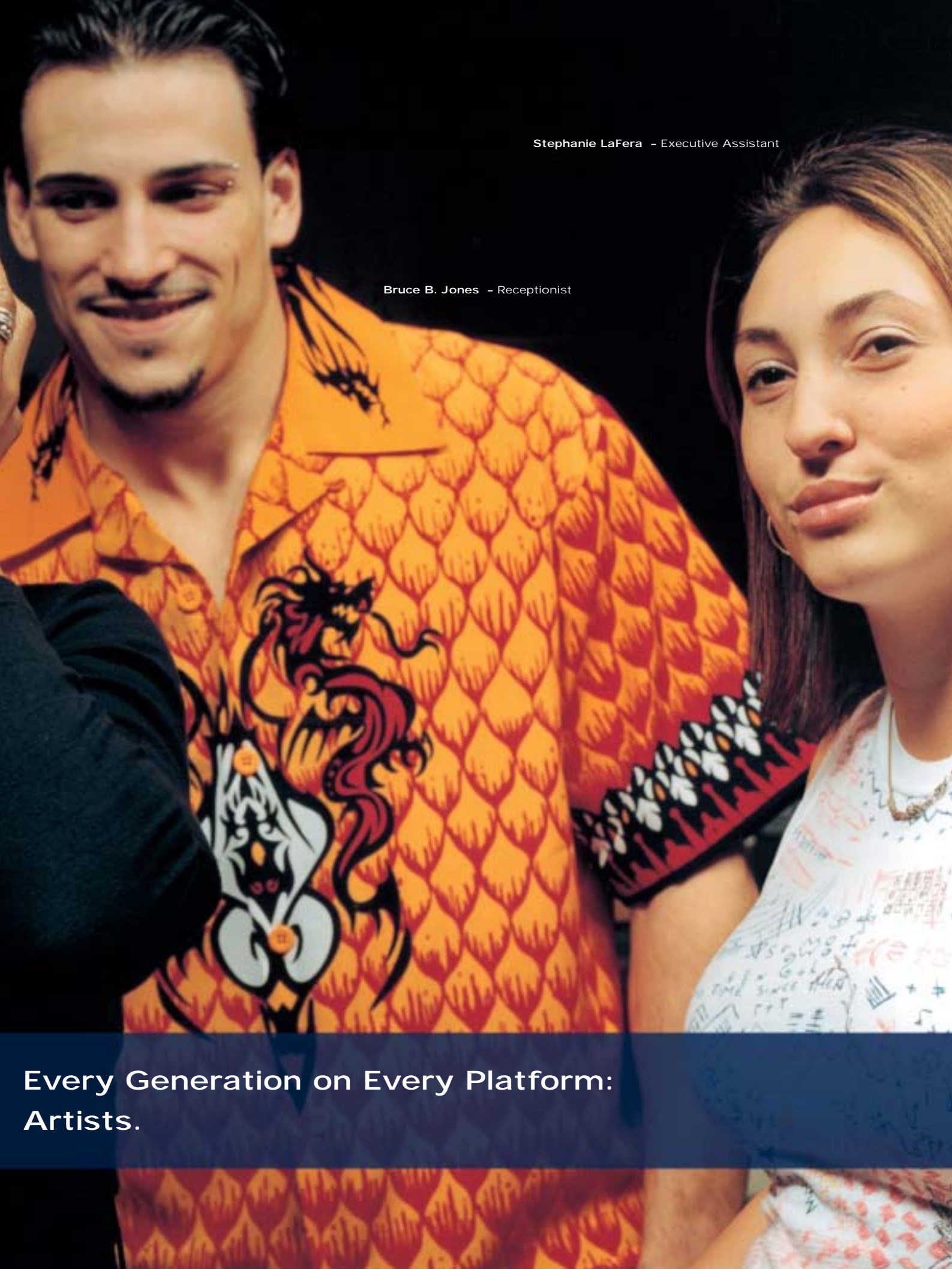


Kirsten Hunter - Executive Assistant

Jackie Carney - Manager International Coordination



Music for Every Taste and
BMG is the Home of the



Stephanie LaFera - Executive Assistant

Bruce B. Jones - Receptionist

**Every Generation on Every Platform:
Artists.**

Focusing on Our Core Competencies

BMG occupied the No. 1 or No. 2 market share positions in five countries during fiscal 2000/01. BMG artists were on charts throughout the world and took home more

than 100 awards, with sixteen artists each selling over one million albums. Despite these successes, sales and earnings reflected both adverse market conditions and structural weaknesses. Revenues were down 7.6 percent to € 3.7 billion, while EBITA (earnings before interest taxes and amortization) amounted to a negative € 6 million. BMG employed 9,507 people at the end of the fiscal year.

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.

// bmg.com

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.

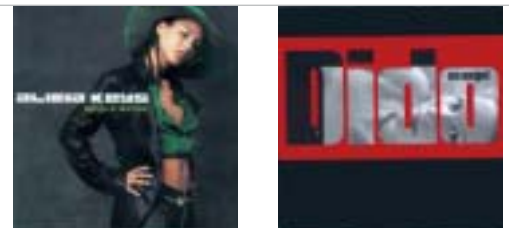
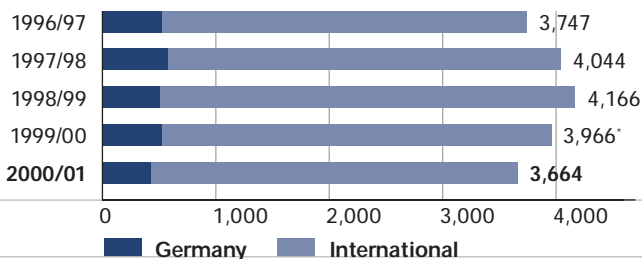
// arista.com

BMG North America

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.

// bmgcanada.com

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



Total Revenues € in millions

*Adjusted for group-internal reorganization

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*. // jrecords.com

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. // rcalabelgroup.com

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 Vicente*, and the celebration of Windham Hill's 25th anniversary. // rcavictorgroup.com

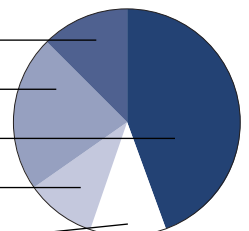
BMG Special Products' Premiums & Incentives unit built national programs for such clients as General Mills, M&M/Mars, McDonald's, Visa, and Aiwa. Buddha Records, a new BMG Special Products label, introduced its first active artist title, *Prisoner of Love*, by country legend Ray Price. // bmgsp.com

BMG Europe Beginning in January 2001, the regional organization BMG GSA/EE (Germany/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.



Germany/Austria/Switzerland	12.3
Other European Countries	22.3
North America	44.6
Latin America	9.9
Asia/Pacific	10.9



Revenues by Region in percent

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.

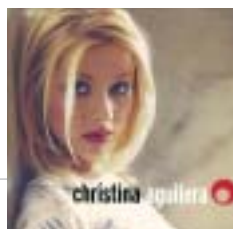
BMG Asia/Pacific In a year that saw many of the region's economies in sharp decline, BMG Asia Pacific remained profitable in markets where competitors did not. Westlife and Misa were strong sellers once again, with both artists selling more than two million units in the region and Westlife selling more 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.

