

PROSPECTUS



Bertelsmann AG

(Gütersloh, Germany)

€500,000,000 4.375% Notes of 2006/2012

Issue Price 99.803%

€1,000,000,000 4.750% Notes of 2006/2016

Issue Price 99.222%

Bertelsmann AG, Gütersloh (the “**Issuer**”) will issue on September 26, 2006 (the “**Issue Date**”) fixed rate bearer notes (the “**Notes**”) in two tranches: The notes of the first tranche (the “**Tranche A Notes**”) will be issued in an aggregate principal amount of €500,000,000 at an issue price of 99.803% of their principal amount. The notes of the second tranche (the “**Tranche B Notes**”) will be issued in an aggregate principal amount of €1,000,000,000 at an issue price of 99.222% of their principal amount.

The Tranche A Notes will bear interest from and including September 26, 2006 to but excluding September 26, 2012 at a rate of 4.375% per annum. The Tranche B Notes will bear interest from and including September 26, 2006 to but excluding September 26, 2016 at a rate of 4.750% per annum. The interest will in both cases be payable annually in arrear on September 26 in each year, commencing on September 26, 2007.

The Issuer has requested the *Commission de Surveillance du Secteur Financier* (the “**CSSF**”) to provide the competent authorities in the Federal Republic of Germany, Austria, the Netherlands and the United Kingdom with a certificate of approval attesting that the Prospectus has been drawn up in accordance with the *Loi relative aux prospectus pour valeurs mobilières* which implements Directive 2003/71/EC of the European Parliament and the Council of November 4, 2003 into Luxembourg law (the “**Notification**”). The Issuer may request the CSSF to provide competent authorities in additional host Member States within the European Economic Area with a Notification.

Application has been made to admit the Notes to the official list of the Luxembourg Stock Exchange and to trade the Notes on the regulated market “Bourse de Luxembourg” and on the regulated market (*geregelter Markt*) of the Frankfurt Stock Exchange, both these markets appearing on the list of regulated markets issued by the E.C. pursuant to Council Directive 93/22/EEC of May 10, 1993 on investment services in the securities field.

Joint Lead Managers

Barclays Capital

BNP PARIBAS

Deutsche Bank

**The Royal Bank of
Scotland**

Co-Lead Managers

Helaba

WestLB AG

The date of this Prospectus is September 22, 2006.

For a discussion of certain significant factors affecting investments in the Notes, see “RISK FACTORS”.

THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “**SECURITIES ACT**”) AND INCLUDE NOTES IN BEARER FORM THAT ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. SUBJECT TO CERTAIN EXCEPTIONS, THE NOTES MAY NOT BE OFFERED, SOLD OR DELIVERED WITHIN THE UNITED STATES OR TO U.S. PERSONS.

The Notes are governed by the laws of the Federal Republic of Germany (“**Germany**”).

Each of the two tranches of the Notes will be represented by a global note (each, a “**Global Note**”, and together, the “**Global Notes**”) in bearer form without interest coupons attached. No definitive notes or interest coupons will be issued.

The Global Notes will be deposited with Deutsche Bank Aktiengesellschaft, Trust & Securities Services, Große Gallusstraße 10-14, 60272 Frankfurt am Main, Germany, as common depositary (the “**Common Depositary**”) for Euroclear Bank S. A./N. V. as operator of the Euroclear System (“**Euroclear**”) and Clearstream Banking, société anonyme, Luxembourg (“**CBL**”; together the “**Clearing System**”). The Global Notes will be deposited with the Common Depositary on or before September 26, 2006.

The Notes may be transferred in book-entry form only. The Notes will be issued in a denomination of €1,000. The Notes will not be exchangeable for definitive securities.

This Prospectus has been filed with the CSSF and has been published in electronic form together with all documents incorporated by reference on the website of the Luxembourg Stock Exchange (www.bourse.lu).

In this Prospectus references to “**euro**” or “**EUR**” or “**€**” are to the single unified currency of the members of the European Union that have adopted the euro in accordance with the Treaty on European Union, as amended.

RESPONSIBILITY STATEMENT

The Issuer accepts responsibility for the information contained in this Prospectus (the “**Prospectus**”) and hereby declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of its knowledge and belief, in accordance with the facts and contains no omission likely to affect its importance.

NOTICE

The Issuer confirms that (i) this Prospectus contains all information with respect to the Issuer and to the Notes which is material in the context of the issue and sale of the Notes, including all information which, according to the particular nature of the Issuer and of the Notes, is necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Issuer and of the rights attached to the Notes; (ii) the statements contained in this Prospectus relating to the Issuer and the Notes are in all material respects true and accurate and not misleading; (iii) there are no other facts in relation to the Issuer or the Notes the omission of which would, in the context of the issue and sale of the Notes, make any statement in this Prospectus misleading in any material respect, and (iv) all reasonable enquiries have been made by the Issuer to ascertain such facts and to verify the accuracy of all such information and statements.

This Prospectus contains certain forward-looking statements, including statements using the words “believes”, “anticipates”, “intends”, “expects” or other similar terms. This applies in particular to statements under the caption “BUSINESS OF THE BERTELSMANN GROUP” and statements elsewhere in this Prospectus relating to, among other things, the future financial performance, plans and expectations regarding developments in the business of the Issuer. These forward-looking statements are subject to a number of risks, uncertainties, assumptions and other factors that may cause the actual results, including the financial position and profitability of the Issuer, to be materially different from or worse than those expressed or implied by these forward-looking statements. The Issuer does not assume any obligation to update such forward-looking statements and to adapt them to future events or developments.

No person has been authorised to give any information or to make any representation other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Issuer, the Joint Lead Managers or the Co-Lead Managers named on the cover page of this Prospectus (the Joint Lead Managers and the Co-Lead Managers together the “**Managers**”).

Neither the delivery of this Prospectus nor any offering, sale or delivery of any Notes made hereunder shall, under any circumstances, create any implication (i) that the information in this Prospectus is correct as of any time subsequent to the date hereof or, as the case may be, subsequent to the date on which this Prospectus has been most recently amended or supplemented, or (ii) that there has been no adverse change in the financial situation of the Issuer which is material in the context of the issue and sale of the Notes since the date of this Prospectus or, as the case may be, the date on which this Prospectus has been most recently amended or supplemented, or the balance sheet date of the most recent financial statements which are deemed to be incorporated into this Prospectus by reference or (iii) that any other information supplied in connection with the issue of the Notes is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. This Prospectus does not constitute an offer of Notes or an invitation by or on behalf of the Issuer or the Managers to purchase any Notes. Neither this Prospectus nor any other information supplied in connection with the Notes should be considered as a recommendation by the Issuer or the Managers to a recipient hereof and thereof that such recipient should purchase any Notes. This Prospectus may not be used for or in connection with any offer or invitation in any jurisdiction or in any circumstances in which such offer or invitation is unlawful or unauthorised.

No action has been taken by the Issuer or the Managers other than as set out in this Prospectus that would permit a public offering of the Notes, or possession or distribution of this Prospectus or any other offering material in any country or jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Prospectus (nor any part hereof) nor any offering circular, prospectus, form of application, advertisement or other offering materials may be issued, distributed or published in any country or jurisdiction except in compliance with applicable laws, orders, rules and regulations, and each of the Managers has represented that all offers and sales by it have been made on such terms.

This Prospectus does not constitute, and may not be used for the purposes of, an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation.

The distribution of this Prospectus (or of any part thereof) and the offer, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus (or any part thereof) comes are required by the Issuer and the Managers to inform themselves about and to observe any such restrictions. In particular, the Notes represent obligations of the Issuer only, and do not represent obligations of any of the Managers or any of their respective affiliates or any affiliate of the Issuer or any other third person or entity.

For a further description of certain restrictions on offerings and sales of the Notes and distribution of this Prospectus (or of any part thereof) see “SUBSCRIPTION AND SALE”.

In connection with the issue of the Notes, Deutsche Bank AG, London Branch as stabilising manager or persons acting on its behalf may over-allot Notes (provided that the aggregate principal amount of the Tranche A Notes allotted does not exceed 105% of the aggregate principal amount of the Tranche A Notes, and the aggregate principal amount of the Tranche B Notes allotted does not exceed 105% of the aggregate principal amount of the Tranche B Notes) or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that Deutsche Bank AG, London Branch as stabilising manager (or any person acting on its behalf) will undertake any stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 calendar days after the date of the receipt of the proceeds of the issue by the Issuer and 60 calendar days after the date of the allotment of the Notes.

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SUMMARY

The following constitutes the summary (the “Summary”) of the essential characteristics of and risks associated with the Issuer and the Notes. This Summary should be read as an introduction to this Prospectus. It does not purport to be complete and is taken from, and is qualified in its entirety by reference to the detailed information appearing elsewhere in this Prospectus. Any decision by an investor to invest in the Notes should be based on consideration of this Prospectus as a whole. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of such court, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches to those persons who have tabled this Summary including any translation thereof, and applied for its notification, but only if the Summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus.

As used in the Summary, “**Bertelsmann AG**” and “**Issuer**” refer solely to the ultimate parent company of the Bertelsmann Group. “**Bertelsmann Group**” and “**Group**” refer to Bertelsmann AG and its consolidated subsidiaries. Expressions defined in the Terms and Conditions of the Notes (see below “TERMS AND CONDITIONS”) shall have the same meaning in the Summary.

Summary regarding the Notes

Issuer.....	Bertelsmann AG
Principal Amount.....	Tranche A: €500,000,000 Tranche B: €1,000,000,000
Joint Lead Managers.....	Barclays Bank PLC BNP Paribas Deutsche Bank AG, London Branch The Royal Bank of Scotland plc
Co-Lead Managers.....	Landesbank Hessen-Thüringen Girozentrale WestLB AG
Principal Paying Agent	Deutsche Bank Aktiengesellschaft, Frankfurt am Main, Germany
Luxembourg Listing Agent and Paying Agent	Deutsche Bank Luxembourg S.A., Luxembourg
Issue Price.....	Tranche A: 99.803% Tranche B: 99.222%
Issue Date.....	September 26, 2006
Maturity Date.....	Tranche A: September 26, 2012 Tranche B: September 26, 2016
Denomination	The Notes are issued in a denomination of €1,000 each.
Form of the Notes	Each of the two tranches is represented by a Global Note without coupons which will be deposited with Deutsche Bank Aktiengesellschaft, Frankfurt am Main, Germany, as common depositary for Euroclear Bank S. A./N. V., as operator of the Euroclear System, and Clearstream Banking, société anonyme, Luxembourg. The Notes may be transferred in book-entry form only.
Interest	The Tranche A Notes bear interest on their principal amount at the rate of 4.375% per annum from (and including) September 26, 2006 to (but excluding) September 26, 2012. The Tranche B Notes bear interest on their principal amount at the rate of 4.750% per annum from (and including) September 26, 2006 to (but excluding) September 26, 2016. Interest shall be payable in arrear

on September 26 in each year. The first payment of interest will be made on September 26, 2007.

Taxation	All payments in respect of the Notes will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by way of withholding or deduction at source by or on behalf of the Federal Republic of Germany or any political subdivision or any authority thereof or therein having power to tax, unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes after such withholding or deduction shall equal the respective amounts of principal and compensation which would otherwise have been receivable in respect of the Notes in the absence of such withholding or deduction, subject to customary exceptions as set out in the Terms and Conditions of the Notes.
Early Redemption for Taxation Reasons	Early redemption of the Notes, in whole but not in part, for reasons of taxation will be permitted, if, as a result of any change in, or amendment to, the laws or regulations prevailing in the Federal Republic of Germany, which change or amendment becomes effective on or after September 26, 2006, or as a result of any application or official interpretation of such laws or regulations not generally known before that date, the Issuer will become obligated to bear withholding taxes which are or will be leviable on payments of principal or interest in respect of the Notes.
Change of Control.....	In the event of a Rating Downgrade to non-investment grade that is at least partly due to a Change of Control, each Holder will have the option to require the Issuer to redeem each of the Notes held by such Holder, as more fully set out in the Terms and Conditions of the Notes.
Status of the Notes	The Notes constitute unsecured and unsubordinated obligations of the Issuer and rank <i>pari passu</i> with all other unsecured and unsubordinated obligations of the Issuer, present and future.
Negative Pledge	As long as any Notes are outstanding, but only up to the time all amounts of principal and interest have been placed at the disposal of the Principal Paying Agent, the Issuer will not provide security upon any of its assets for any present or future Capital Market Indebtedness or any guarantees or other indemnities resulting therefrom, without at the same time having the holders of the Notes share equally and rateably in such security; this obligation does not apply, however, to security interests of any kind that are already attached to an asset at the time when such asset is acquired by the Issuer.
Event of Default.....	The Notes provide for events of default entitling holders of the Notes to demand immediate redemption of the Notes, as more fully set out in the Terms and Conditions of the Notes.
Cross Default	The Notes provide for a cross default with other Indebtedness of the Issuer.
Use of Proceeds	The net proceeds from the issuance of the Notes will amount to approximately €1.49 billion. The majority of the proceeds will be used to repay in part the €4.5 billion syndicated credit facility drawn by the Issuer on July 4, 2006 to finance the repurchase of a 25.1% stake in the Issuer from Groupe Bruxelles Lambert, while the remaining part of the proceeds will be used for general corporate purposes.
Selling Restrictions	Subject to certain exceptions, the Notes are not being offered, sold or delivered within the United States or to U.S. persons. In addition, there are certain restrictions on the offer and sale of Notes and the distribution of offering materials in the European Economic Area, the U.K., France and Italy. For a

description of these and other restrictions on sale and transfer see “SUBSCRIPTION AND SALE – Selling Restrictions”.

Listing	Application has been made to admit the Notes to listing and to trading on the regulated markets of the Luxembourg Stock Exchange and the Frankfurt Stock Exchange (<i>geregelter Markt</i>).
Settlement	Delivery of the Notes will be made on or about the Issue Date through the book-entry facilities of Euroclear or CBL against payment therefor in euro in immediately available funds.
Governing Law	The Notes are governed by German law.
Jurisdiction.....	Non-exclusive place of jurisdiction for any legal proceedings arising under the Notes is Frankfurt am Main, Germany.

Summary regarding the Issuer

The Issuer is the ultimate parent company of the Bertelsmann Group of companies. The Bertelsmann Group comprises six corporate divisions, namely RTL Group, Random House, Gruner + Jahr, BMG, Arvato and Direct Group; all six divisions are (within the limits prescribed by the Issuer) operationally autonomous and are reportable segments.

Business Overview

The Issuer serves as an operative management holding company.

RTL Group has operations in the television and radio sector as well as in content production. Its television business includes the family of channels of RTL Television in Germany, M6 in France, Five in the U.K., the RTL channels in the Benelux region and a shareholding in Antena 3 in Spain. The Random House portfolio includes more than 100 editorially independent book publishing imprints. The group publishes hardcover and paperback fiction and non-fiction books for adults and children in English, German, Spanish, Japanese and Korean. Bertelsmann’s printing and publishing division Gruner + Jahr is a magazine publisher, publishing about 285 print titles. The BMG division, Bertelsmann’s music operations, consists of the Sony BMG Music Entertainment joint venture and the Group’s wholly owned business unit BMG Music Publishing (which the Issuer has now agreed to sell to the Vivendi Group). Arvato is Bertelsmann’s media services division and includes the companies in the Arvato Print, Arvato Direct Services, Arvato Logistics Services, Arvato Storage Media and Arvato Systems units. Direct Group with its book, music and DVD clubs unites Bertelsmann’s worldwide direct-to-customer media sales.

Executive Board, Supervisory Board and Employees

The Issuer’s Executive Board consists of seven members. The Executive Board’s chairman is the Issuer’s Chief Executive Officer, Dr. Gunter Thielen. The Chief Financial Officer is Dr. Thomas Rabe.

The Supervisory Board currently consists of 13 members. The Supervisory Board’s chairman is Prof. Dr. Dieter H. Vogel and the vice chairman is Prof. Dr. Jürgen Strube.

At the end of 2005, Bertelsmann Group had 88,516 employees worldwide.

Shareholders

The Issuer is a privately held stock corporation. Bertelsmann Stiftung holds 76.9% of the issued share capital, and the Mohn family the remaining 23.1% (in both cases indirectly through intermediary holding companies).

Recent Developments

The shares in the Issuer repurchased from Groupe Bruxelles Lambert were transferred to the Issuer on July 4, 2006. On July 13, 2006, the European Court of First Instance annulled the decision of the European Commission to unconditionally approve the Sony BMG joint venture. In August 2006, Random House acquired the U.S. publishing house Multnomah Publishers and the remaining shares in the South-Korean book imprint Random House Joong Ang, thereby further expanding its global portfolio of book imprints. On September 6, 2006, the Issuer signed a binding agreement with the Vivendi Group for the sale of BMG Music Publishing. The Issuer expects to receive payment of the purchase price by the end of the year.

Selected Financial Information

Accounting and reporting of the Bertelsmann Group is performed in accordance with the International Financial Reporting Standards (IFRS).

BERTELSMANN GROUP

(in € millions)	H1 2006 ⁽¹⁾	H1 2005 ^(1,2)	2005	2004 ⁽²⁾
Income Statement Data				
Revenues	9,144	7,988	17,890	17,016
EBIT (earnings before interest and taxes)	693	564	1,671	1,747
Financial result	(172)	(147)	(386)	(312)
Net income	339	330	1,041	1,172
Balance Sheet Data				
Non-current assets	13,669	12,021	14,071	11,774
Current assets	8,092	8,397	8,570	9,216
Total assets	22,026	20,642	22,932	20,990
Equity	4,492	8,898	9,170	8,722
Non-current liabilities	5,485	5,068	5,872	5,469
Current liabilities	11,828	6,636	7,646	6,799
Total equity and liabilities	22,026	20,642	22,932	20,990

⁽¹⁾ Unaudited.

⁽²⁾ Restated.

Summary regarding the Risk Factors

Summary of Risk Factors regarding the Notes

An investment in the Notes involves certain risks associated with the characteristics of the Notes which could lead to substantial losses that Noteholders would have to bear in the case of selling their Notes or with regard to receiving interest payments and repayment of principal. Those risks include that:

- prior to the issue, there has been no public market for the Notes and there can be no assurance that a liquid secondary market for the Notes will develop or, if it does develop, that it will continue; in an illiquid market, an investor might not be able to sell his Notes at any time at fair market prices;
- the price of the Notes falls as a result of changes in market interest rates;
- the Notes may be subject to early redemption at the principal amount, if the Issuer becomes obligated to bear withholding taxes which are or will be leviable on payments of principal or interest in respect of the Notes; if the Issuer calls and redeems the Notes in such case, the Noteholders may only be able to reinvest the redemption proceeds in securities with a lower yield; and

- there is no restriction on the amount of debt which the Issuer may incur in the future.

Summary of Risk Factors regarding the Issuer

Bertelsmann's business, and as a result, the value of the Notes, are exposed to a number of risks. The following contains a description of certain risks, which may materially adversely affect Bertelsmann's financial position and results of operations.

- The repurchase of the 25.1% stake in Bertelsmann AG from Groupe Bruxelles Lambert has significantly increased the Issuer's net financial debt, and the Issuer's equity ratio has decreased. This could, combined with other factors, lead to a downgrading of Bertelsmann's credit rating by rating agencies, which in turn could adversely affect the level of Bertelsmann's interest expense and the market price of the Notes.
- The facility agreement regarding the €4.5 billion syndicated term loan used for the payment of the purchase price for the repurchase of the shares from Groupe Bruxelles Lambert (the "**Acquisition Facility**") contains certain customary covenants that could impair the Issuer's business flexibility, and the credit facility can be terminated under certain circumstances.
- The Issuer intends to repay part of the Acquisition Facility with the proceeds from the agreed sale of its business unit BMG Music Publishing to the Vivendi Group. The purchase price amounts to €1.63 billion. The closing of the transaction is subject to customary conditions.
- Bertelsmann requires substantial debt financing and is therefore susceptible to changes in interest rates.
- The European Court of First Instance has voided the European Commission's approval of the creation of Sony BMG, the joint venture between Sony Music and BMG formed in 2004. Upon renewed scrutiny, the European Commission might not approve the combination, or it might make its approval contingent on the satisfaction of certain requirements, such as a sale of some of Sony BMG's businesses.
- Weakening economic conditions or other factors could reduce Bertelsmann's advertising or other revenues or hinder its ability to increase such revenues.
- Changes in technology and in consumer consumption patterns may adversely affect demand for Bertelsmann's entertainment products or increase the cost of producing or distributing products.
- The introduction and increased popularity of alternative technologies for the distribution of news, entertainment and other information and the resulting shift in consumer habits and/or advertising expenditures from print to other media could affect Bertelsmann's results of operations.
- Technological developments may increase the threat of content piracy and limit Bertelsmann's ability to protect its intellectual property rights.
- Increased competitive pressures may reduce Bertelsmann's revenues or increase Bertelsmann's costs. The competition for the leisure and entertainment time of audiences has intensified in recent years, in part due to advances in technology.
- Fluctuations in exchange rates may negatively affect Bertelsmann's reported results.
- Bertelsmann is exposed to legal risks. In particular, various music publishers and record labels have sued Bertelsmann for substantial amounts in damages in a U.S. court claiming that Bertelsmann contributed to alleged copyright infringements by the music file-sharing platform Napster and its users.

The realisation of any of the risks described above may affect the Issuer's ability to fulfil its payment obligations under the Notes and/or lead to a decline in the market price of the Notes.

GERMAN TRANSLATION OF THE SUMMARY/ZUSAMMENFASSUNG

Nachfolgend wird eine Zusammenfassung (die "Zusammenfassung") der wesentlichen Merkmale und Risiken in Bezug auf die Emittentin und die Schuldverschreibungen gegeben. Diese Zusammenfassung sollte als Einführung zu diesem Prospekt angesehen werden. Sie ist nicht als umfassend und vollständig anzusehen, sondern enthält Verweise auf die übrigen Angaben in diesem Prospekt und ist in Verbindung mit diesen zu lesen. Anleger sollten eine etwaige Anlageentscheidung in Bezug auf die Schuldverschreibungen auf Grundlage des gesamten Prospekts treffen. Bei etwaigen vor Gericht geltend gemachten Klagen in Bezug auf die in diesem Prospekt enthaltenen Informationen ist der jeweilige Anleger als Kläger unter Umständen nach dem nationalen Recht des jeweiligen Gerichts verpflichtet, diesen Prospekt auf seine Kosten übersetzen zu lassen, bevor das gerichtliche Verfahren eingeleitet wird. Die Personen, die diese Zusammenfassung, einschließlich einer etwaigen Übersetzung, erstellt und die Notifizierung beantragt haben, können zivilrechtlich haftbar gemacht werden, jedoch nur wenn diese Zusammenfassung in Verbindung mit den anderen Prospektteilen gelesen, irreführend oder unrichtig ist oder Angaben in anderen Teilen des Prospekts widerspricht.

In dieser Zusammenfassung beziehen sich „**Bertelsmann AG**“ und „**Emittentin**“ ausschließlich auf die Muttergesellschaft des Bertelsmann-Konzerns. „**Bertelsmann-Konzern**“ bezieht sich auf die Bertelsmann AG einschließlich ihrer konsolidierten Tochtergesellschaften. In den Emissionsbedingungen definierte Begriffe haben in dieser Zusammenfassung dieselbe Bedeutung. Die Emissionsbedingungen sind im Abschnitt “TERMS AND CONDITIONS” wiedergegeben.

Zusammenfassung in Bezug auf die Schuldverschreibungen

Emittentin	Bertelsmann AG
Gesamtnennbetrag	Tranche A: € 500.000.000 Tranche B: € 1.000.000.000
Joint Lead Managers	Barclays Bank PLC BNP Paribas Deutsche Bank AG, London Branch The Royal Bank of Scotland plc
Co-Lead Managers	Landesbank Hessen-Thüringen Girozentrale WestLB AG
Hauptzahlstelle	Deutsche Bank Aktiengesellschaft, Frankfurt am Main, Deutschland
Listing Agent und Zahlstelle in Luxemburg	Deutsche Bank Luxembourg S.A., Luxembourg
Ausgabepreis	Tranche A: 99,803 % Tranche B: 99,222 %
Ausgabetermin	26. September 2006
Fälligkeitstag	Tranche A: 26. September 2012 Tranche B: 26. September 2016
Stückelung	Die Schuldverschreibungen werden im Nennbetrag von je € 1.000 begeben.
Form der Schuldverschreibungen	Jede der beiden Tranchen ist durch eine Globalurkunde verbrieft. Einzelurkunden und Zinsscheine werden nicht ausgegeben. Die Globalurkunde wird von der Deutsche Bank Aktiengesellschaft, Frankfurt am Main, Germany, für Euroclear Bank S. A./N. V. als Betreiberin des Euroclear Systems und Clearstream Banking, société anonyme, Luxembourg, verwahrt. Übertragungen von Schuldverschreibungen erfolgen durch Übertragung von Miteigentumsanteilen an der jeweiligen Globalurkunde.

Zinsen	Die Schuldverschreibungen werden bezogen auf ihren Nennbetrag verzinst, und zwar im Fall der Tranche A vom 26. September 2006 (einschließlich) bis 26. September 2012 (ausschließlich) mit jährlich 4,375% und im Fall von Tranche A vom 26. September 2006 (einschließlich) bis 26. September 2016 (ausschließlich) mit jährlich 4,750 %. Die Zinsen sind nachträglich am 26. September eines jeden Jahres zahlbar. Die erste Zinszahlung erfolgt am 26. September 2007.
Besteuerung	Sämtliche auf die Schuldverschreibungen zu zahlenden Beträge werden ohne Einbehalt oder Abzug von oder aufgrund von gegenwärtigen oder zukünftigen Steuern oder sonstigen Abgaben gleich welcher Art geleistet, die von oder in der Bundesrepublik Deutschland oder für deren Rechnung oder von oder für Rechnung einer politischen Untergliederung oder Steuerbehörde der oder in der Bundesrepublik Deutschland auferlegt oder erhoben werden, es sei denn ein solcher Einbehalt oder Abzug ist gesetzlich vorgeschrieben. In diesem Fall wird die Emittentin diejenigen zusätzlichen Beträge an Kapital und Zinsen zahlen, die erforderlich sind, damit die den Anleihegläubigern zufließenden Nettobeträge nach einem solchen Einbehalt oder Abzug jeweils den Beträgen entsprechen, die die Anleihegläubiger ohne einen solchen Einbehalt oder Abzug von den Anleihegläubigern erhalten hätten; dies gilt vorbehaltlich der üblichen in den Emissionsbedingungen aufgeführten Ausnahmen.
Vorzeitige Rückzahlung aus Steuergründen	Eine vorzeitige Rückzahlung aller ausstehenden Schuldverschreibungen, nicht jedoch eines Teils von ihnen, ist aus Steuergründen zulässig, falls infolge einer am oder nach dem 26. September 2006 wirksam werdenden Änderung oder Ergänzung der in der Bundesrepublik Deutschland geltenden Rechtsvorschriften oder einer vor diesem Zeitpunkt nicht allgemein bekannten Anwendung oder amtlichen Auslegung solcher Rechtsvorschriften Quellensteuern auf die Zahlung von Kapital oder Zinsen der Schuldverschreibungen anfallen oder anfallen werden und die Quellensteuern der Emittentin zur Last fallen.
Kontrollwechsel	Im Falle einer Herabsetzung des Ratings auf „Non-Investment Grade“, die zumindest teilweise auf einen Kontrollwechsel zurückzuführen ist, hat jeder Gläubiger unter bestimmten weiteren, in den Emissionsbedingungen genannten Bedingungen das Recht, von der Emittentin die Rückzahlung der von ihm gehaltenen Schuldverschreibungen zu verlangen.
Status der Schuldverschreibungen	Die Schuldverschreibungen stellen nicht besicherte und nicht nachrangige Verbindlichkeiten der Emittentin dar und stehen im gleichen Rang mit allen anderen nicht besicherten und nicht nachrangigen derzeitigen und zukünftigen Verbindlichkeiten der Emittentin.
Negativverpflichtung	Die Emittentin verpflichtet sich, solange Schuldverschreibungen ausstehen, jedoch nur bis zu dem Zeitpunkt, an dem alle Beträge an Kapital und Zinsen der Hauptzahlstelle zur Verfügung gestellt worden sind, keine gegenwärtigen oder zukünftigen Kapitalmarktverbindlichkeiten und keine Garantien oder andere Gewährleistungen dafür durch Grund- oder Mobiliarpfandrechte an ihrem Vermögen zu besichern, ohne jeweils die Anleihegläubiger zur gleichen Zeit und im gleichen Rang an solchen Sicherheiten teilnehmen zu lassen. Diese Verpflichtung findet jedoch keine Anwendung in Bezug auf Sicherungsrechte, die auf einem Vermögensgegenstand zum Zeitpunkt des Erwerbs durch die Emittentin lasten.
Kündigungsgründe	Die Schuldverschreibungen sehen Kündigungsgründe vor, die die Gläubiger berechtigen, die unverzügliche Rückzahlung der Schuldverschreibungen zu verlangen, wie in den Emissionsbedingungen ausführlicher dargelegt.