Music Publishing
Record sales with
"Platinum" artists

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.



Storage Media ■ 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.

// sonopress.com
// topac.de
// dwsc.com

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.

Outlook ■ 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.

Highlights

■ 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





Ursula N. Davis - Medical News Editor

Isabel Ullmann - Planning Assistant

 Springer
Science+BusinessMedia

BERTELSMANN

We Manage Expertise: Bertels
as a Scientific and Professional

A photograph of three people in a professional setting. In the foreground, a man with glasses and a light blue shirt is looking towards the right. Behind him, another man with glasses and a white shirt is looking down. To the right, a woman with blonde hair is looking towards the man in the foreground. They appear to be in a meeting or discussion. The background is a plain, light-colored wall.

Reinhold Kress - Department Manager

Jörg Theurer - Technical Editor

Erika Vogt - Marketing Manager

**mannSpringer is World-Renowned
Publisher.**

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

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.

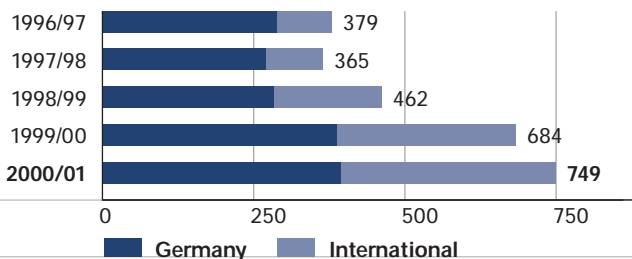
EBITA (earnings before interest, taxes and amortization) was € 68 million and the return on revenues was nine percent. The employee head-count rose to 5,284 at end of fiscal year.

Overview 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 Baurverlag. 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.

Top-notch information for scientists and professionals 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.



Total Revenues € in millions

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 Medizin Online – are the undisputed leaders today in the markets for medical online information services.

// vieweg.de
// gabler-online.de
// bsmo.de

Business-to-Business
Stability despite stagnating markets

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 Baulverlag 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.

// baulverlag.de
// abi-uk.co.uk

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.

// heinrich-vogel.de

Outlook

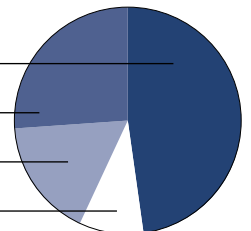
In line with realignment of our programs and distribution worldwide, the Science, Technology, Medicine (STM) division will focus on further expanding its international product portfolio in the medium term. Significant strategic importance has been attached to supplementing print products with Internet 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.

Highlights

- 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



Scientific Publications	48
Business-to-Business	26
Professional Literature	17
Printing	9



Revenues by Category in percent



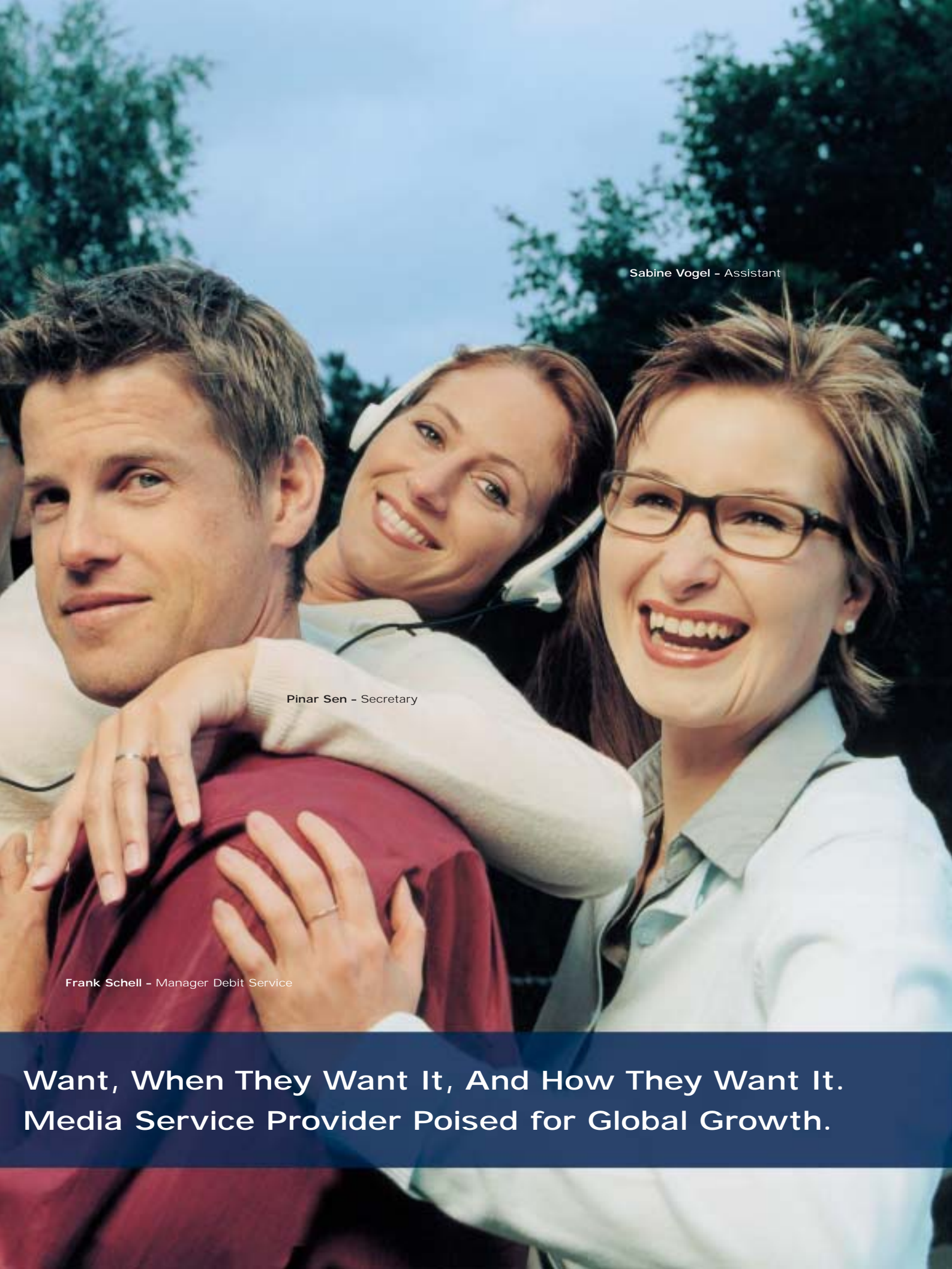
Yannick Pany - Call Center Agent

Umesh Nair - Business Development Manager

Ralf Bussas - Applications Developer



Our Clients Get What They
Arvato is an International



Sabine Vogel - Assistant

Pinar Sen - Secretary

Frank Schell - Manager Debit Service

**Want, When They Want It, And How They Want It.
Media Service Provider Poised for Global Growth.**

Quantum Leap: Arvato Develops through Internal Growth and Investments into New Dimensions

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 7.5 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.

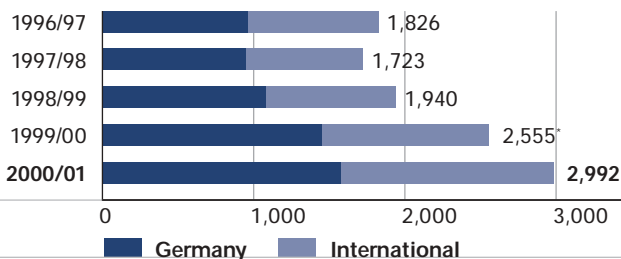
// bertelsmann-arvato.de

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-

// rotedic.com
// cobrhi.es



Total Revenues € in millions

*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, Off-set Paperback and Dynamic Graphic Finishing, providing everything from a single source.

// coralgraphics.com

Russia Arvato increased its interest in the Jaroslavl 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.

Services
Internationalization
through
new locations

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-services.de
// mediasystems.bertelsmann.de

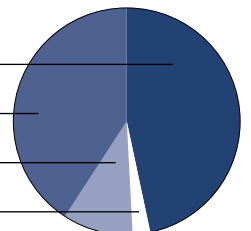
Bertelsmann AG's IT service provider BmS, which until the end of August 2000 was part of the former Multimedia Division, adjusted quickly and solidified its position as a profit center by increasing sales to external clients. BmS has now linked its activities to Arvato's international media services 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.

// webmiles.de



Printing	46.7
Services	40.5
Special Publishers	10
arvato.com	2.8



Revenues by Category in percent

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.

// medicforma.com

Specialty Publishers
Strategic
realignment

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.

// inmediaone.de
// wissen.de

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.

Breakdown of
Revenues
Growth in all divisions

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.

// sonopress.com
// topac.de
// dwsc.com

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





Brandon Geist - Assistant Editor

Jeffrey Lutonsky - Graphic Artist

DIRECTGROUP
BERTELSMANN

We Provide All Media from
the Internet for 60 Million

A photograph of three people against a solid blue background. In the foreground, a woman with dark, wavy hair is smiling and holding a light blue computer mouse with both hands. Behind her, a man with long dark hair is also smiling. To the left, another woman with dark hair is smiling. The woman in the foreground is wearing a dark blue sleeveless top with a white eagle graphic on the chest.

Nicole Keller - Online Assistant Content Manager

Justin Pae - Site Coordinator

Rosalyn Pak - Web Designer

**One Source. Retail Outlets, Catalogs and
Customers Worldwide.**

DirectGroup Bertelsmann – Global Trend Setter for the Integrated Distribution of Media Products

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.

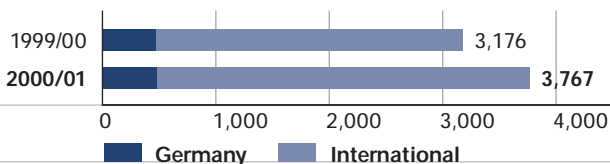
Overview DirectGroup Bertelsmann has combined our company’s traditional strengths in direct marketing and program expertise with the online distribution of books and music to form a global powerhouse. DirectGroup ranks first among book and music clubs, with more than 40 million enrolled members who regularly 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.

- // bomc.com
- // literaryguild.com
- // joinqpb.com
- // doubledaybookclub.com
- // joinonespirit.com
- // blackexpressions.com
- // mysteryguild.com

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.

// zooba.com



Total Revenues € in millions



BeCG: ■ 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).

Music on the Net
Integrating all distribution platforms

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; ■ In May 2001, BeCG announced its intention to acquire the pioneer company **myplay Inc.** with 6.5 million registered users. Myplay.com provides Internet users digital storage space for music files.

// bmgmusicservice.com
// cdnow.com
// myplay.com

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.

// napster.com

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.

// barnesandnoble.com

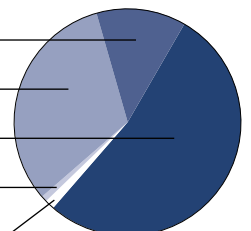
Europe: ■ Exclusive offerings and reliable service have created the loyalty of some 16 million DirectGroup club members in Europe. Our expertise in selecting content and skill in the direct marketing of media products are responsible for the success of such high-profile brand name clubs as France Loisirs (France, Belgium, Switzerland and Canada), **BCA** (Great Britain), **Circulo de Lectores** (Spain), **Circulo de Leitores** (Portugal), **Der Club** (Germany), **Mondolibri** (Italy), **Swiat Ksiazki Club** (Poland) and **Donauland** (Austria).

Restructuring
16 million club members

// franceloisirs.com
// bca.co.uk
// circulo.es
// circuloleitores.pt
// derclub.de
// mondolibri.it
// swiatksiazki.pl
// donauland.at



Germany	12.7
Other European Countries	31.9
North America	53.2
Asia	0.8
Other Countries	1.4



Revenues by Region in percent

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). Underscoring 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.

BOL Bertelsmann Online
Integration into club operations

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.de

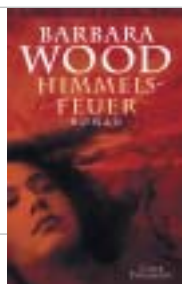
BOL International had dynamic growth in fiscal 2000/01. Sales rose 185 percent to nearly € 100 million year-on-year. The growth rate in Germany of 163 percent was well above the sector average of 129 percent. Internationally, the BOL customer base grew by 140 percent to 2.5 million. In Europe and Asia 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.

Asia Promising market

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

// bolchina.com



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. // momentsclub.de

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., Loverval, 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



Gerd Schulte-Hillen
Chairman of the Supervisory Board
Bertelsmann AG

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

A handwritten signature in blue ink that reads "G. Schulte-Hillen". The signature is written in a cursive, somewhat stylized script. Below the signature, the name "Gerd Schulte-Hillen" is printed in a standard black font.

Gerd Schulte-Hillen

Corporate Governance at Bertelsmann

“Corporate Governance” has been a focal point of business and economic discussions in recent years. As the Anglo-American investment community continues to articulate its expectations concerning effective and transparent corporate governance, an extensive debate on corporate governance reform has ensued in Germany.

Model for Active Corporate Governance

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.