Cross Default	Die Emissionsbedingungen enthalten eine Regelung zum Cross Default in Verbindung mit anderen Kreditverbindlichkeiten der Emittentin.
Erlösverwendung	Der Nettoerlös aus der Anleiheemission wird ungefähr € 1,49 Milliarden betragen. Er soll hauptsächlich zur teilweisen Rückzahlung des syndizierten Darlehens in Höhe von insgesamt € 4,5 Milliarden verwendet werden, das die Emittentin am 4. Juli 2006 zur Finanzierung des Rückkaufs von 25,1 % ihrer Aktien von Groupe Bruxelles Lambert aufgenommen hat, im übrigen wird er für allgemeine geschäftliche Zwecke verwendet werden.
Verkaufsbeschränkungen.....	Vorbehaltlich bestimmter Ausnahmeregelungen dürfen die Schuldverschreibungen nicht in den Vereinigten Staaten oder US-Personen angeboten, verkauft oder ausgegeben werden. Darüber hinaus bestehen bestimmte Beschränkungen für das Angebot und den Verkauf der Schuldverschreibungen und die Verteilung der Angebotsunterlagen im Europäischen Wirtschaftsraum, dem Vereinigten Königreich, Frankreich und Italien. Eine nähere Beschreibung dieser und weiterer Beschränkungen für den Verkauf und die Übertragung ist im Abschnitt "SUBSCRIPTION AND SALE – Selling Restrictions" enthalten.
Börsennotierung.....	Die Notierung der Schuldverschreibungen im amtlichen Markt der Luxemburger Börse und im geregelten Markt der Frankfurter Wertpapierbörse ist beantragt worden.
Settlement	Die Lieferung der Schuldverschreibungen wird vorraussichtlich am Begebungstag über das Effekten-Giro-System von Euroclear oder Clearstream Luxembourg gegen Zahlung in frei verfügbaren Mitteln in Euro erfolgen.
Geltendes Recht	Die Schuldverschreibungen unterliegen deutschem Recht.
Gerichtsstand	Nicht ausschließlicher Gerichtsstand für alle rechtlichen Verfahren im Zusammenhang mit den Schuldverschreibungen ist Frankfurt am Main, Bundesrepublik Deutschland.

Zusammenfassung in Bezug auf die Emittentin

Bei der Emittentin handelt es sich um die an der Spitze des Bertelsmann-Konzerns stehende operative Management-Holding. Der Bertelsmann-Konzern besteht aus sechs Unternehmensbereichen, nämlich RTL Group, Random House, Gruner + Jahr, BMG, Arvato und Direct Group. Die sechs Unternehmensbereiche agieren operativ (innerhalb den von der Konzernmutter vorgegebenen Grenzen) eigenständig und sind Berichtseinheiten.

Überblick über die Geschäftstätigkeit

Die Emittentin ist eine operative Management-Holding.

Die RTL Group ist im Fernseh- und Radiogeschäft sowie im TV-Produktionsgeschäft tätig. Zum Fernsehgeschäft gehören unter anderem die Senderfamilie um RTL Television in Deutschland, M6 in Frankreich, Five in Großbritannien, die RTL-Sender im Benelux-Raum sowie eine Minderheitsbeteiligung an Antena 3 in Spanien. Die Buchverlagsgruppe Random House verfügt über ein Portfolio von mehr als 100 publizistisch unabhängigen Einzelverlagen und veröffentlicht ihre Romane, Sach- und Jugendbücher als gebundene sowie als Taschenbuchausgaben in den Sprachen Englisch, Deutsch, Spanisch, Japanisch und Koreanisch. Das Druck- und Verlagshaus Gruner + Jahr ist Europas größter Zeitschriftenverlag. Im Unternehmensbereich BMG sind die Musikaktivitäten des Bertelsmann-Konzerns gebündelt: Er besteht aus dem Joint Venture Sony BMG Music Entertainment sowie der Musikverlagsgruppe BMG Music Publishing (deren Verkauf an die Vivendi-Gruppe vereinbart ist). Der Mediendienstleister Arvato erbringt mit Medien im Zusammenhang stehende Dienstleistungen. Er umfasst die Unternehmen von Arvato Print, Arvato Direct Services, Arvato Logistics Services, Arvato StorageMedia und Arvato Systems. Die Direct Group mit ihren Buch-, Musik- und DVD-Clubs vereint Bertelsmanns weltweite Endkundengeschäfte mit Medienprodukten.

Vorstand, Aufsichtsrat und Mitarbeiter

Der Vorstand der Emittentin besteht aus sieben Mitgliedern. Vorsitzender des Vorstands ist Dr. Gunter Thielen, der Chief Executive Officer. Chief Financial Officer ist Dr. Thomas Rabe.

Der Aufsichtsrat besteht derzeit aus 13 Mitgliedern. Vorsitzender des Aufsichtsrats ist Prof. Dr. Dieter H. Vogel, sein Stellvertreter ist Prof. Dr. Jürgen Strube.

Ende 2005 beschäftigte der Bertelsmann-Konzern 88.516 Mitarbeiter.

Aktionäre

Die Emittentin ist eine nicht börsennotierte Aktiengesellschaft. Die Bertelsmann Stiftung hält indirekt 76,9 % der Anteile. Die verbleibenden 23,1 % des Kapitals werden indirekt von der Familie Mohn gehalten.

Aktuelle Entwicklungen

Die von der Groupe Bruxelles Lambert zurückgekauften eigenen Aktien der Emittentin wurden am 4. Juli an die Emittentin übertragen. Am 13. Juli 2006 hat das Europäische Gericht erster Instanz die Entscheidung der Europäischen Kommission, das in 2004 gebildete Joint-Venture Sony BMG ohne Auflagen zu genehmigen, für nichtig erklärt. Diese Entscheidung hat keine unmittelbaren Auswirkungen auf den Fortbestand von Sony BMG. Im August 2006 hat Random House sein Portfolio durch die vollständige Übernahme des südkoreanischen Buchverlages Random House Joong Ang und den Erwerb des US-amerikanischen Verlags Multnomah Publishers strategisch ausgebaut. Am 6. September 2006 haben die Emittentin und die Vivendi-Gruppe einen verbindlichen Vertrag über den Verkauf von BMG Music Publishing geschlossen. Die Emittentin erwartet, den Kaufpreis spätestens Ende des Jahres zu erhalten.

Ausgewählte Finanzinformationen

Der Bertelsmann-Konzern legt nach International Financial Reporting Standards (IFRS) Rechnung.

BERTELSMANN-KONZERN

(in Millionen €)	H1 2006 ⁽¹⁾	H1 2005 ^(1, 2)	2005	2004 ⁽²⁾
Daten aus der Gewinn- und Verlustrechnung				
Umsatzerlöse	9.144	7.988	17.890	17.016
EBIT (Ergebnis vor Finanzergebnis und Steuern)	693	564	1.671	1.747
Finanzergebnis	(172)	(147)	(386)	(312)
Konzerngewinn	339	330	1.041	1.172
Daten aus der Bilanz				
Langfristige Vermögenswerte	13.669	12.021	14.071	11.774
Kurzfristige Vermögenswerte	8.092	8.397	8.570	9.216
Aktiva	22.026	20.642	22.932	20.990
Eigenkapital	4.492	8.898	9.170	8.722
Langfristige Schulden	5.485	5.068	5.872	5.469
Kurzfristige Schulden	11.828	6.636	7.646	6.799
Passiva	22.026	20.642	22.932	20.990

⁽¹⁾ Ungeprüft.

⁽²⁾ Restated.

Zusammenfassung in Bezug auf die Risikofaktoren

Zusammenfassung der Risikofaktoren in Bezug auf die Schuldverschreibungen

Eine Anlage in die Schuldverschreibungen ist mit bestimmten Risiken im Zusammenhang mit den Merkmalen der Schuldverschreibungen verbunden. Diese Risiken könnten zu erheblichen Verlusten führen, die die Anleihegläubiger zu tragen hätten, wenn sie ihre Schuldverschreibungen verkaufen oder wenn Verluste im Zusammenhang mit der Zahlung von Zinsen oder der Rückzahlung entstehen. Zu diesen Risiken gehört, dass:

- vor der Begebung der Schuldverschreibungen für diese kein Markt existierte und keine Gewissheit besteht, dass ein liquider Sekundärmarkt für die Schuldverschreibungen entstehen wird, oder, sofern er entsteht, fortbestehen wird; in einem illiquiden Markt könnte es sein, dass ein Anleger seine Schuldverschreibungen nicht jederzeit zu angemessenen Marktpreisen veräußern kann;
- der Wert der Schuldverschreibungen auf Grund von Veränderungen des Zinsniveaus fällt;
- die Schuldverschreibungen vorzeitig zum Nennbetrag zurückgezahlt werden können, falls die Emittentin zur Zahlung von Quellensteuern auf die Zahlung von Kapital oder Zinsen der Schuldverschreibungen verpflichtet ist; wenn die Emittentin die Schuldverschreibungen kündigt und zurückzahlt, kann es sein, dass die Anleihegläubiger den aus der Rückzahlung vereinnahmten Betrag lediglich in Wertpapiere mit niedrigerer Rendite reinvestieren können; und
- die Höhe der Schulden, die die Emittentin in Zukunft eingehen kann, nicht begrenzt ist.

Zusammenfassung der Risikofaktoren in Bezug auf die Emittentin

Das Geschäft von Bertelsmann und damit auch der Wert der Schuldverschreibungen ist einer Reihe von Risiken ausgesetzt. Der folgende Abschnitt enthält eine Beschreibung bestimmter Risiken, die die Finanz- und Ertragslage von Bertelsmann wesentlich nachteilig beeinflussen können:

- Durch den Rückkauf der 25,1 % eigener Aktien der Emittentin von Groupe Bruxelles Lambert hat sich die Nettoverschuldung der Emittentin erheblich erhöht und zugleich ist die Eigenkapitalquote gesunken. Dies könnte bei Hinzutreten weiterer Umstände zu einer Herabstufung des Ratings der Bertelsmann AG führen. Bei einem schlechteren Rating müsste Bertelsmann für Fremdkapital höhere Zinsen zahlen, und der Marktpreis der Schuldverschreibungen könnte sinken.
- Das syndizierte Darlehen in Höhe von € 4,5 Milliarden, mit dem die Emittentin den Rückkauf ihrer eigenen Aktien von der Groupe Bruxelles Lambert finanziert hat (das „**Akquisitionsdarlehen**“), ist mit bestimmten, marktüblichen Auflagen verbunden, die die geschäftliche Flexibilität der Emittentin beeinträchtigen könnten. Zudem sind die Kreditgeber unter bestimmten Voraussetzungen berechtigt, das Akquisitionsdarlehen kündigen.
- Die Emittentin beabsichtigt, das Akquisitionsdarlehen zu einem Teil mit den Erlösen aus dem vereinbarten Verkauf ihres Geschäftsbereichs BMG Music Publishing an die Vivendi-Gruppe zurückzuzahlen. Der Kaufpreis beträgt € 1,63 Milliarden. Die Durchführung des vereinbarten Verkaufs unterliegt üblichen Bedingungen.
- Das Geschäft des Bertelsmann-Konzerns wird in erheblichem Umfang mit Fremdkapital finanziert, weshalb sich Zinserhöhungen erheblich nachteilig auswirken.
- Das europäische Gericht erster Instanz hat die Entscheidung der Europäischen Kommission aus dem Jahre 2004, mit der diese der Schaffung des Gemeinschaftsunternehmens von Sony Music und BMG zugestimmt hatte, für nichtig erklärt. Bei der nun anstehenden erneuten Prüfung könnte die Europäische Kommission dem Zusammenschluss die Zustimmung versagen oder ihre Zustimmung von der Erfüllung bestimmter Auflagen, etwa dem Verkauf von Teilen des Joint Ventures, abhängig machen.
- Sich verschlechternde wirtschaftliche Bedingungen oder andere Faktoren könnten Bertelsmanns Werbeeinnahmen sinken lassen oder einer Erhöhung dieser Einnahmen im Wege stehen.
- Der technische Fortschritt sowie Änderungen im Konsumverhalten der Verbraucher könnten die Nachfrage nach Bertelsmanns Unterhaltungsprodukten zurückgehen lassen oder die Kosten für die Produktion oder den Vertrieb dieser Produkte steigen lassen.

- Die Einführung und die wachsende Popularität neuer Technologien für die Verbreitung von Nachrichten, Unterhaltung und anderen Inhalten sowie damit einhergehende Änderungen im Konsumverhalten und/oder eine Verlagerung der Werbeeinnahmen von den Printmedien zu anderen Medien könnten sich negativ auf Bertelsmanns operatives Ergebnis auswirken.
- Technische Neuerungen könnten die Pirateriegefahr erhöhen und es für den Bertelsmann-Konzern schwieriger machen, ihr geistiges Eigentum zu schützen.
- Größerer Wettbewerbsdruck könnte Bertelsmanns operatives Ergebnis schmälern oder Bertelsmanns Kosten erhöhen. Der Wettbewerb um die den Menschen für Freizeit und Unterhaltung zur Verfügung stehende Zeit hat in den letzten Jahren zugenommen. Dies ist zu einem Teil auf technische Neuerungen zurückzuführen.
- Schwankungen der Wechselkurse könnten Bertelsmanns Ergebnis negativ beeinflussen.
- Bertelsmann ist rechtlichen Risiken ausgesetzt. Insbesondere haben mehrere Musikverlage und Plattenfirmen Bertelsmann vor einem US-amerikanischen Gericht auf Zahlung von Schadensersatz in beträchtlicher Höhe verklagt. Die Kläger behaupten, Bertelsmann habe zu Urheberrechtsverletzungen beigetragen, die die Musiktauschplattform Napster und deren Nutzern begangen haben sollen.

Der Eintritt eines jeden der vorgenannten Risiken kann die Fähigkeit der Emittentin beeinträchtigen, ihren aus den Schuldverschreibungen resultierenden Zahlungsverpflichtungen nachzukommen und/oder zu einem Wertverlust der Schuldverschreibungen führen.

RISK FACTORS

The following is a summary of certain risk factors which prospective investors should consider before deciding to purchase the Notes. The sequence in which the following risk factors are listed is not an indication of their likelihood to occur or of the extent of their commercial consequences. The following statements are not exhaustive: prospective investors should consider all of the information provided in this Prospectus or incorporated by reference into this Prospectus and consult with their own professional advisers if they consider it necessary.

Risk Factors regarding the Notes

Prior to the issue, there has been no public market for the Notes and there can be no assurance that a liquid secondary market for the Notes will develop or, if it does develop, that it will continue.