**Evaluation is a
Continuing Process**

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

71	Consolidated Balance Sheet
72	Consolidated Statement of Income
73	Consolidated Statement of Cash Flows
74	Notes
76	Notes to the Consolidated Balance Sheet
87	Notes to the Consolidated Statement of Income
93	Proposed Profit Distribution
94	Independent Auditor's Report

Financial Statements

July 1, 2000 to June 30, 2001

Consolidated Balance Sheet

Assets	as of June 30, 2001	Notes	€ in millions	June 30, 2001	Previous year
				€ in millions	€ in millions
	Fixed Assets				
	Intangible assets	1	4,241		3,857
	Property, plant and equipment	2	2,767		2,125
	Investments	3	1,451		1,290
				8,459	7,272
	Current Assets				
	Inventories	4	2,212		1,696
	Receivables and other assets	5	5,822		5,052
	Marketable securities	6	125		119
	Cash	6	700		375
				8,859	7,242
	Prepaid Expenses	7		233	178
	Total Assets			17,551	14,692

Stockholders' Equity and Liabilities	as of June 30, 2001	Notes	€ in millions	June 30, 2001	Previous year
				€ in millions	€ in millions
	Stockholders' Equity				
	Capital stock	8	463		463
	Profit participation certificates	9	706		687
	Retained earnings	10	1,311		1,048
	Dividends of Bertelsmann AG		145		164
	Minority interests	11	1,876		1,276
				4,501	3,638
	Provisions	12			
	Provisions for pensions and similar commitments		1,537		1,446
	Other provisions		4,172		2,914
				5,709	4,360
	Financial Debt	13		2,706	2,642
	Other Liabilities	14		4,239	3,734
	Deferred Income	15		396	318
	Total Stockholders' Equity and Liabilities			17,551	14,692

Consolidated Statement of Income

July 1, 2000 to June 30, 2001	Notes	2000/01 € in millions	Previous year € in millions
Revenues	16	20,036	16,524
Change in inventories and other manufacturing costs capitalized	17	422	60
Total Operating Income		20,458	16,584
Other operating income	18	4,612	1,607
Cost of materials	19	(7,311)	(5,171)
Royalty and license expenses	20	(1,840)	(1,912)
Personnel costs	21	(4,782)	(3,755)
Amortization/depreciation of intangible assets and property, plant and equipment	22	(1,419)	(946)
Other operating expenses	23	(6,673)	(5,154)
Income on investments (net)	24	(451)	37
Net interest income	25	(302)	(190)
Income from Ordinary Business Activities		2,292	1,100
Income taxes	26	(1,322)	(428)
Net Income		970	672
Allocation of Profits			
Income applicable to minority shareholders		(261)	(300)
Losses applicable to minority shareholders		77	57
Change in retained earnings		(641)	(265)
Dividends of Bertelsmann AG		(145)	(164)
holders of profit participation certificates		(95)	(76)
shareholders		(50)	(88)

Consolidated Statement of Cash Flows

July 1, 2000 to June 30, 2001	€ in millions	2000/01 € in millions	€ in millions	Previous year € in millions
Operations				
Net income	970		672	
Depreciation of fixed assets	1,644		1,121	
Increase in profit participation certificates and long-term provisions	108		82	
Other cash and non-cash items	(2,059)		(558)	
Cash Flow according to DVFA/SG	663		1,317	
Result from disposal of fixed assets	(39)		(11)	
Change of inventories	(88)		13	
Increase in receivables, other assets and prepaid expenses	(421)		(557)	
Change in short-term reserves	(21)		210	
Change in other liabilities and deferred income	(327)		319	
Net Cash used/provided by Operations		(233)		1,291
Investing Activities				
Payments for investing activities	(3,268)		(2,049)	
Proceeds from disposal of fixed assets	4,414		554	
Net Cash provided/used by Investing Activities		1,146		(1,495)
Financing Activities				
Change of Stockholders' Equity	25		(46)	
Dividends paid	(375)		(268)	
Change in financial debt	(238)		814	
Net Cash used/provided by Financing Activities		(588)		500
Change in Cash and Marketable Securities		325		296
Effect of exchange rate changes on cash and marketable securities		6		(2)
Cash and marketable securities at beginning of year		494		200
Cash and Marketable Securities at End of Year		825		494

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.

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.

Consolidation Scope ■ 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).

Principles of Consolidation ■ 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.

Notes to the Consolidated Balance Sheet

1 Intangible Assets

	June 30, 2001 € in millions	June 30, 2000 € in millions
Patent and similar rights, licenses	975	945
Goodwill	3,195	2,703
Advance payments	71	209
	4,241	3,857

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.

2 Property, Plant and Equipment	June 30, 2001 € in millions	June 30, 2000 € in millions
Land, land titles and buildings	943	824
Technical equipment and machinery	902	745
Other equipment, factory and office equipment	512	450
Advance payments and construction in progress	410	106
	2,767	2,125

3 Investments	June 30, 2001 € in millions	June 30, 2000 € in millions
Investments in affiliated companies	60	67
Loans to affiliated companies	201	–
Investments in associated companies	389	865
Loans to associated companies	10	3
Other investments	485	193
Loans to other investments	3	9
Non-current securities	6	5
Other loans	297	148
	1,451	1,290

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			
	July 1, 2000	Exchange rate difference	Additions
	€ in millions	€ in millions	€ in millions
Intangible Assets			
Patent rights and similar rights, licenses	2,866	52	1,031
Goodwill	4,645	239	1,566
Advance payments	209	(1)	148
	7,720	290	2,745
Property, Plant and Equipment			
Land, land titles and buildings	1,252	38	155
Technical equipment and machinery	2,401	95	313
Other equipment, factory and office equipment	1,296	53	397
Advance payments and construction in progress	107	18	412
	5,056	204	1,277
Investments			
Investments in affiliated companies	99	–	66
Loans to affiliated companies	3	–	234
Investments in associated companies	1,130	50	318
Loans to associated companies	4	3	13
Other investments	230	6	596
Loans to related companies	10	–	1
Non-current securities	5	–	2
Other loans	300	8	142
	1,781	67	1,372
	14,557	561	5,394

Additions include € 2,956 million in amounts carried forward from companies that were consolidated for the first time.

Disposals € in millions	Reclassi- fications € in millions	Gross values June 30, 2001 € in millions	Accumulated depreciation/ amortization June 30, 2001 € in millions	Net book values June 30, 2001 € in millions	June 30, 2000 € in millions	Restoration in fiscal year € in millions	Depreciation in fiscal year € in millions
1,032	3	2,920	1,945	975	945	(3)	419
132	4	6,322	3,127	3,195	2,703	-	482
282	(3)	71	-	71	209	-	1
1,446	4	9,313	5,072	4,241	3,857	(3)	902
29	20	1,436	493	943	824	-	54
84	79	2,804	1,902	902	745	-	228
216	14	1,544	1,032	512	450	-	235
13	(113)	411	1	410	106	-	-
342	-	6,195	3,428	2,767	2,125	-	517
38	-	127	67	60	67	-	17
4	-	233	32	201	-	-	10
716	(4)	778	389	389	865	(1)	143
10	-	10	-	10	3	-	-
81	1	752	267	485	193	-	171
7	(1)	3	-	3	9	-	-
1	-	6	-	6	5	-	-
147	-	303	6	297	148	-	4
1,004	(4)	2,212	761	1,451	1,290	(1)	345
2,792	-	17,720	9,261	8,459	7,272	(4)	1,764

4 Inventories

	June 30, 2001 € in millions	June 30, 2000 € in millions
Raw materials and supplies	211	194
Work in process	258	239
Finished goods and merchandise	1,693	1,248
Advance payments	50	15
	2,212	1,696

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.

5 Receivables and Other Assets

	Maturing after more than 1 year € in millions	June 30, 2001 € in millions	June 30, 2000 € in millions
Receivables from sales of goods and services	38	3,249	3,021
Receivables from related companies	1	76	98
Other assets	378	2,497	1,933
	417	5,822	5,052

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.

6 Cash and Marketable Securities

	June 30, 2001 € in millions	June 30, 2000 € in millions
Marketable securities	125	119
Cash	700	375
	825	494

7 Prepaid Expenses

	June 30, 2001 € in millions	June 30, 2000 € in millions
Prepaid expenses	233	178

Prepaid expenses include various discounts totaling € 1 million.

Development of Group Stockholders' Equity

	Capital Stock Reserves € in millions	Profit Participation Certificates € in millions	Dividends of Bertels- mann AG € in millions	Minority Interests € in millions	Total € in millions
June 30, 1999	1,445	687	144	458	2,734
Profit distributions	-	-	(144)	(124)	(268)
Consolidated net income	265	-	164	243	672
Contribution to capital/capital reduction	(205)	-	-	159	(46)
Currency translation	49	-	-	3	52
Other changes	(43)	-	-	537	494
June 30, 2000	1,511	687	164	1,276	3,638
Profit distributions	-	-	(164)	(211)	(375)
Consolidated net income	641	-	145	184	970
Contribution to capital	-	-	-	25	25
Increase in profit participation certificates	-	19	-	-	19
Immediate offset of goodwill	(509)	-	-	(106)	(615)
Currency translation	90	-	-	21	111
Other changes	41	-	-	687	728
June 30, 2001	1,774	706	145	1,876	4,501

8 Capital Stock

	June 30, 2001 € in millions	June 30, 2000 € in millions
Capital stock	463	480
Capital earmarked to be called-in	–	(17)
	463	463

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 %	
	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.

9 Profit Participation Certificates

	June 30, 2001 € in millions	June 30, 2000 € in millions
Nominal value	516	505
Premiums	190	182
	706	687

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.

10 Retained Earnings		June 30, 2001	June 30, 2000
		€ in millions	€ in millions
		1,311	1,048

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.

11 Minority Interests		June 30, 2001	June 30, 2000
		€ in millions	€ in millions
		1,876	1,276

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.

12 Provisions		June 30, 2001	June 30, 2000
		€ in millions	€ in millions
	Pensions and similar commitments	1,537	1,446
	Provisions for taxes	1,160	262
	Other provisions	3,012	2,652
	long-term	156	141
	short-term	2,856	2,511
		5,709	4,360

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.

13 Financial Debt

	Due within 1 year € in millions	Due in excess of 5 years € in millions	June 30, 2001 € in millions	June 30, 2000 € in millions
Bonds	147	216	874	913
Promissory notes	–	168	286	259
Due to banks	1,090	123	1,542	1,259
Other financial debts	4	–	4	211
	1,241	507	2,706	2,642

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.

Bond Obligations Are:

		June 30, 2001 € in millions	June 30, 2000 € in millions
Bertelsmann U.S. Finance Inc., Wilmington			
5.375 % USD 200 million bond 1999/2004	USD 200.0 million	236	209
4.375 % € 200 million bond 1999/2009	USD 183.0 million	216	191
4.5 % DM 300 million bond 1998/2005	USD 180.3 million	213	189
4.5 % DM 200 million bond 1997/2002	USD 125.0 million	147	131
0.01 % JPY 1,000 million bond 1999/2001	USD 9.8 million	–	10
0.1 % JPY 1,000 million bond 1999/2004	USD 8.2 million	–	9
CLT-UFA			
6.75 % LUF 2,500 million bond 1995/2000	LUF 2,500.0 million	–	62
5.125 % LUF 2,500 million bond 1997/2002	LUF 2,500.0 million	62	62
Bertelsmann AG, Gütersloh			
0 % € 50 million bond 2000/2000	€ 50.0 million	–	50
		874	913

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.

**14 Other
Liabilities**

	Due within 1 year € in millions	Due in excess of 5 years € in millions	June 30, 2001 € in millions	June 30, 2000 € in millions
Advances received	115	–	115	92
Trade accounts payable	2,469	–	2,488	2,473
Notes payable	22	–	22	27
Liabilities to associated companies	55	–	63	18
Liabilities to related companies	59	–	60	9
Miscellaneous liabilities				
taxes	373	–	375	666
social benefits	77	–	78	77
other	679	140	1,038	372
	3,849	140	4,239	3,734

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.

**15 Deferred
Income**

	June 30, 2001 € in millions	June 30, 2000 € in millions
	396	318

As in the previous year, deferred income primarily includes prepaid magazine subscriptions.

Contingent Liabilities	June 30, 2001	June 30, 2000
	€ in millions	€ in millions
Notes endorsed and discounted	27	23
Guarantees	770	747
Indemnity agreements	47	35
	844	805

Derivatives	June 30, 2001	June 30, 2000
	€ in millions	€ in millions
Foreign currency hedging	3,154	2,909
Interest hedging	550	1,172
	3,704	4,081

Interest hedging consists of the following remaining life:

	€ in millions
under 3 years	544
more than 5 years	6
	550

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.

Other Financial Obligations	June 30, 2001 € in millions	June 30, 2000 € in millions
Rental and leasing contracts	1,044	838
Other obligations	2,875	3,283
	3,919	4,121

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

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	2000/01 € in millions	1999/00 € in millions
16 Revenue		
Germany	6,139	5,052
Other European countries	6,309	4,731
USA	6,446	5,568
Other countries	1,142	1,173
	20,036	16,524

The above table discloses the regional breakdown of revenue. For revenues by corporate division, please refer to the Status Report.

17 Change in Inventories and Other Manufacturing Costs Capitalized		2000/01 € in millions	1999/00 € in millions
	Change in inventories of finished goods and work in process	421	58
	Other manufacturing costs capitalized	1	2
		422	60

18 Other Operating Income		2000/01 € in millions	1999/00 € in millions
	Gains on disposal of fixed assets	3,471	662
	Income from the reversal of accruals	332	93
	Other income	809	852
		4,612	1,607

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.

19 Cost of Materials		2000/01 € in millions	1999/00 € in millions
	Cost of raw materials, supplies and merchandise	2,702	2,414
	Cost of services received	4,609	2,757
		7,311	5,171

20 Royalty and License Expenses		2000/01 € in millions	1999/00 € in millions
		1,840	1,912

21 Personnel Costs

	2000/01 € in millions	1999/00 € in millions
Wages and salaries	4,018	3,122
Social security charges	551	454
Cost of pension plans	116	77
Cost of social support	52	47
Employee profit participation	45	55
	4,782	3,755

The interest included in the allocation to pension provisions is disclosed under interest expenses.

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

The total includes 578 employees from partially consolidated companies.

To improve comparability, changes in the re-composition of the company's divisions were also taken into account in the previous year's figures.

22 Depreciation and Amortization

	2000/01 € in millions	1999/00 € in millions
Amortization of intangible assets	902	561
Depreciation of property, plant and equipment	517	385
	1,419	946

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).

23 Other Operating Expenses

	2000/01 € in millions	1999/00 € in millions
Other operating expenses	6,673	5,154
Including other taxes	84	74

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.

24 Income from Investments (Net)	2000/01 € in millions	1999/00 € in millions
Income from associated companies	73	403
Losses from associated companies	(205)	(140)
Income from related companies	29	12
Losses from related companies	(3)	(2)
Write-downs of investments including € 20 million of goodwill amortization from equity valuation (previous year: € 150 million)	(345)	(236)
	(451)	37

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.