There is currently no secondary market for the Notes. Application has been made to admit the Notes to listing and to trading on the regulated markets of the Luxembourg Stock Exchange and the Frankfurt Stock Exchange. However, there can be no assurance that a liquid secondary market for the Notes will develop or, if it develops, that it will continue. The fact that the Notes may be listed does not necessarily lead to greater liquidity as compared to unlisted Notes. If Notes are not listed on any exchange, pricing information for such Notes may, however, be more difficult to obtain which may affect the liquidity of the Notes adversely. In an illiquid market, a Noteholder might not be able to sell his Notes at any time at fair market prices. The possibility to sell the Notes might additionally be restricted by country specific reasons.

The price of the Notes may fall as a result of changes in market interest rates.

Until their redemption, the Notes will carry fixed interest. A holder of fixed rate securities is particularly exposed to the risk that the price of such securities falls as a result of changes in current interest rates in the capital markets. While the nominal interest rate of a security with a fixed interest rate is fixed during the life of such security, market interest rates typically change on a daily basis. As market interest rates change, the price of such security changes in the opposite direction. If market interest rates increase, the price of such security typically falls. If market interest rates fall, the price of a security with a fixed interest rate typically increases. Investors should be aware that movements in market interest rates can adversely affect the market price of the Notes and can lead to losses for the Noteholders if they sell Notes before they fall due for redemption. If the holder of the Notes holds such Notes until maturity, changes in the market interest rates are without relevance to such holder as the Notes will be redeemed at the principal amount of such Notes.

The Notes may be subject to early redemption at the principal amount if the Issuer becomes obligated to bear withholding taxes which are or will be leviable on payments of principal or interest in respect of the Notes.

The Notes may be redeemed at the option of the Issuer (in whole, but not in part) at the principal amount of the Notes plus accrued interest to the date fixed for redemption, if the Issuer becomes obligated to bear withholding taxes which are or will be leviable by or on behalf of the Federal Republic of Germany or any political subdivision or any authority thereof or therein having power to tax, on payments of principal or interest in respect of the Notes, all as more fully described in the Terms and Conditions of the Notes. In the event that the Issuer exercises the option to redeem the Notes, the Noteholders might suffer a lower than expected yield.

There is no restriction on the amount of debt which the Issuer may incur in the future.

There is no restriction on the amount of debt which the Issuer may issue which ranks equal to the Notes. Such issuance of further debt may reduce the amount recoverable by the Noteholders upon winding-up or insolvency of the Issuer.

Risk Factors regarding the Issuer

Bertelsmann's business, financial condition or results of operations could suffer adverse material effects due to any of the following risks. This could have an adverse effect on the market price of the Notes, and the Issuer may ultimately not be able to meet its obligations under the Notes. While all the risks considered material are described

below, these are not the only risks Bertelsmann faces. Additional risks not known by Bertelsmann or not presently considered material might also impair Bertelsmann's business operations.

The repurchase of the 25.1% stake in Bertelsmann AG from Groupe Bruxelles Lambert has significantly increased the Issuer's net financial debt, and the Issuer's equity ratio has decreased. This could, combined with other factors, lead to a downgrading of Bertelsmann's credit rating by rating agencies, which in turn could adversely affect the level of Bertelsmann's interest expense and the market price of the Notes.

As of December 31, 2005, Bertelsmann's net financial debt amounted to approximately €1,578 million, and the equity/total assets ratio was 40%. The drawdown of the €4.5 billion syndicated term loan used for the payment of the purchase price for the repurchase of the shares from Groupe Bruxelles Lambert (the "Acquisition Facility") has significantly increased the net financial debt. The majority of the proceeds from the issue of the Notes will be used to repay the Acquisition Facility in part.

This increase in net financial debt might result in a downgrade of the Issuer's credit ratings by rating agencies. Currently, the Issuer's credit ratings for senior unsecured long-term debt are BBB+ with negative outlook according to Standard & Poor's Rating Services and Baa1 with negative outlook according to Moody's Investors Service, Inc. A downgrade of any of these credit ratings would affect the interest expense that Bertelsmann Group will incur in future, since downgrades in credit ratings are generally associated with less favourable financing terms. The increase in financing costs that would result from a credit rating downgrade could adversely affect Bertelsmann's business, financial condition and results of operations as well as the market price of the Notes.

The Acquisition Facility contains certain customary covenants that could impair the Issuer's business flexibility, and the credit facility can be terminated under certain circumstances.

The terms of the Acquisition Facility contain covenants restricting the capacity of the Issuer to do business. In particular, the Issuer must not exceed a certain ratio of consolidated economic net debt to consolidated EBITDA. In addition, there are certain restrictive covenants in effect for the entire term of the credit facility. If the Issuer fails to comply with the restrictive covenants of the credit facility and the compliance with those covenants is not waived by the creditors or the non-compliance is not cured, this would, under the terms of the credit facility, give reasons for the termination by the creditors and the creditors would be entitled, among other things, to declare all of the Issuer's liabilities under the credit facility immediately due and payable. Furthermore, the agreement contains a cross-default provision under which the lenders are entitled to terminate the Acquisition Facility if the Issuer or certain major subsidiaries defaulted on payment obligations under other credit agreements in an aggregate amount of more than €50 million.

The Issuer intends to repay part of the Acquisition Facility with the expected proceeds from the agreed sale of its business unit BMG Music Publishing to the Vivendi Group. The purchase price amounts to €1.63 billion. The closing of the transaction is subject to customary conditions.

The Acquisition Facility consists of two tranches (€2 billion and €2.5 billion) which are due for repayment after one year (or, if the one year extension option is used, after two years) and three years, respectively. While there are no scheduled repayments before the final maturity dates, the Issuer intends to repay a substantial part of the Acquisition Facility by the end of 2007 not only through the issue of the Notes but also through cash flow and the sale of BMG Music Publishing. On September 6, 2006, the Issuer and the Vivendi Group signed a binding agreement for the sale of BMG Music Publishing to the Vivendi Group for a purchase price of €1.63 billion. The closing of the transaction is subject to customary conditions.

Bertelsmann requires substantial debt financing and is therefore susceptible to changes in interest rates.

The Issuer requires a wide range of financing in order to finance the operations of its businesses. A significant increase in interest rates, substantial delays in payments as well as other events can increase the demands on Bertelsmann's liquidity and net working capital. The interest expense from borrowing is influenced by market-based fluctuations in interest rates. Increases in interest rates can cause the interest expense to increase. This is particularly the case because the €4.5 billion credit facility used for the payment of the purchase price for the Groupe Bruxelles Lambert shares carries a variable interest rate.

Bertelsmann attempts to limit some of the risks that arise from changes in interest rates by means of hedging transactions. The maturity structure of interest-bearing debt is controlled at two levels, first by selecting appropriate fixed interest-rate periods of the original financial liabilities affecting liquidity, then by using interest-rate derivatives consisting solely of interest-rate swaps. However, there is a risk that these interest-rate hedging transactions will not fully protect the Issuer and its subsidiaries from fluctuations in interest rates or, conversely, will be unnecessary expenses as a result of favourable movements in interest rates. The assumptions and decisions Bertelsmann makes with regard to the future movement of interest rates and the degree to which Bertelsmann undertakes risk avoidance or tolerates risk therefore have a significant effect on the success of the hedging strategy, which if unsuccessful, would have an adverse effect on the business, financial condition and results of operations.

The European Court of First Instance has voided the European Commission's approval of the creation of Sony BMG, the joint venture between Sony Music and BMG formed in 2004. Upon renewed scrutiny, the European Commission might not approve the combination, or it might make its approval contingent on the satisfaction of certain requirements, such as a sale of some of Sony BMG's businesses.

The European Court of First Instance held that the European Commission did not demonstrate to the requisite legal standard that the combination was compatible with the common market. The Commission will now have to renew its investigation of the combination. Should the Commission prohibit the combination, it could seek to impose remedies to address competition concerns (which could extend to ordering that the joint venture be unwound). It is also possible that the Commission may make its approval conditional on the satisfaction of certain commitments the parties may offer to address any competition concerns identified by the Commission.

Weakening economic conditions or other factors could reduce Bertelsmann's advertising or other revenues or hinder its ability to increase such revenues.

Expenditures by advertisers tend to be cyclical, reflecting general economic conditions, as well as budgeting and buying patterns. Because several of Bertelsmann's divisions derive a substantial portion of their revenues from the sale of advertising, a decline in advertising expenditures could reduce the Group's revenues or hinder its ability to increase these revenues. In particular the revenues generated by RTL Group's television channels are highly dependent on advertising sales and thus exposed to the risk of a deteriorating advertising market. The magazine business of Gruner + Jahr is also very dependent on revenues derived from the sale of advertising. Any political, economic, social or technological change resulting in a significant reduction in advertising could adversely affect the Issuer's advertising revenues or its ability to increase such revenues.

In addition, because many of the products and services offered by Bertelsmann are largely discretionary items, weakening economic conditions or outlook could reduce the consumption of such products and services and reduce revenues. Random House, for example, is very dependent on the economic climate in North America, the United Kingdom and Germany. In the case of Gruner + Jahr, a weak economy could lead to a decline in sold circulation, which would not only result in lower sales revenues but also in a drop in advertising revenues as advertising rates depend on circulation figures.

Changes in technology and in consumer consumption patterns may adversely affect demand for Bertelsmann's entertainment products or increase the cost of producing or distributing products.

The Group's media and entertainment businesses depend significantly on their ability to acquire, develop, adopt and exploit new technologies to distinguish their products and services from those of Bertelsmann's competitors. In addition, new technologies affect the demand for the Group's products and the time and manner in which consumers acquire and view some of the Group's products. For example, Sony BMG has traditionally been highly dependent on the market for physical storage media. However, consumer behaviour is changing. If consumers favoured options which Sony BMG has not yet fully developed, Sony BMG's revenues may be adversely affected. Arvato as a manufacturer of physical storage media also faces the risks posed by declining sales of music CDs and the substitution of CD-ROMs by DVD-ROMs. Direct Group is also faced with changing consumer patterns, making it for Direct Group's book clubs more difficult to recruit and to retain members. This may necessitate restructuring measures which may be costly. Bertelsmann may be required to invest significant resources to further adapt to the changing competitive environment.

The introduction and increased popularity of alternative technologies for the distribution of news, entertainment and other information and the resulting shift in consumer habits and/or advertising expenditures from print to other media could adversely affect Bertelsmann's results of operations.

In particular Bertelsmann's corporate division Gruner + Jahr derives a substantial portion of its revenues from advertising in magazines. Distribution of news, entertainment and other information via the internet has become increasingly popular over the past several years, and viewing news, entertainment and other content on a personal computer, cellular phone or other device has become increasingly popular as well. Accordingly, advertisers have started to partly shift advertising budgets from traditional print media to online media. Gruner + Jahr has taken various steps to diversify its advertising vehicles, including relaunching certain websites and expanding its existing online content. However, Gruner + Jahr's strategies for achieving sustained revenue growth may not be sufficient to offset revenue losses resulting from a continued shift in advertising over the long term from print to other media.

Technological developments may increase the threat of content piracy and limit Bertelsmann's ability to protect its intellectual property rights.

Bertelsmann's products and services are largely comprised of intellectual property content delivered through a variety of media, including journals, newspapers, books, CDs, and online, including the internet. Bertelsmann relies on trademark, copyright, patent and other intellectual property laws to establish and protect its proprietary rights in these products and services. However, Bertelsmann's proprietary rights may be challenged, limited, invalidated or circumvented. Despite trademark and copyright protection and similar intellectual property protection laws, third parties may be able to copy, infringe or otherwise profit from its proprietary rights without authorisation.

Bertelsmann Group seeks to limit the threat of content piracy; however, policing unauthorized use of the Group's products and services and related intellectual property is often difficult and the steps taken by Bertelsmann may not in every case prevent the infringement by unauthorized third parties. Developments in technology, including digital copying, file compressing and the growing penetration of high-bandwidth internet connections, increase the threat of content piracy by making it easier to duplicate and widely distribute pirated material. The Issuer believes that illegal file sharing and other copyright infringements have had an adverse effect on Sony BMG's recorded music business and, to a lesser extent, on the music publishing rights business of BMG Music Publishing. The Group has taken, and will continue to take, a variety of actions to combat piracy, both individually and together with industry associations. There can be no assurance that the Group's efforts to enforce its rights and protect its intellectual property will be successful in preventing content piracy. Content piracy presents a threat to the Group's revenues from products and services based on intellectual property.

Increased competitive pressures may reduce Bertelsmann's revenues or increase Bertelsmann's costs. The competition for the leisure and entertainment time of audiences has intensified in recent years, in part due to advances in technology.

The Group faces substantial competition in each of its businesses from alternative providers of the products and services it offers and from other forms of entertainment. Bertelsmann's businesses compete with each other and all other sources of news, information and entertainment, including broadcast television, movies, live events, radio broadcasts, home video products, print media and the internet. Technological advancements, such as video on demand, new video formats and streaming capabilities and downloading via the internet, have increased the number of media and entertainment choices available to consumers and intensified the challenges posed by audience fragmentation. The increasing number of choices available to audiences could negatively impact not only consumer demand for Bertelsmann's products and services, but also advertisers' willingness to purchase advertising space from Bertelsmann's businesses. If Bertelsmann Group does not respond appropriately to further increases in the leisure and entertainment choices available to consumers, it could have an adverse effect on the Issuer's competitive position and revenues. Bertelsmann also must compete to obtain human resources, programming and other resources required in operating its businesses. For example:

- RTL Group's television stations compete for viewers with other broadcast, cable and satellite services as well as with home video products and internet usage;
- RTL Group's television stations compete for the sale of advertising time with other broadcast, cable and satellite services, as well as newspapers, magazines and the internet;

- RTL Group's television stations compete for the acquisition of creative talent and sports and other programming with other television stations;
- Sony BMG competes with other record labels for new talents;
- Sony BMG is highly dependent on the market for physical storage media (in particular compact discs), but consumers are increasingly favouring alternative distribution channels such as downloading music from the internet;
- Random House competes with other publishers for established authors;
- Random House's book business faces increased competition from other media;
- Gruner + Jahr faces competition from other publishing houses, as well as from other media, in particular the internet;
- Direct Group faces changing consumer patterns, and increasing competition from other media.

Competition in each of these areas may divert consumers from Bertelsmann's products, or to other products or other forms of entertainment, which could reduce the Group's revenue or increase the Group's marketing costs. In addition, competition for the acquisition of resources can increase the cost of producing products and services.

Fluctuations in exchange rates may negatively affect Bertelsmann's reported results.

Bertelsmann's financial statements are expressed in euros and are, therefore, subject to movements in exchange rates on the translation of the financial information of businesses whose operational currencies are other than the euro. These so called translation risks arising are not hedged. The United States are Bertelsmann's most important foreign market and, accordingly, significant fluctuations in U.S. dollar/euro exchange rates can significantly affect the Issuer's reported results from year to year.