25 Net Interest Income	2000/01 € in millions	1999/00 € in millions
Interest and similar income	177	126
Interest and similar expenses	(394)	(235)
Interest cost component of pension expense	(85)	(81)
	(302)	(190)

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.

26 Income Taxes	2000/01 € in millions	1999/00 € in millions
Income taxes	1,322	428

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, was applied to the following companies for the first time as of December 31, 2000.

Bertelsmann Immobilien GmbH, Gütersloh
 Verlag RM GmbH, Gütersloh
 Medien Dr. phil. Egon Müller Service GmbH, Verl
 Gütersloher Verlagshaus GmbH, Gütersloh
 Reinhard Mohn GmbH, Gütersloh
 Arabella Musikverlag GmbH, Munich
 Bertelsmann Medien Service GmbH, Gütersloh
 MSN Marketing Service Nordwest GmbH, Schortens
 AZ Bertelsmann Direct GmbH, Gütersloh
 Dreiklang-Dreimasken, Bühnen- und Musikverlag Gesellschaft mit beschränkter Haftung, Munich
 Bertelsmann Multimedia GmbH, Gütersloh
 Media Log Spedition GmbH, Gütersloh
 BMG Music International Service GmbH, Munich
 Bertelsmann Interactive Studios GmbH, Gütersloh
 Verlag Heinrich Vogel GmbH Fachverlag, Munich
 Wilhelm Goldmann Verlag GmbH, Munich
 Bertelsmann Korea Beteiligungs GmbH, Gütersloh
 Hotel & Gastronomie Gütersloh GmbH, Gütersloh
 Mohn Media Elsnerdruck GmbH, Berlin
 Crescendo Musikverlag GmbH, Munich
 BIP Industrieplanungs-GmbH, Gütersloh
 UFA International Gesellschaft mit beschränkter Haftung, Munich
 Wiener Bohème Verlag Gesellschaft mit beschränkter Haftung, Munich
 Ufaton-Verlagsgesellschaft mit beschränkter Haftung, Munich
 Musik Edition Discoton, Gesellschaft mit beschränkter Haftung, Munich
 Bavariaton-Verlag Gesellschaft mit beschränkter Haftung, Munich
 HEINZE Gesellschaft mit beschränkter Haftung, Celle
 Arvato Storage Media GmbH, Gütersloh
 FUCHSBRIEFE Dr. Hans Fuchs GmbH, Berlin
 Verlag Aktuelle Information Gesellschaft mit beschränkter Haftung, Frankfurt
 O-rai GmbH, Berlin
 Mtec Gesellschaft für Medientechnologie mbH, Rostock

Bertelsmann Event Media GmbH, Gütersloh
 ProBind Professional Binding GmbH, Gütersloh
 Mohn Media Energy GmbH, Gütersloh
 MSW Marketing Service Süd-West GmbH, Stuttgart
 Bertelsmann Marketing Service Dortmund GmbH, Dortmund
 Dinter Verlag GmbH, Kirchseeon
 PSC Print Service Center GmbH, Oppurg
 RM Buch und Medien Vertrieb GmbH, Gütersloh
 Bertelsmann Arvato Aktiengesellschaft, Gütersloh
 Bertelsmann Music Group GmbH, Gütersloh
 Verlagsgruppe Random House GmbH, Gütersloh
 BMG Deutschland GmbH, Gütersloh
 Mohn Media Sales GmbH, Gütersloh
 Mohn Media Print GmbH, Gütersloh
 Sonopress Data Replication Gesellschaft für Informationsträgervielfältigung mbH, Gütersloh
 BMG Berlin Musik GmbH, Berlin
 Bertelsmann Distribution GmbH, Gütersloh
 Bertelsmann Finanz Service GmbH, Gütersloh
 Bertelsmann Direkt Marketing Fabrik GmbH, Gütersloh
 Bertelsmann Marketing Service GmbH, Gütersloh
 Bertelsmann Services GmbH, Gütersloh
 Bertelsmann Marketing Service Neumünster GmbH, Neumünster
 Bertelsmann Marketing Service Wuppertal GmbH, Wuppertal
 Bertelsmann Marketing Service Münster GmbH, Münster
 Bertelsmann Online Beteiligungsgesellschaft mbH, Gütersloh
 Bertelsmann Online International GmbH, Gütersloh
 Bertelsmann Valley GmbH, Gütersloh
 bol.com AG, Berlin
 wissen Media Group GmbH, Munich
 InmediaONE] GmbH, Gütersloh
 BmS Holding GmbH, Gütersloh
 Druckhaus Maack GmbH, Lüdenscheid
 Bertelsmann Content Network GmbH, Hamburg
 BS Autoflotte Medien GmbH, Walluf
 Media-Daten Verlagsgesellschaft mit beschränkter Haftung, Walluf
 BS Gesellschaft für Bauinformationsprodukte mbH, Walluf
 Bauverlag Gesellschaft mit beschränkter Haftung, Walluf

Interworld Musik-Verlag Gesellschaft mit beschränkter Haftung, Munich
 Bertelsmann Buch Aktiengesellschaft, Gütersloh
 B.G. Teubner Gesellschaft mit beschränkter Haftung, Wiesbaden
 BertelsmannSpringer Science+Business Media GmbH, Gütersloh
 Chr. Belsler Offsetdruck GmbH, Gütersloh
 GGP Media GmbH, Pößneck

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.

PRO FUTURA Vertriebsgesellschaft mbH & Co. KG, Munich
 Auto Business Verlag GmbH & Co. KG, Ottobrunn
 BauNetz Online-Dienst GmbH & Co. KG, Berlin
 Verlag für bauwirtschaftliche Fachschriften "ibau"-Karl Wilmers GmbH & Co. KG, Münster
 BERLIN VERLAG GmbH & Co. KG, Berlin
 Falken Verlag GmbH & Co. KG, Niedernhausen
 Bertelsmann Game Channel GmbH & Co. KG, Hamburg
 Dr. E. Müller Verlag GmbH & Co. KG, Eching
 ANDSOLD GmbH & Co. KG, Gütersloh
 Bertelsmann Broadband Group GmbH & Co. KG, Gütersloh
 BS GmbH & Co. Software + Daten KG, Walluf
 BMG Ariola Miller GmbH & Co. KG, Quickborn

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 June 30, 2001.

Berliner Verlag GmbH & Co, Berlin
 BÖRSE ONLINE Verlag GmbH & Co, Munich
 "Business Traveller" Verlag GmbH & Co. KG, Hamburg
 Dresdner Druck- und Verlagshaus GmbH & Co. KG, Dresden
 eB2B market place GmbH & Co. KG, Hamburg
 Ehrlich & Sohn GmbH & Co., Hamburg
 G+J Medien-Vertrieb GmbH & Co. KG, Hamburg
 STABLON Grundstücks-Vermietungsges. mbH & Co. Dritte G+J Pressehaus am Alex KG, Berlin
 Tip Verlag GmbH & Co. KG, Berlin

Remuneration Paid to the Supervisory Board and to the Executive Board ■ 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.