On-balance-sheet and forecast transactions exposed to foreign currency fluctuation risks are to some extent hedged by currency derivatives (currency swaps, futures and forwards). Firm commitments made in foreign currency are only partly hedged at the time the commitment is made, with the hedged amount increasing over time. There is a risk that these exchange-rate hedging transactions will not fully protect the Issuer and its subsidiaries from fluctuations in exchange rates or, conversely, will be unnecessary expenses as a result of favourable movements in exchange rates. The assumptions and decisions Bertelsmann makes with regard to the future movement of exchange rates and the degree to which Bertelsmann undertakes risk avoidance or tolerates risk therefore have a significant effect on the success of the hedging strategy, which if unsuccessful, would have an adverse effect on Bertelsmann's business, financial condition and results of operations.

Bertelsmann is exposed to legal risks. In particular, various music publishers and record labels have sued Bertelsmann for substantial amounts in damages in a U.S. court claiming that Bertelsmann contributed to copyright infringements by the music file-sharing platform Napster and its users.

The claims are based on the allegation that Bertelsmann, by granting loans to the music file-sharing platform Napster (which has since gone bankrupt), enabled Napster to survive longer than it would have otherwise, and thereby contributed to copyright infringements by Napster and its users. The plaintiffs further contend that Bertelsmann had de facto taken over Napster in the fall of 2000, and had thus assumed control of Napster's day-to-day business. As the Issuer believes that the allegations and legal theories brought forth by the plaintiffs are untenable and completely without factual or legal foundation, the Issuer has only made provisions for expected legal fees. Bertelsmann's business would be adversely affected should a significant monetary amount be awarded to the plaintiffs.

TERMS AND CONDITIONS

Im Folgenden werden die für die Schuldverschreibungen geltenden Emissionsbedingungen (die „**Emissionsbedingungen**“) wiedergegeben. Sollte ein Begriff, der in den Emissionsbedingungen definiert ist, an anderer Stelle in diesem Prospekt abweichend definiert sein, so ist die Definition in den Emissionsbedingungen maßgeblich.

Der deutsche Text der Emissionsbedingungen ist allein bindend und maßgeblich. Die englische Übersetzung ist unverbindlich.

TERMS AND CONDITIONS OF THE NOTES GERMAN LANGUAGE VERSION (DEUTSCHE FASSUNG DER EMISSIONSBEDINGUNGEN)

§ 1 WÄHRUNG, NENNBETRAG, FORM, DEFINITIONEN

(1) *Währung; Stückelung.* Diese Schuldverschreibungen (die „Schuldverschreibungen“) der Bertelsmann AG (die „Emittentin“) werden in Euro im Nennbetrag von Euro 1.000 in zwei Tranchen begeben:

- (a) Tranche A mit einem Gesamtnennbetrag von € 500.000.000 (in Worten: Euro fünfhundert Millionen) und
- (b) Tranche B mit einem Gesamtnennbetrag von € 1.000.000.000 (in Worten: Euro eine Milliarde).

(2) *Form.* Die Schuldverschreibungen lauten auf den Inhaber.

(3) *Globalurkunden.* Die Schuldverschreibungen der beiden Tranchen sind jeweils durch eine Globalurkunde („Globalurkunde“) ohne Zinsscheine verbrieft. Die Globalurkunden tragen die eigenhändigen Unterschriften zweier ordnungsgemäß bevollmächtigter Vertreter der Emittentin und ist von der Hauptzahlstelle oder in deren Namen mit einer Kontrollunterschrift versehen. Einzelurkunden und Zinsscheine werden nicht ausgegeben.

(4) *Clearing System.* Jede der Globalurkunden wird solange von einem oder im Namen eines Clearing Systems verwahrt, bis sämtliche Verbindlichkeiten der Emittentin aus den Schuldverschreibungen der betreffenden Tranche erfüllt sind. „Clearing System“ bedeutet jeweils folgendes: Clearstream Banking, société anonyme („CBL“), Euroclear Bank S. A./N. V. als Betreiberin des Euroclear Systems („Euroclear“) und sowie jeder Funktionsnachfolger.

(5) *Gläubiger von Schuldverschreibungen.* „Gläubiger“ bedeutet jeder Inhaber eines Miteigentumsanteils oder anderen vergleichbaren Rechts an den Schuldverschreibungen.

The following is the text of the terms and conditions (the „**Terms and Conditions**“) applicable to the Notes which will be attached to the Global Notes. In case of any overlap or inconsistency in the definition of a term or expression in the Terms and Conditions and elsewhere in this Prospectus, the definition in the Terms and Conditions will prevail.

The German text of the Terms and Conditions is the legally binding one. The English translation is for convenience only.

TERMS AND CONDITIONS OF THE NOTES ENGLISH LANGUAGE VERSION

§ 1 CURRENCY, DENOMINATION, FORM, CERTAIN DEFINITIONS

(1) *Currency; Denomination.* These Notes (the „Notes“) of Bertelsmann AG (the „Issuer“) are being issued in two tranches, both in Euro and in the denomination of Euro 1,000:

- (a) Tranche A in the aggregate principal amount of €500,000,000 (in words: Euro five hundred million) and
- (b) Tranche B in the aggregate principal amount of €1,000,000,000 (in words: Euro one billion).

(2) *Form.* The Notes are being issued in bearer form.

(3) *Global Notes.* Each tranche of the Notes is represented by a global note (each, a „Global Note“) without coupons. The Global Notes shall be signed manually by two authorised signatories of the Issuer and shall be authenticated by or on behalf of the Principal Paying Agent. Definitive Notes and interest coupons will not be issued.

(4) *Clearing System.* Each of the Global Notes will be kept in custody by or on behalf of the Clearing System until all obligations of the Issuer under the Notes of the respective Tranche have been satisfied. „Clearing System“ means each of the following: Clearstream Banking, société anonyme („CBL“), Euroclear Bank S. A./N. V. as operator of the Euroclear System („Euroclear“) and any successor in such capacity.

(5) *Holder of Notes.* „Holder“ means any holder of a proportionate co-ownership or other beneficial interest or right in the Notes.

§ 2 STATUS, NEGATIVVERPFLICHTUNG

(1) *Status*. Die Schuldverschreibungen begründen nicht besicherte und nicht nachrangige Verbindlichkeiten der Emittentin, die untereinander und mit allen anderen nicht besicherten und nicht nachrangigen Verbindlichkeiten der Emittentin gleichrangig sind, soweit diesen Verbindlichkeiten nicht durch zwingende gesetzliche Bestimmungen ein Vorrang eingeräumt wird.

(2) *Negativverpflichtung*. Die Emittentin verpflichtet sich solange eine Schuldverschreibung noch aussteht (aber nur bis zu dem Zeitpunkt, in dem alle Beträge von Kapital und Zinsen der Hauptzahlstelle zur Verfügung gestellt worden sind), weder ihr gesamtes noch einen Teil ihres gegenwärtigen oder zukünftigen Vermögens mit Pfandrechten, Rechten aus Abtretung oder Übertragung, Hypotheken oder Grundpfandrechten oder sonstigen Sicherungsrechten zur Besicherung einer gegenwärtigen oder zukünftigen Kapitalmarktverbindlichkeit (wie nachstehend definiert), die von der Emittentin (oder einer anderen Person) eingegangen oder garantiert ist, zu belasten oder solche Rechte zu diesem Zweck bestehen zu lassen, ohne gleichzeitig die Gläubiger an derselben Sicherheit in gleicher Weise und anteilmäßig teilnehmen zu lassen. Diese Verpflichtung findet jedoch keine Anwendung in Bezug auf Sicherungsrechte, die auf einem Vermögensgegenstand zum Zeitpunkt des Erwerbs durch die Emittentin lasten. Für die Zwecke dieser Bedingungen bezeichnet „Kapitalmarktverbindlichkeit“ jede Verbindlichkeit hinsichtlich der Rückzahlung geliehener Geldbeträge, die durch Schuldscheine oder durch Schuldverschreibungen oder sonstige Wertpapiere, die an einer Börse oder an einem anderen anerkannten Wertpapiermarkt notiert oder gehandelt werden oder werden können, verbrieft, verkörpert oder dokumentiert sind.

§ 3 ZINSEN

(1) *Zinssatz und Zinszahlungstage*. Die Schuldverschreibungen werden bezogen auf ihren Nennbetrag verzinst, und zwar vom 26. September 2006 (einschließlich) bis zum Fälligkeitstag (wie in § 5 Absatz 1 definiert) (ausschließlich) mit jährlich 4,375 % im Fall der Tranche A und mit jährlich 4,750 % im Fall der Tranche B. Die Zinsen sind nachträglich am 26. September eines jeden Jahres zahlbar (jeweils ein „Zinszahlungstag“). Die erste Zinszahlung erfolgt am 26. September 2007. Die Anzahl der Zinszahlungstage im Kalenderjahr beträgt eins.

(2) *Auflaufende Zinsen*. Falls die Emittentin die Schuldverschreibungen bei Fälligkeit nicht einlöst, endet die Verzinsung der Schuldverschreibungen nicht am Tag der Fälligkeit, sondern erst mit der tatsächlichen Rückzahlung der Schuldverschreibungen. Die Verzinsung des ausstehenden Nennbetrages vom Tag der Fälligkeit an (einschließlich) bis zum Tag der Rückzahlung der Schuldverschreibungen (ausschließlich) erfolgt zum gesetzlich festgelegten Satz für Verzugszinsen.¹

¹ Der gesetzliche Verzugszinssatz beträgt für das Jahr fünf Prozentpunkte über dem von der Deutsche Bundesbank von Zeit zu Zeit veröffentlichten Basiszinssatz, §§ 288 Absatz 1, 247 BGB.

§ 2 STATUS, NEGATIVE PLEDGE

(1) *Status*. The obligations under the Notes constitute unsecured and unsubordinated obligations of the Issuer ranking pari passu among themselves and pari passu with all other unsecured and unsubordinated obligations of the Issuer, unless such obligations are accorded priority under mandatory provisions of statutory law.

(2) *Negative Pledge*. So long as any Note remains outstanding, but only up to the time all amounts of principal and interest have been placed at the disposal of the Principal Paying Agent, the Issuer undertakes not to grant or permit to subsist any pledge, assignment, transfer, mortgage of or other charge or security interest over any or all of its present or future assets, as security for any present or future Capital Market Indebtedness (as defined below) issued or guaranteed by the Issuer (or issued or guaranteed by any other person), without at the same time having the Holders share equally and rateably in such security; provided that this obligation does not apply to security interests of any kind that are already attached to an asset at the time when such asset is acquired for by the Issuer. For the purpose of these Terms and Conditions “Capital Market Indebtedness” means any obligation for the payment of borrowed money which is in the form of, or represented or evidenced by, a certificate of indebtedness or in the form of, or represented or evidenced by, bonds, notes, loan stock or other securities which are, or are capable of being, quoted, listed, dealt in or traded on a stock exchange or other recognized securities market.

§ 3 INTEREST

(1) *Rate of Interest and Interest Payment Dates*. The Notes shall bear interest on their principal amount at the rate of 4.375 per cent. per annum in the case of Tranche A and at the rate of 4.750 per cent. per annum in the case of Tranche B, in each case from (and including) September 26, 2006 to (but excluding) their respective Maturity Date (as defined in § 5 (1)). Interest shall be payable in arrear on September 26 in each year (each such date, an “Interest Payment Date”). The first payment of interest shall be made on September 26, 2007. The number of Interest Payment Dates per calendar year is one.

(2) *Accrual of Interest*. If the Issuer shall fail to redeem the Notes when due, interest shall continue to accrue beyond the due date until the actual redemption of the Notes on the principal amount of the Notes from (and including) the due date to (but excluding) such date as the principal of and interest on or in connection with the Notes has been placed at the disposal of the Clearing System at the default rate of interest established by law.¹

¹ The default rate of interest established by law is five percentage points above the basic rate of interest published by *Deutsche Bundesbank* from time to time, §§ 288(1), 247 German Civil Code.

(3) *Berechnung der Zinsen für Teile von Zeiträumen.* Sofern Zinsen für einen Zeitraum von weniger als einem Jahr zu berechnen sind, erfolgt die Berechnung auf der Grundlage des Zinstagequotienten (wie nachstehend definiert).

(4) *Zinstagequotient.* „Zinstagequotient“ bezeichnet im Hinblick auf die Berechnung eines Zinsbetrages auf eine Schuldverschreibung für einen beliebigen Zeitraum (der „Zinsberechnungszeitraum“):

die tatsächliche Anzahl von Tagen im Zinsberechnungszeitraum, dividiert durch die tatsächliche Anzahl von Tagen in der jeweiligen Zinsperiode.

§ 4 ZAHLUNGEN

(1) (a) *Zahlungen auf Kapital.* Zahlungen auf Kapital in bezug auf die Schuldverschreibungen erfolgen nach Maßgabe des nachstehenden Absatzes 2 an das Clearing System oder dessen Order zur Gutschrift auf den Konten der jeweiligen Kontoinhaber des Clearing Systems gegen Vorlage und Einreichung der Globalurkunde bei der bezeichneten Geschäftsstelle einer der Zahlstellen außerhalb der Vereinigten Staaten.

(b) *Zahlung von Zinsen.* Die Zahlung von Zinsen auf Schuldverschreibungen erfolgt nach Maßgabe von Absatz 2 an das Clearing System oder dessen Order zur Gutschrift auf den Konten der jeweiligen Kontoinhaber des Clearing Systems gegen Vorlage der Globalurkunde bei der bezeichneten Geschäftsstelle einer der Zahlstellen außerhalb der Vereinigten Staaten.

(2) *Zahlungsweise.* Vorbehaltlich geltender steuerlicher und sonstiger gesetzlicher Regelungen und Vorschriften erfolgen zu leistende Zahlungen auf die Schuldverschreibungen in Euro.

(3) *Erfüllung.* Die Emittentin wird durch Leistung der Zahlung an das Clearing System oder dessen Order von ihrer Zahlungspflicht befreit.

(4) *Zahltag.* Fällt der Fälligkeitstag einer Zahlung in bezug auf eine Schuldverschreibung auf einen Tag, der kein Zahltag ist, dann hat der Gläubiger keinen Anspruch auf Zahlung vor dem nächsten Zahltag am jeweiligen Geschäftsort. Der Gläubiger ist nicht berechtigt, weitere Zinsen oder sonstige Zahlungen aufgrund dieser Verspätung zu verlangen.

Für diese Zwecke bezeichnet „Zahltag“ einen Tag, der ein Tag (außer einem Samstag oder Sonntag) ist, an dem das Clearing System sowie alle betroffenen Bereiche des Trans-European Automated Real-time Gross Settlement Express Transfer System („TARGET“) betriebsbereit sind, um die betreffenden Zahlungen weiterzuleiten.