Proposed Profit Distribution ■ 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:

Dividends to stockholders	97,791,036 DM (€ 50 million)
Carry forward to new fiscal year	118,659,550 DM (€ 61 million)
	216,450,586 DM (€ 111 million)

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 ¹⁾	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⁾	

Pay TV

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	
M6 Web, 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	
Berlin Verlag, Berlin, Germany	74.8
Blanvalet Verlag, Munich, Germany	
C. Bertelsmann Jugendbuch 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

Gruner + Jahr

Mosaik Verlag, Munich, Germany	
Orac, Vienna, Austria	75
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 Janés 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 Janés 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
GyJ España 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
G+J Verlagsgesellschaft, Vienna, Austria	74.9
Gruner + Jahr Mondadori, Milan, Italy *)	50
Gruner + Jahr Medien Vertrieb, Hamburg, Germany *)	60
G+J/RBA, Hamburg, Germany *)	50
G+J/RBA, Warsaw, Poland *)	50
G+J/RBA, Paris, France *)	50
G+J/RBA, Amsterdam, Netherlands	74.9
manager magazin Verlagsgesellschaft, Hamburg, Germany *)	24.9
M.C. Verlagsgesellschaft, Munich, Germany *)	50
MVF Magazin-Verlag am Flestrand, Hamburg, Germany	74.9
News-Gruppe, Vienna, Austria *)	75
Norddeutsche Verlagsgesellschaft, Hamburg, Germany	74.9
Prisma Presse, Paris, France	74.9
SPIEGEL-Verlag Rudolf Augstein, Hamburg, Germany *)	24,75
TIP Verlag, Berlin, Germany	74.9

Newspapers

Dresdner Druck- und Verlagshaus, Dresden, Germany *)	60
Berliner Verlag, Berlin, Germany	74.9
Vydavateľstvo casopisov a novín, Bratislava, Slovakia *)	51
Expres, Bucharest, Romania *)	50
Népszabadság, Budapest, Hungary	67.65

Financial Times Deutschland, Hamburg, Germany *)	50
Blic press, Belgrad, Jugoslavia *)	49

Printing/Technical Companies

Brown Printing Company, Waseca, USA	74.9
G+J Berliner Zeitungsdruck, Berlin, Germany	74.9

Services

G+J Electronic Media Service EMS, Hamburg, Germany	74.9
G+J Multimedia Ventures, Hamburg, Germany	74.9
travelchannel, Hamburg, Germany *)	50
G+J Business Channel, Hamburg, Germany	74.9
G+J Computer Channel, Hamburg, Germany	74.9
handy.de, Hamburg, Germany *)	51.03
G+J 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), G+J-Die Zeit, Hamburg, Germany *)	95
K+S 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	80
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	
UK & Ireland, London, Great Britain	
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

Madrid, Spain	
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

■ Music Publishing

BMG Music Publishing

Athens, Greece	
Beijing, China	
Berlin, Germany	
Brussels, Belgium	
Budapest, Hungary	
Buenos Aires, Argentina	
Copenhagen, Denmark	
Helsinki, Finland	
Hilversum, Netherlands	
Hong Kong, China	
Istanbul, Turkey	
Johannesburg, South Africa	
Kuala Lumpur, Malaysia	
Lisbon, Portugal	
London, Great Britain	

BertelsmannSpringer

**BertelsmannSpringer
Science+Business Media**

ABI Building Data, Neston South Wirral, Great Britain	
ArchiPoint, Zaventem, Belgium	
ÄRZTE WOCHE Zeitungsverlagsgesellschaft, Vienna, Austria	
Ärzte Zeitung Verlagsgesellschaft, Neu-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	
Bauverlag, Walluf, Germany	
Beijing Bertelsmann Construction Information Service, Beijing, China	51
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	87.1
Birkhäuser Boston, Cambridge, USA	86.7
Böhlau Verlag, Vienna, Austria	33.9
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	78.5
Deutscher Universitäts-Verlag, Wiesbaden, Germany	
Eastern Book Service, Tokyo, Japan	85.1
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	60
Groupe Impact Médecin, Paris, France	
Grupa Image, Warsaw, Poland	
Health Online Service LIFELINE, Berlin, Germany	
Heinze, Celle, Germany	
HOS multimedia Online Service, Berlin, Germany	

ibau Informationsdienst für den Bauparkt, Münster, Germany	
ICW Publications, Neston South Wirral, Great Britain	
INFO-BUILD, Kortrijk, Belgium	
InfoChem Gesellschaft für chemische Information, Munich, Germany	69.7
Key Curriculum Press, Emeryville, USA	68.3
Media Office, Lasne, Belgium	
Media-Daten, Zurich, Switzerland	
Media-Daten, Walluf, Germany	
Meritum, Bratislava, Slovakia	66
MMV Medien & Medizin Verlagsgesellschaft, Munich, Germany	
MMV Medien & Medizin Verlag, Basel, Switzerland	93.6
PlusPointMarketing, Genk, Belgium	
ProEdit, Heidelberg, Germany	72.7
Princeton Architectural Press, New York, USA	44.1
Renata Film, Prague, Czech Republic	
Saladruck, Berlin, Germany	82.6
Schück Söhne, Rüslikon, Switzerland	
Scientific Publishing Services, Bangalore, India	74.4
Septima, Paris, France	
Springer Auslieferungs-Gesellschaft, Heidelberg, Germany	87.1
Springer-VDI-Verlag, Düsseldorf, Germany	39.2
Springer-Verlag Berlin/Heidelberg, Berlin, Heidelberg, Germany	87.1
Springer-Verlag France, Paris, France	87.1
Springer-Verlag Hong Kong, Hong Kong, China	87.1
Springer-Verlag Ibérica, Barcelona, Spain	87.1
Springer-Verlag Italia, Milan, Italy	87.1
Springer-Verlag London, London, Great Britain	87.1
Springer-Verlag New York, New York, USA	86.7
Springer-Verlag Tokyo, Tokyo, Japan	87.1
Springer-Verlag, Vienna, Austria	67.9
Steinkopff-Verlag, Dr. Dietrich, Darmstadt, Germany	87.1
technopress Fachzeitschriftenverlag, Klosterneuburg, Austria	
Universitätsdruckerei H. Stürtz, Würzburg, Germany	82.7
Urban & Vogel Medien und Medizin Verlagsgesellschaft, Munich, Germany	93.6
Verlag Heinrich Vogel Fachverlag, Munich, Germany	
Wendel-Verlag, Kassel, Germany	
Westdeutscher Verlag, Wiesbaden, Germany	