(5) *Vereinigte Staaten.* Für die Zwecke dieser Emissionsbedingungen bezeichnet „Vereinigte Staaten“ die Vereinigten Staaten von Amerika (einschließlich deren Bundesstaaten und des District of Columbia) sowie deren Territorien (einschließlich Puerto Ricos, der U. S. Virgin Islands, Guam, American Samoa, Wake Island und Northern Ma-

(3) *Calculation of Interest for Partial Periods.* If interest is required to be calculated for a period of less than a full year, such interest shall be calculated on the basis of the Day Count Fraction (as defined below).

(4) *Day Count Fraction.* “Day Count Fraction“ means with regard to the calculation of interest on any Note for any period of time (the “Calculation Period”):

the actual number of days in the Calculation Period divided by the actual number of days in the respective interest period.

§ 4 PAYMENTS

(1) (a) *Payment of Principal.* Payment of principal in respect of Notes shall be made, subject to subparagraph (2) below, to the Clearing System or to its order for credit to the accounts of the relevant account holders of the Clearing System upon presentation and surrender of the Global Note at the specified office of any Paying Agent outside the United States.

(b) *Payment of Interest.* Payment of interest on Notes shall be made, subject to subparagraph (2), to the Clearing System or to its order for credit to the relevant account holders of the Clearing System upon presentation of the Global Note at the specified office of any Paying Agent outside the United States.

(2) *Manner of Payment.* Subject to applicable fiscal and other laws and regulations, payments of amounts due in respect of the Notes shall be made in Euro.

(3) *Discharge.* The Issuer shall be discharged by payment to, or to the order of, the Clearing System.

(4) *Payment Business Day.* If the date for payment of any amount in respect of any Note is not a Payment Business Day then the Holder shall not be entitled to payment until the next such day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay.

For these purposes, “Payment Business Day“ means any day which is a day (other than a Saturday or a Sunday) on which the Clearing System as well as all relevant parts of the Trans-European Automated Real-time Gross Settlement Express Transfer System (“TARGET“) are operational to forward the relevant payment.

(5) *United States.* For the purposes of these Terms and Conditions, “United States“ means the United States of America (including the States thereof and the District of Columbia) and its possessions (including Puerto Rico, the U. S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands).

riana Islands).

(6) *Bezugnahmen auf Kapital und Zinsen.* Bezugnahmen in diesen Emissionsbedingungen auf Kapital der Schuldverschreibungen schließen, soweit anwendbar, jeden Aufschlag sowie sonstige auf oder in bezug auf die Schuldverschreibungen zahlbare Beträge ein. Bezugnahmen in diesen Emissionsbedingungen auf Zinsen auf die Schuldverschreibungen sollen, soweit anwendbar, sämtliche gemäß § 7 zahlbaren zusätzlichen Beträge einschließen.

(7) *Hinterlegung von Kapital und Zinsen.* Die Emittentin ist berechtigt, beim Amtsgericht Frankfurt am Main Zins- oder Kapitalbeträge zu hinterlegen, die von den Gläubigern nicht innerhalb von zwölf Monaten nach dem Fälligkeitstag beansprucht worden sind, auch wenn die Gläubiger sich nicht in Annahmeverzug befinden. Soweit eine solche Hinterlegung erfolgt, und auf das Recht der Rücknahme verzichtet wird, erlöschen die diesbezüglichen Ansprüche der Gläubiger gegen die Emittentin.

§ 5 RÜCKZAHLUNG

(1) *Rückzahlung bei Endfälligkeit.* Soweit nicht zuvor bereits ganz oder teilweise zurückgezahlt oder angekauft und entwertet, werden die Schuldverschreibungen der Tranche A am 26. September 2012 und die Schuldverschreibungen der Tranche B am 26. September 2016 (jeweils ein „Fälligkeitstag“) zum Nennbetrag zurückgezahlt.

(2) *Vorzeitige Rückzahlung aus steuerlichen Gründen.* Die jeweils betroffene Tranche der Schuldverschreibungen kann insgesamt, jedoch nicht teilweise, nach Wahl der Emittentin mit einer Kündigungsfrist von nicht weniger als 30 und nicht mehr als 60 Tagen gegenüber der Hauptzahlstelle und gemäß § 12 gegenüber den Gläubigern vorzeitig gekündigt und zum Nennbetrag zuzüglich bis zum für die Rückzahlung festgesetzten Tag aufgelaufener Zinsen zurückgezahlt werden, falls die Emittentin als Folge einer Änderung oder Ergänzung der Steuer- oder Abgabengesetze und -vorschriften der Bundesrepublik Deutschland oder deren politischen Untergliederungen oder Steuerbehörden oder als Folge einer Änderung oder Ergänzung der Anwendung oder der offiziellen Auslegung dieser Gesetze und Vorschriften (vorausgesetzt, diese Änderung oder Ergänzung wird am oder nach dem Tag, an dem diese Schuldverschreibungen begeben werden, wirksam) am nächstfolgenden Zinszahlungstag (wie in § 3 Absatz 1 definiert) hinsichtlich dieser Tranche der Schuldverschreibungen zur Zahlung von zusätzlichen Beträgen (wie in § 7 dieser Bedingungen definiert) verpflichtet sein wird und diese Verpflichtung nicht durch das Ergreifen vernünftiger, der Emittentin zur Verfügung stehender Maßnahmen vermieden werden kann.

Eine solche Kündigung darf allerdings nicht (i) früher als 90 Tage vor dem frühestmöglichen Termin erfolgen, an dem die Emittentin verpflichtet wäre, solche zusätzlichen Beträge oder Abzüge oder Einbehalte zu zahlen, falls eine Zahlung auf die betreffende Tranche der Schuldverschreibungen dann fällig sein würde, oder (ii) erfolgen, wenn zu dem Zeitpunkt, zu dem die Kündigung erfolgt, die Verpflichtung zur Zahlung von zusätzlichen Beträgen nicht mehr wirksam ist.

(6) *References to Principal and Interest.* References in these Terms and Conditions to principal in respect of the Notes shall be deemed to include, as applicable any premium and any other amounts which may be payable under or in respect of the Notes. References in these Terms and Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any Additional Amounts which may be payable under § 7.

(7) *Deposit of Principal and Interest.* The Issuer may deposit with the local court (*Amtsgericht*) in Frankfurt am Main principal or interest not claimed by Holders within twelve months after the Maturity Date, even though such Holders may not be in default of acceptance of payment. If and to the extent that the deposit is effected and the right of withdrawal is waived, the respective claims of such Holders against the Issuer shall cease.

§ 5 REDEMPTION

(1) *Final Redemption.* Unless previously redeemed in whole or in part or purchased and cancelled, the Notes of Tranche A shall be redeemed at their principal amount on September 26, 2012, and the Notes of Tranche B shall be redeemed at their principal amount on September 26, 2016 (each such date, a “Maturity Date”).

(2) *Early Redemption for Reasons of Taxation.* If as a result of any change in, or amendment to, the laws or regulations of the Federal Republic of Germany or any political subdivision or taxing authority thereto or therein affecting taxation or the obligation to pay duties of any kind, or any change in, or amendment to, an official interpretation or application of such laws or regulations, which amendment or change is effective on or after the date on which these Notes were issued, the Issuer is required to pay Additional Amounts (as defined in § 7 herein) on the respective tranche of the Notes on the next succeeding Interest Payment Date (as defined in § 3 (1)), and this obligation cannot be avoided by the use of reasonable measures available to the Issuer, such tranche of the Notes may be redeemed, in whole but not in part, at the option of the Issuer, upon not more than 60 days’ nor less than 30 days’ prior notice of redemption given to the Principal Paying Agent and, in accordance with § 12 to the Holders, at their principal amount, together with interest accrued to the date fixed for redemption.

However, no such notice of redemption may be given (i) earlier than 90 days prior to the earliest date on which the Issuer would be obligated to pay such Additional Amounts, withholdings or deductions were a payment in respect of the respective tranche of the Notes then due, or (ii) if at the time such notice is given, such obligation to pay such Additional Amounts does not remain in effect.

Eine solche Kündigung hat durch Mitteilung gemäß § 12 zu erfolgen. Sie ist unwiderruflich, muss den für die Rückzahlung festgelegten Termin nennen und eine zusammenfassende Erklärung enthalten, welche die das Rückzahlungsrecht der Emittentin begründenden Umständen darlegt.

(3) *Kontrollwechsel*. Wenn zu einem Zeitpunkt, zu dem die Schuldverschreibungen noch nicht vollständig zurückgezahlt sind, ein Kontrollwechsel eintritt und während der Kontrollwechselfrist eine Herabstufung des Ratings erfolgt (zusammen ein „Rückzahlungsereignis“), so hat jeder Gläubiger das Recht (sofern die Emittentin nicht vor Abgabe der unten genannten Rückzahlungsmittel mitgeteilt hat, dass sie die Schuldverschreibungen nach § 5 Absatz 2 (*Vorzeitige Rückzahlung aus steuerlichen Gründen*) zurückzahlen wird), von der Emittentin zu verlangen, seine Schuldverschreibungen am Obligatorischen Rückzahlungstag zum Nennbetrag zuzüglich Zinsen bis zum Obligatorischen Rückzahlungstag (ausschließlich) zurückzuzahlen.

Sobald die Emittentin davon Kenntnis erhält, dass ein Rückzahlungsereignis eingetreten ist, hat sie den Gläubigern dies unverzüglich gemäß § 12 (*Mitteilungen*) mitzuteilen (eine „Rückzahlungsmittelmitteilung“). In der Rückzahlungsmittelmitteilung sind die Art des Rückzahlungsereignisses anzugeben, die Umstände, die zu dem Rückzahlungsereignis geführt haben, sowie die Modalitäten der Ausübung des in diesem § 5 Absatz 3 geregelten Rechts auf vorzeitige Rückzahlung.

Die wirksame Ausübung des in diesem § 5 Absatz 3 geregelten Rechts auf vorzeitige Rückzahlung setzt voraus, dass der Gläubiger innerhalb der Ausübungsfrist der Zahlstelle nach dem hierfür von Euroclear und Clearstream Luxembourg vorgesehenen Prozedere (welches auch vorsehen kann, dass die Mitteilung durch oder auf Veranlassung von Euroclear oder Clearstream Luxembourg oder einer gemeinsamen Verwahrstelle auf elektronischem Wege an die Zahlstelle übermittelt wird), das von Euroclear und Clearstream Luxembourg von Zeit zu Zeit festgelegt wird, mitgeteilt hat, dass er das Recht auf vorzeitige Rückzahlung ausübt.

In dieser Bestimmung haben die folgenden Begriffe die folgende Bedeutung:

Ein „Kontrollwechsel“ gilt jedes Mal dann als eingetreten (ob der Vorstand oder der Aufsichtsrat der Emittentin zustimmen oder nicht), wenn eine Person oder mehrere Personen, die ihr Verhalten aufeinander abgestimmt haben, oder im Auftrag solcher Personen handelnde Personen, bei denen es sich nicht um

- (i) die Bertelsmann Stiftung,
- (ii) Mitglieder der Familie Mohn und/oder
- (iii) eine oder mehrere Personenvereinigungen oder Gesellschaften, an der oder an denen direkt oder indirekt im wesentlichen nur die Bertelsmann Stiftung und/oder Mitglieder der Familie Mohn beteiligt sind,

handelt, direkt oder indirekt die Mehrheit der Kapitalanteile an der Emittentin erwerben.

Any such notice shall be given in accordance with § 12. It shall be irrevocable, must specify the date fixed for redemption and must set forth a statement in summary form of the facts constituting the basis for the right of the Issuer so to redeem.

(3) *Change of Control*. If at any time while any Notes remain outstanding there occurs a Change of Control and within the Change of Control Period a Rating Downgrade occurs (together, a “Put Event”), each Holder will have the option (unless, prior to the giving of the Put Event Notice referred to below, the Issuer gives notice to redeem the Notes in accordance with § 5 (2) (*Redemption for reasons of taxation*)) to require the Issuer to redeem each of the Notes held by such Holder on the Mandatory Redemption Date at its principal amount together with interest accrued to but excluding the Mandatory Redemption Date.

Promptly upon the Issuer becoming aware that a Put Event has occurred the Issuer shall give notice (a “Put Event Notice”) to the Holders in accordance with § 12 (*Notices*) specifying the nature of the Put Event and the circumstances giving rise to it and the procedure for exercising the option set out in this § 5 (3).

In order to exercise the right to require redemption or, as the case may be, purchase of a Note under this § 5 (3), the holder of the Notes must, within the Put Period, give notice to the Paying Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary for them to the Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

For the purposes of this Condition:

A “Change of Control” shall be deemed to have occurred at each time (whether or not approved by the Management Board or Supervisory Board of the Issuer) any person or any persons acting in concert or persons acting on behalf of any such persons other than

- (i) Bertelsmann Stiftung,
- (ii) Members of the Mohn Family and/or
- (iii) one or more associations or entities the interests or shares in which are primarily owned, directly or indirectly, by Bertelsmann Stiftung and/or Members of the Mohn Family

acquire directly or indirectly more than 50% of the issued capital (*Mehrheit der Kapitalanteile*) of the Issuer.

„Bertelsmann Stiftung“ bezeichnet die Bertelsmann Stiftung, Gütersloh.

„Mitglieder der Familie Mohn“ bezeichnet Reinhard und Liz Mohn und die mit ihnen im Sinne von § 1589 des Bürgerlichen Gesetzbuches verwandten Personen.

„Kontrollwechselfrist“ ist der Zeitraum, der 120 Tage nach dem Mitteilungstag endet.

„Mitteilungstag“ ist der Tag, an dem die Emittentin zum ersten Mal mitteilt, dass ein Kontrollwechsel eingetreten ist.

„Investment Grade-Rating“ ist im Falle von S&P ein Rating von wenigstens BBB- (oder vergleichbar), im Fall von Moody's ein Rating von wenigstens Baa3 (oder vergleichbar) bzw. ein entsprechendes Rating einer anderen Ratingagentur.

„Investment Grade-Wertpapier“ ist jedes Geratete Wertpapier, das von allen Ratingagenturen, die ein Rating für dieses Wertpapier vergeben haben, ein Investment Grade-Rating erhalten hat.

„Obligatorischer Rückzahlungstag“ ist der siebte Tag nach dem letzten Tag der Ausübungsfrist.

„Ausübungsfrist“ ist der Zeitraum von 45 Tagen seit der Abgabe einer Rückzahlungsmitteilung (wobei der Tag der Rückzahlungsmitteilung mitzuzählen ist).

„Geratete Wertpapiere“ sind:

- (a) die Schuldverschreibungen sowie
- (b) alle anderen vergleichbaren langfristigen Fremdkapitalinstrumente der Emittentin, die von der Emittentin durch Mitteilung gemäß § 12 zu Gerateten Wertpapieren im Sinne dieser Definition erklärt worden sind und die durch mindestens eine Ratingagentur geratet sind.