Arvato

Printing/Technical Companies

Berryville Graphics, Berryville, USA	
Cobrhi, Madrid, Spain	
Coral Graphic Services, Hicksville, USA	95.1
Dynamic Graphic Finishing, Horsham, USA	95.1
Eurogravure, Milan, Italy	69.2
Eurohueco, Barcelona, Spain	65
Fernwärme GmbH, Gütersloh, Germany	51
GGP Media, Pöbneck, Germany	
Jaroslawschij Poligrafitscheskij Kombinat, Jaroslavl, Russia	50.9
maul-belser Klebebindung, Nuremberg, Germany	75
maul-belser Studios, Nuremberg, Germany	75
maul-belser, Nuremberg, Germany	75
MOHN Media Bindery, Gütersloh, Germany	
MOHN Media Elsnerdruck, Berlin, Germany	
MOHN Media Energy, Gütersloh, Germany	
MOHN Media Mohndruck, Gütersloh, Germany	
MOHN Media Print, Gütersloh, Germany	
MOHN Media Sales, Gütersloh, Germany	
MOHN Media Services, Gütersloh, Germany	
Nuovo Istituto Italiano d'Arti Grafiche, Bergamo, Italy	98.8
Offset Paperback Manufacturers, Dallas, USA	
Printer Colombiana, Bogotá, Colombia	50
Printer Indústria Grafica, Barcelona, Spain	
Printer Portuguesa Indústria Grafica, Lisbon, Portugal	
ProBind Professional Binding, Marienfeld, Germany	95
Rotedic, Madrid, Spain	

Services

AZ Bertelsmann Direct, Gütersloh, Germany	
AZ Direct Marketing Bertelsmann, Vienna, Austria	
BD Medien Service, Münchenstein, Switzerland	
BenefitNation, Delaware, USA	60
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 Marketing Service España, Barcelona, Spain	
Bertelsmann Marketing Service Dortmund, Dortmund, Germany	
Bertelsmann Marketing Service, Gütersloh, Germany	
Bertelsmann Marketing Service Münster, Münster, Germany	
Bertelsmann Marketing Service Neumünster, Neumünster, Germany	
Bertelsmann Marketing Service, Wuppertal, Germany	
Bertelsmann Medien Service, Gütersloh, Germany	
Bertelsmann Service Center Czech Republic, Nove Straseci, Czech Republic	
Bertelsmann Service Center Poland, Poznan, Poland	
Bertelsmann Services France, Noyelles-sous-Lens, France	
Bertelsmann Services, Valencia, USA	
Bertelsmann Services UK, Warley, Great Britain	
Bertelsmann Services, Gütersloh, Germany	
Central Inkasso, Rheda-Wiedenbrück, Germany	
Central Inkasso, Vienna, Austria	
Data Center Luzern, Luzern, Switzerland	50
Deutsche PostAdress, Bonn, Germany	49
Direct Data Logistics, Warley, Great Britain	50
DISTODO Distribuicao e Logistica, Lisbon, Portugal	33.3
Distributionszentrum Bertelsmann, Jaroslavl, Russia	
Forms Facility Group, Abcoude, Netherlands	60
I-EscrowEurope, Dublin, Ireland	51
Inforate, Gütersloh, Germany	74.8
Media Log Spedition, Gütersloh, Germany	
Medienvertrieb und Logistik, Hagen, Germany	50
MSN – Marketing Service Nordwest, Schortens	
MSW Marketing Service Südwest, Stuttgart, Germany	
Swiss Post Data Services, Zurich, Switzerland	50
TAD Sistemas, Barcelona, Spain	
Total Distribución, Madrid, Spain	66.7
Trust International Hotel Reservation Services, Frankfurt, Germany	
Webmiles, Munich, Germany	70

IT

AST Applied Software Technology, Munich, Germany	90
Bertelsmann bE-Commerce Service, Gütersloh, 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	
BmS Holding, Gütersloh, Germany	
CM4, Gütersloh, Germany	49
Mtec Gesellschaft für Medientechnologie, Rostock, Germany	
Prompt 92, Budapest, Hungary	51
QuBiz, Gütersloh, Germany	
“S4M” Solutions for Media, Gütersloh, Germany	33.3
SSB Software Service und Beratungsgesellschaft, Munich, Germany	54.7

Storage Media

Bertelsmann Speichermedien, Gütersloh, Germany	
Digital World Services, Hamburg, New York, USA	
Sonopress Ibermemory, Madrid, Spain	51
Sonopress Pan Asia, Hong Kong, China	75
Sonopress Pan Asia, Tokyo, Japan	75
Sonopress Rimo, Buenos Aires, Argentina	52
Sonopress Rimo, São Paulo, Brazil	52
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	36.8

Bertelsmann Event Media, Gütersloh, Germany	
Bertelsmann Kalender & Promotion Service, Gütersloh, Germany	
Bertelsmann Lexikon Verlag, Gütersloh, Germany	
cutup vision, Cologne, Germany	67.1
Deutscher Supplement Verlag, Nuremberg, Germany	75
Editoriale Johnson, Seriate, Italy	98.8
empolis, Gütersloh, Germany	89.5
empolis catalog management, Gütersloh, Germany	71.6
empolis content management, Würzburg, Germany	89.5
empolis knowledge management, Kaiserslautern, Germany	89.5
empolis professional services, Gütersloh, Germany	89.5
empolis Hungary, Budapest, Hungary	47.1
empolis North America, Boston, USA	89.5
empolis Polska, Warsaw, Poland	85.1
empolis Scandinavia, Oslo, Norway	89.5
empolis UK, Swindon, Great Britain	89.5
EMS Digital Elektronischer Marketing Service für Verlage, Hamburg, Germany	18.8
EPS Programm Service, Zurich, Switzerland	15
InmediaONE], Gütersloh, Vienna, Austria, Gladbruck, Switzerland	
Medicforma.com, Dortmund, Germany	32
MM Concept Service, Gütersloh, Germany	
Mobilitätsverlag, Berlin, Germany	
Mohndruck Kalenders, Breda, Netherlands	
Mohndruck Wydawnictwo Kalendarzowe, Poznan, Poland	
NEON Newspaper Online Network, Nuremberg, Germany	75
Nionex, Gütersloh, Germany	
P&P Redaktion für Publikation und Präsentation, Gütersloh, Germany	49.2
Präsenta Promotion International, Solingen, Germany	60
Pressens Media Service DSV, Stockholm, Sweden	71.3
Print Service, Solingen, Germany	60
Publicisterna Söderberg, Stockholm, Sweden	71.3
tele-Zeitschriftenverlagsgesellschaft, St. Pölten, Austria	18.7
TopPublishing, Gütersloh, Germany	49.2
TV Information Services, Nuremberg, Germany	75
Wissen.de, Munich, Germany	
WV Kalenderverlag, Himberg/Vienna, Austria	75

*) 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

ECl 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
Círculo de Lectores, Barcelona, Spain	
Círculo de Leitores, Lisbon, Portugal	
BOL Niederlande, Vianen, Netherlands	
BOL Nordic, Lund, Sweden	50

BOL Italien, Milan, Italy	50
S.G.E.D. Suisse, Switzerland	50
S.G.E.D. France, France	50
Lexicultural, 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	

BeCG

barnesandnoble.com, New York, USA	36.2
-----------------------------------	------

BeMusic

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

Investments

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

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

*) 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!

■ You can find current information on Bertelsmann at:

// bertelsmann.com

■ For further information please contact:

Bertelsmann AG
Corporate Communications
Carl-Bertelsmann-Strasse 270
Postfach 111
D-33311 Gütersloh
Germany

Phone +49-52 41-80-24 38
Fax +49-52 41-80-66 13
eMail info@bertelsmann.de

Imprint

Editing and Coordination Corporate 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