„Ratingagenturen“ sind Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. („S&P“), Moody's Investors Services Limited („Moody's“) und ihre jeweiligen Nachfolgeunternehmen sowie jede andere Ratingagentur von internationalem Rang, die von der Emittentin ausgewählt worden ist.

Eine „Herabstufung des Ratings“ liegt vor:

- (a) wenn während der Kontrollwechselfrist
 - (i) ein einem Gerateten Wertpapier zugeordnetes Rating zurückgezogen wird oder
 - (ii) ein Geratetes Wertpapier kein Investment Grade-Wertpapier mehr ist oder
 - (iii) (sofern das Rating, das eine Ratingagentur für ein Geratetes Wertpapier vergeben hat, am Mitteilungstag kein Investment Grade-Rating ist) dieses Rating von einer Ratingagentur um eine oder mehrere volle Stufen (*notches*) herabgestuft wird (also z.B. von BB+ nach BB durch S&P oder von Ba1 nach Ba2 durch Moody's bzw. eine entsprechende Herabstufung innerhalb eines vergleichbaren Ratingsystems),

„Bertelsmann Stiftung“ means the Bertelsmann Stiftung, Gütersloh.

„Members of the Mohn Family“ means Reinhard and Liz Mohn and relatives pursuant to section 1589 of the German Civil Code (*Bürgerliches Gesetzbuch*).

„Change of Control Period“ means the period ending 120 days after the Date of Announcement.

„Date of Announcement“ means the date of the first public announcement by the Issuer that a Change of Control has occurred.

„Investment Grade Rating“ means a rating of at least BBB- (or equivalent thereof) in the case of S&P or a rating of at least Baa3 (or equivalent thereof) in the case of Moody's or the equivalent in the case of any other Rating Agency.

„Investment Grade Securities“ means Rated Securities which have an Investment Grade Rating from each Rating Agency that assigns a rating to such Rated Securities.

„Mandatory Redemption Date“ is the seventh day after the last day of the Put Period.

„Put Period“ means the period of 45 days from and including the date on which a Put Event Notice is given.

„Rated Securities“ means:

- (a) the Notes; or
- (b) such other comparable long-term debt of the Issuer selected by the Issuer from time to time and notified to the Holders in accordance with § 12 for the purpose of this definition which possesses a rating by any Rating Agency.

„Rating Agency“ means Standard & Poor's Rating Services, a division of The McGraw-Hill Companies, Inc. („S&P“) and Moody's Investors Services Limited („Moody's“) or any of their respective successors or any other rating agency of equivalent international standing specified from time to time by the Issuer.

„Rating Downgrade“ means either:

- (a) within the Change of Control Period:
 - (i) any rating assigned to the Rated Securities is withdrawn; or
 - (ii) the Rated Securities cease to be Investment Grade Securities; or
 - (iii) (if the rating assigned to the Rated Securities by any Rating Agency which is current at the Date of Announcement is below an Investment Grade Rating) that rating is lowered one or more full rating notch by any Rating Agency (for example from BB+ to BB by S&P and Ba1 to Ba2 by Moody's or such similar lower of equivalent rating),

wobei jedoch nur dann ein Rückzahlungsereignis vorliegt, wenn der Entzug oder die Herabstufung des Ratings ausweislich der öffentlichen Verlautbarung oder einer an die Emittentin gerichteten schriftlichen Bestätigung der betreffenden Ratingagentur zumindest teilweise auf den Kontrollwechsel zurückzuführen ist; oder

- (b) wenn am Mitteilungstag keine Gerateten Wertpapiere vorhanden sind und entweder:
- (i) die Emittentin nicht jede zumutbare Anstrengung unternimmt, um innerhalb von 45 Tagen nach dem Mitteilungstag von einer Ratingagentur für die Gerateten Wertpapiere ein Rating zu erhalten, oder
 - (ii) die Emittentin solche Bemühungen zwar unternimmt, aber aufgrund des Kontrollwechsels am Ende der Kontrollwechselfrist noch immer keine Investment Grade-Wertpapiere vorhanden sind und die Ratingagentur öffentlich mitteilt, oder gegenüber der Emittentin schriftlich bestätigt, dass ihre Weigerung, ein Investment Grade-Rating zu vergeben, zumindest teilweise auf den Kontrollwechsel zurückzuführen ist.

§ 6 DIE HAUPTZAHLSTELLE UND DIE ZAHLSTELLE

(1) *Bestellung; bezeichnete Geschäftsstelle.* Die bestellte Hauptzahlstelle und die bestellte Zahlstelle und deren bezeichnete Geschäftsstellen lauten wie folgt:

Hauptzahlstelle:	Deutsche Bank Aktiengesellschaft Trust & Securities Services Große Gallusstraße 10–14 60272 Frankfurt am Main
Zahlstelle:	Deutsche Bank Luxembourg S. A. 2 Boulevard Konrad Adenauer L-1115 Luxembourg

Die Hauptzahlstelle und die Zahlstelle behalten sich das Recht vor, jederzeit ihre bezeichneten Geschäftsstellen durch eine andere bezeichnete Geschäftsstelle in derselben Stadt zu ersetzen.

(2) *Änderung der Bestellung oder Abberufung.* Die Emittentin behält sich das Recht vor, jederzeit die Bestellung der Hauptzahlstelle oder einer Zahlstelle zu ändern oder zu beenden und eine andere Hauptzahlstelle oder zusätzliche oder andere Zahlstellen zu bestellen. Die Emittentin wird zu jedem Zeitpunkt (i) eine Hauptzahlstelle unterhalten und (ii) solange die Schuldverschreibungen an der Luxemburger Börse notiert sind, eine Zahlstelle (die die Hauptzahlstelle sein kann) mit bezeichneter Geschäftsstelle in Luxemburg und/oder an solchen anderen Orten unterhalten, die die Regeln dieser Börse verlangen. Sollte eine Richtlinie der Europäischen Union zur Umsetzung der Schlussfolgerungen des Treffens des ECOFIN-Rates vom 26.–27. November 2000 oder eine Rechtsnorm, die zur Umsetzung einer solchen Richtlinie vorgesehen ist, dieser entspricht oder zur Anpassung an die Richtlinie eingeführt wird, ergehen, verpflichtet sich die Emittentin, eine Zahlstelle in einem Mitgliedstaat der Europäischen Union zu unterhalten, welche nicht zur Vornahme von steuerlichen

provided that no Put Event shall occur by virtue of a particular withdrawal of or reduction in rating unless the Rating Agency withdrawing or making the reduction in the rating publicly announces or confirms in writing to the Issuer that the withdrawal or reduction was the result, in whole or in part, of the relevant Change of Control; or

- (b) if at the Date of Announcement, there are no Rated Securities and either:
- (i) the Issuer does not use all reasonable endeavours to obtain, within 45 days of the Date of the Announcement, from a Rating Agency a rating for the Rated Securities; or
 - (ii) the Issuer does use such endeavours, but, as a result of such Change of Control, at the expiry of the Change of Control Period there are still no Investment Grade Securities and the Rating Agency announces or confirms in writing that its declining to assign an Investment Grade Rating was the result, in whole or in part, of the relevant Change of Control.

§ 6 THE PRINCIPAL PAYING AGENT AND THE PAYING AGENT

(1) *Appointment; Specified Office.* The Principal Paying Agent and the Paying Agent and their specified offices shall be:

Principal Paying Agent:	Deutsche Bank Aktiengesellschaft Trust & Securities Services Grosse Gallusstrasse 10–14 60272 Frankfurt am Main
Paying Agent:	Deutsche Bank Luxembourg S. A. 2 Boulevard Konrad Adenauer L-1115 Luxembourg

The Principal Paying Agent and the Paying Agent reserve the right at any time to change their specified offices to some other specified office in the same city.

(2) *Variation or Termination of Appointment.* The Issuer reserves the right at any time to vary or terminate the appointment of the Principal Paying Agent or any Paying Agent and to appoint another Principal Paying Agent or additional or other Paying Agents. The Issuer shall at all times maintain (i) a Principal Paying Agent and (ii) so long as the Notes are listed on the Luxembourg Stock Exchange, a Paying Agent (which may be the Principal Paying Agent) with a specified office in Luxembourg and/or in such other place as may be required by the rules of such stock exchange. In the event that any European Union Directive on the taxation of savings implementing the conclusions of the ECOFIN Council meeting of 26–27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such Directive is introduced, the Issuer shall at all times maintain a Paying Agent in a Member State of the European Union that will not be obliged to deduct or withhold tax pursuant to any such Directive or law, to the extent this is possible in a Member State of the

Einbehalten oder Abzügen nach Maßgabe einer solchen Richtlinie oder Rechtsnorm verpflichtet ist, soweit dies in einem Mitgliedstaat der Europäischen Union möglich ist. Eine Änderung, Abberufung, Bestellung oder ein sonstiger Wechsel wird nur wirksam (außer im Insolvenzfall, in dem eine solche Änderung sofort wirksam wird), sofern die Gläubiger hierüber gemäß § 12 vorab unter Einhaltung einer Frist von mindestens 30 und nicht mehr als 45 Tagen informiert wurden.

(3) *Erfüllungsgehilfe(n) der Emittentin.* Die Hauptzahlstelle und die Zahlstelle handeln ausschließlich als Erfüllungsgehilfen der Emittentin und übernehmen keinerlei Verpflichtungen gegenüber den Gläubigern und es wird kein Auftrags- oder Treuhandverhältnis zwischen ihnen und den Gläubigern begründet.

§ 7 STEUERN

Sämtliche auf die Schuldverschreibungen zu zahlenden Beträge sind ohne Einbehalt oder Abzug von oder aufgrund von gegenwärtigen oder zukünftigen Steuern oder sonstigen Abgaben gleich welcher Art zu leisten, die von oder in der Bundesrepublik Deutschland oder für deren Rechnung oder von oder für Rechnung einer politischen Untergliederung oder Steuerbehörde der oder in der Bundesrepublik Deutschland auferlegt oder erhoben werden, es sei denn, ein solcher Einbehalt oder Abzug ist gesetzlich vorgeschrieben. In diesem Fall wird die Emittentin diejenigen zusätzlichen Beträge (die „zusätzlichen Beträge“) zahlen, die erforderlich sind, damit die den Gläubigern zufließenden Nettobeträge nach diesem Einbehalt oder Abzug jeweils den Beträgen entsprechen, die ohne einen solchen Einbehalt oder Abzug von den Gläubigern empfangen worden wären; die Verpflichtung zur Zahlung solcher zusätzlicher Beträge besteht jedoch nicht im Hinblick auf Steuern und Abgaben, die:

- (a) von einer als Depotbank oder Inkassobeauftragter des Gläubigers handelnden Person oder sonst auf andere Weise zu entrichten sind als dadurch, dass die Emittentin aus den von ihr zu leistenden Zahlungen von Kapital oder Zinsen einen Abzug oder Einbehalt vornimmt; oder
- (b) wegen einer gegenwärtigen oder früheren persönlichen oder geschäftlichen Beziehung des Gläubigers zu der Bundesrepublik Deutschland zu zahlen sind, und nicht allein deshalb, weil Zahlungen auf die Schuldverschreibungen aus Quellen in der Bundesrepublik Deutschland stammen (oder für Zwecke der Besteuerung so behandelt werden) oder dort besichert sind; oder
- (c) aufgrund (i) einer Richtlinie oder Verordnung der Europäischen Union betreffend die Besteuerung von Zinserträgen oder (ii) einer zwischenstaatlichen Vereinbarung über deren Besteuerung, an der die Bundesrepublik Deutschland oder die Europäische Union beteiligt ist, oder (iii) einer gesetzlichen Vorschrift, die diese Richtlinie, Verordnung oder Vereinbarung umsetzt oder befolgt, abzuziehen oder einzubehalten sind; oder
- (d) aufgrund einer Rechtsänderung zu zahlen sind, welche später als 30 Tage nach Fälligkeit der betreffenden

European Union. Any variation, termination, appointment or change shall only take effect (other than in the case of insolvency, when it shall be of immediate effect) after not less than 30 nor more than 45 days' prior notice thereof shall have been given to the Holders in accordance with § 12.

(3) *Agent(s) of the Issuer.* The Principal Paying Agent and the Paying Agent act solely as the agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for any Holder.

§ 7 TAXATION

All amounts payable in respect of the Notes shall be made at source without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by way of withholding or deduction by or on behalf of the Federal Republic of Germany or any political subdivision or any authority thereof or therein having power to tax unless the Issuer is required by law to pay such withholding or deduction. In such event, the Issuer will pay such additional amounts (the “Additional Amounts”) as shall be necessary in order that the net amounts received by the Holders, after such withholding or deduction shall equal the respective amounts of principal and interest which would otherwise have been receivable in the absence of such withholding or deduction; except that no such Additional Amounts shall be payable on account of any taxes or duties which:

- (a) are payable by any person acting as custodian bank or collecting agent on behalf of a Holder, or otherwise in any manner which does not constitute a deduction or withholding by the Issuer from payments of principal or interest made by it, or
- (b) are payable by reason of the Holder having, or having had, some personal or business connection with the Federal Republic of Germany and not merely by reason of the fact that payments in respect of the Notes are, or for purposes of taxation are deemed to be, derived from sources in, or are secured in, the Federal Republic of Germany, or
- (c) are deducted or withheld pursuant to (i) any European Union Directive or Regulation concerning the taxation of interest income, or (ii) any international treaty or understanding relating to such taxation and to which the Federal Republic of Germany or the European Union is a party, or (iii) any provision of law implementing, or complying with, or introduced to conform with, such Directive, Regulation, treaty or understanding, or
- (d) are payable by reason of a change in law that becomes effective more than 30 days after the relevant payment

Zahlung von Kapital oder Zinsen oder, wenn dies später erfolgt, ordnungsgemäßer Bereitstellung aller fälligen Beträge und einer diesbezüglichen Bekanntmachung gemäß § 12 wirksam wird; oder

- (e) von einer Zahlstelle abgezogen oder einbehalten werden, wenn eine andere Zahlstelle die Zahlung ohne einen solchen Abzug oder Einbehalt hätte leisten können.

§ 8 VORLEGUNGSFRIST

Die in § 801 Absatz 1 Satz 1 BGB bestimmte Vorlegungsfrist wird für die Schuldverschreibungen auf zehn Jahre verkürzt.

§ 9 KÜNDIGUNG

(1) *Kündigungsgründe.* Jeder Gläubiger ist berechtigt, seine sämtlichen Forderungen aus den Schuldverschreibungen ganz oder teilweise durch Kündigung gegenüber der Hauptzahlstelle fällig zu stellen und Rückzahlung zum Nennbetrag zuzüglich etwaiger bis zum Tage der Rückzahlung aufgelaufener Zinsen zu verlangen, falls:

- (a) die Emittentin Kapital oder Zinsen nicht innerhalb von 30 Tagen nach dem betreffenden Fälligkeitstag zahlt; oder
- (b) die Emittentin die ordnungsgemäße Erfüllung irgendeiner anderen Verpflichtung aus den Schuldverschreibungen unterlässt und diese Unterlassung nicht geheilt werden kann oder, falls sie geheilt werden kann, länger als 30 Tage fort dauert, nachdem die Hauptzahlstelle hierüber eine Benachrichtigung von einem Gläubiger erhalten hat; oder
- (c) eine Kreditverbindlichkeit (wie nachstehend definiert) der Emittentin vorzeitig zahlbar wird aufgrund einer Nicht- oder Schlechterfüllung des dieser Kreditverbindlichkeit zugrundeliegenden Vertrages, oder die Emittentin einer Zahlungsverpflichtung in Höhe oder im Gegenwert von mehr als € 50.000.000 aus einer Kreditverbindlichkeit oder aufgrund einer Bürgschaft oder Garantie, die für eine Kreditverbindlichkeit Dritter gegeben wurde, nicht innerhalb von 30 Tagen nach ihrer Fälligkeit bzw. im Falle einer Bürgschaft oder Garantie nicht innerhalb von 30 Tagen nach Inanspruchnahme aus dieser Bürgschaft oder Garantie nachkommt, es sei denn die Emittentin bestreitet in gutem Glauben, dass diese Zahlungsverpflichtung besteht oder fällig ist bzw. diese Bürgschaft oder Garantie berechtigterweise geltend gemacht wird, oder falls eine für solche Verbindlichkeiten bestellte Sicherheit für die oder von den daraus berechtigten Gläubiger(n) in Anspruch genommen wird; oder
- (d) die Emittentin ihre Zahlungsunfähigkeit bekanntgibt oder ihre Zahlungen einstellt; oder
- (e) ein Gericht ein Insolvenzverfahren gegen die Emittentin eröffnet, oder die Emittentin ein solches Verfahren einleitet oder beantragt oder eine allgemeine Schuldenregelung zugunsten ihrer Gläubiger anbietet oder

of principal or interest becomes due, or is duly provided for and notice thereof is published in accordance with § 12, whichever occurs later; or

- (e) are payable because any Note was presented to a particular Paying Agent for payment if the Note could have been presented to another Paying Agent without any such withholding or deduction.

§ 8 PRESENTATION PERIOD

The presentation period provided in § 801 paragraph 1, sentence 1 BGB (German Civil Code) is reduced to ten years for the Notes.

§ 9 EVENTS OF DEFAULT

(1) *Events of default.* Each Holder shall be entitled to declare due and payable by notice to the Principal Paying Agent its entire claims arising from the Notes and demand immediate redemption of the Notes at their principal amount together with accrued interest (if any) to the date of repayment, in the event that:

- (a) the Issuer fails to pay principal or interest within 30 days from the relevant due date, or
- (b) the Issuer fails duly to perform any other obligation arising from the Notes which failure is not capable of remedy or, if such failure is capable of remedy, such failure continues for more than 30 days after the Principal Paying Agent has received notice thereof from a Holder, or
- (c) any Indebtedness (as defined below) of the Issuer becomes prematurely repayable as a result of a default in respect of the terms thereof, or the Issuer fails to fulfil any payment obligation in excess of €50,000,000 or the equivalent thereof under any Indebtedness or under any guarantee or suretyship given for any Indebtedness of others within 30 days from its due date or, in the case of a guarantee or suretyship, within 30 days after the guarantee or suretyship has been invoked, unless the Issuer shall contest in good faith that such payment obligation exists or is due or that such guarantee or suretyship has been validly invoked, or if a security granted therefor is enforced on behalf of or by the creditor(s) entitled thereto, or
- (d) the Issuer admits its inability to meet its financial obligations or ceases its payments, or
- (e) a court opens insolvency proceedings against the Issuer or the Issuer applies for or institutes such proceedings or offers or makes an arrangement for the benefit of its

trifft; oder

- (f) die Emittentin in Liquidation tritt, es sei denn, dies geschieht im Zusammenhang mit einer Verschmelzung oder einer anderen Form des Zusammenschlusses mit einer anderen Gesellschaft und diese Gesellschaft übernimmt alle Verpflichtungen, die die Emittentin im Zusammenhang mit diesen Schuldverschreibungen eingegangen ist; oder
- (g) in der Bundesrepublik Deutschland irgendein Gesetz, eine Verordnung oder behördliche Anordnung erlassen wird oder ergeht, aufgrund derer die Emittentin daran gehindert wird, die von ihr gemäß diesen Bedingungen übernommenen Zahlungsverpflichtungen in vollem Umfang zu beachten und zu erfüllen und diese Lage nicht binnen 90 Tagen behoben ist.

Eine „Kreditverbindlichkeit“ im Sinne dieser Bedingungen ist jede Schuldverschreibung, jedes Wertpapier und jede andere Kreditverbindlichkeit, die € 50.000.000 (oder den Gegenwert in einer anderen Währung) übersteigt.

Das Kündigungsrecht erlischt, falls der Kündigungsgrund vor Ausübung des Rechts geheilt wurde.

(2) *Benachrichtigung.* Eine Benachrichtigung, einschließlich einer Kündigung der Schuldverschreibungen gemäß vorstehendem Absatz 1 ist schriftlich in deutscher oder englischer Sprache gegenüber der Hauptzahlstelle zu erklären und persönlich oder per Einschreiben an dessen bezeichnete Geschäftsstelle zu übermitteln. Der Benachrichtigung ist ein Nachweis beizufügen, aus dem sich ergibt, dass der betreffende Gläubiger zum Zeitpunkt der Abgabe der Benachrichtigung Inhaber der betreffenden Schuldverschreibung ist. Der Nachweis kann durch eine Bescheinigung der Depotbank (wie in § 13 Absatz 3 definiert) oder auf andere geeignete Weise erbracht werden.

§ 10 ERSETZUNG DER EMITTENTIN

(1) *Ersetzung.* Die Emittentin ist jederzeit berechtigt, sofern sie sich nicht mit einer Zahlung von Kapital oder Zinsen auf die Schuldverschreibungen in Verzug befindet, ohne Zustimmung der Gläubiger eine Tochtergesellschaft (wie nachstehend definiert) der Emittentin an ihrer Stelle als Hauptschuldnerin (die „Nachfolgeschuldnerin“) für alle Verpflichtungen auch im Zusammenhang mit diesen Schuldverschreibungen einzusetzen, sofern:

- (a) die Nachfolgeschuldnerin sich verpflichtet, jedem Gläubiger alle Steuern, Gebühren oder Abgaben zu erstatten, die ihm in Folge der Ersetzung durch die Nachfolgeschuldnerin auferlegt werden;
- (b) die Nachfolgeschuldnerin alle Verpflichtungen der Emittentin aus oder im Zusammenhang mit diesen Schuldverschreibungen übernimmt;
- (c) die Nachfolgeschuldnerin in der Lage ist, sämtliche sich aus oder in dem Zusammenhang mit diesen Schuldverschreibungen ergebenden Zahlungsverpflichtungen ohne die Notwendigkeit eines Einbehalts von irgendwelchen Steuern oder Abgaben an der Quelle zu erfüllen

creditors generally, or

- (f) the Issuer goes into liquidation unless this is done in connection with a merger, or other form of combination with another company and such company assumes all obligations contracted by the Issuer, as the case may be, in connection with this issue, or
- (g) any governmental order, decree or enactment shall be made in or by the Federal Republic of Germany whereby the Issuer is prevented from observing and performing in full its payment obligations as set forth in these Terms and Conditions and this situation is not cured within 90 days.

For the purposes of these Terms and Conditions “Indebtedness” means any bond, debenture, note or other loan indebtedness that exceeds €50,000,000 (or its equivalent in any other currency).

The right to declare Notes due shall terminate if the situation giving rise to it has been cured before the right is exercised.

(2) *Notice.* Any notice, including any notice declaring Notes due, in accordance with subparagraph (1) above shall be made by means of a written declaration in the German or English language delivered by hand or registered mail to the specified office of the Principal Paying Agent together with proof that such Holder at the time of such notice is a holder of the relevant Notes by means of a certificate of his Custodian (as defined in § 13 (3)) or in other appropriate manner.

§ 10 SUBSTITUTION OF THE ISSUER

(1) *Substitution.* The Issuer shall be entitled at any time, without the consent of the Holders, if no payment of principal or interest on any of the Notes is in default, to substitute for the Issuer any Subsidiary (as defined below) of it as principal debtor in respect to all obligations arising from or in connection with the Notes (the “Substituted Debtor”), provided that:

- (a) the Substituted Debtor undertakes to reimburse any Holder for such taxes, fees or duties which may be imposed upon it as a consequence of assumption of the obligations of the Issuer by the Substituted Debtor;
- (b) the Substituted Debtor assumes all obligations of the Issuer arising from or in connection with the Notes;
- (c) the Substituted Debtor is in a position to fulfil all payment obligations arising from or in connection with the Notes without the necessity of any taxes or duties being withheld at source and to transfer all amounts which are required therefor to the Principal Paying

len sowie die hierzu erforderlichen Beträge ohne Beschränkungen an die Hauptzahlstelle übertragen können;

- (d) die Emittentin unbedingt und unwiderruflich die Verpflichtungen der Nachfolgeschuldnerin garantiert; und
- (e) der Hauptzahlstelle jeweils eine Bestätigung bezüglich der betroffenen Rechtsordnungen von anerkannten Rechtsanwälten vorgelegt wird, dass die Bestimmungen in den vorstehenden Unterabsätzen (a), (b), (c) und (d) erfüllt wurden.

Im Sinne dieser Bedingungen bedeutet „Tochtergesellschaft“ eine Kapital- oder Personengesellschaft, an der die Emittentin direkt oder indirekt insgesamt mehr als 50 % des Kapitals jeder Klasse oder der Stimmrechte hält.

(2) *Bekanntmachung.* Jede Ersetzung ist gemäß § 12 bekannt zu machen.

(3) *Änderung von Bezugnahmen.* Im Fall einer Ersetzung gilt jede Bezugnahme in diesen Emissionsbedingungen auf die Emittentin ab dem Zeitpunkt der Ersetzung als Bezugnahme auf die Nachfolgeschuldnerin und jede Bezugnahme auf das Land, in dem die Emittentin ihren Sitz oder Steuersitz hat, gilt ab diesem Zeitpunkt als Bezugnahme auf das Land, in dem die Nachfolgeschuldnerin ihren Sitz oder Steuersitz hat. Des weiteren gilt im Fall einer Ersetzung folgendes:

- (a) in § 7 und § 5 Absatz 2 gilt eine alternative Bezugnahme auf die Bundesrepublik Deutschland als aufgenommen (zusätzlich zu der Bezugnahme nach Maßgabe des vorstehenden Satzes auf das Land, in dem die Nachfolgeschuldnerin ihren Sitz oder Steuersitz hat);
- (b) in § 9 Absatz 1(c) bis (g) gilt eine alternative Bezugnahme auf die Emittentin in ihrer Eigenschaft als Garantin als aufgenommen (zusätzlich zu der Bezugnahme auf die Nachfolgeschuldnerin).

§ 11 BEGEBUNG WEITERER SCHULDVERSCHREIBUNGEN, ANKAUF UND ENTWERTUNG

(1) *Begebung weiterer Schuldverschreibungen.* Die Emittentin ist berechtigt, jederzeit ohne Zustimmung der Gläubiger weitere Schuldverschreibungen mit gleicher Ausstattung (gegebenenfalls mit Ausnahme des Tags der Begebung, des Verzinsungsbeginns und/oder des Ausgabepreises) in der Weise zu begeben, dass sie mit diesen Schuldverschreibungen eine einheitliche Serie bilden.

(2) *Ankauf.* Die Emittentin ist berechtigt, jederzeit Schuldverschreibungen im Markt oder anderweitig zu jedem beliebigen Preis zu kaufen. Die von der Emittentin erworbenen Schuldverschreibungen können nach Wahl der Emittentin von ihr gehalten, weiterverkauft oder bei der Hauptzahlstelle zwecks Entwertung eingereicht werden. Sofern diese Käufe durch öffentliches Angebot erfolgen, muß dieses Angebot allen Gläubigern gemacht werden.

Agent without any restrictions;

- (d) the Issuer irrevocably and unconditionally guarantees the obligations assumed by the Substitute Debtor; and
- (e) there shall have been delivered to the Principal Paying Agent one opinion for each jurisdiction affected of lawyers of recognised standing to the effect that subparagraphs (a), (b), (c) and (d) above have been satisfied.

For purposes of these Terms and Conditions “Subsidiary” shall mean any corporation or partnership in which the Issuer directly or indirectly in the aggregate holds 50% of the capital of any class or of the voting rights.

(2) *Notice.* Notice of any such substitution shall be published in accordance with § 12.

(3) *Change of References.* In the event of any such substitution, any reference in these Terms and Conditions to the Issuer shall from then on be deemed to refer to the Substituted Debtor and any reference to the country in which the Issuer is domiciled or resident for taxation purposes shall from then on be deemed to refer to the country of domicile or residence for taxation purposes of the Substituted Debtor. Furthermore, in the event of such substitution the following shall apply:

- (a) in § 7 and § 5 (2) an alternative reference to the Federal Republic of Germany shall be deemed to have been included in addition to the reference according to the preceding sentence to the country of domicile or residence for taxation purposes of the Substituted Debtor;
- (b) in § 9 (1)(c) to (g) an alternative reference to the Issuer in its capacity as guarantor shall be deemed to have been included in addition to the reference to the Substituted Debtor.

§ 11 FURTHER ISSUES, PURCHASES AND CANCELLATION

(1) *Further Issues.* The Issuer may from time to time, without the consent of the Holders, issue further Notes having the same terms and conditions as the Notes in all respects (or in all respects except for the settlement date, interest commencement date and/or issue price) so as to form a single series with the Notes.

(2) *Purchases.* The Issuer may at any time purchase Notes in the open market or otherwise and at any price. Notes purchased by the Issuer may, at the option of the Issuer, be held, resold or surrendered to the Principal Paying Agent for cancellation. If purchases are made by tender, tenders for such Notes must be made available to all Holders of such Notes alike.

(3) *Entwertung*. Sämtliche vollständig zurückgezahlten Schuldverschreibungen sind unverzüglich zu entwerten und können nicht wiederbegeben oder wiederverkauft werden.

§ 12 MITTEILUNGEN

(1) *Bekanntmachung*. Alle die Schuldverschreibungen betreffenden Mitteilungen sind auf der Website der Luxemburger Börse (www.bourse.lu) sowie in einem überregionalen Pflichtblatt der Frankfurter Wertpapierbörse, voraussichtlich der *Börsen-Zeitung*, zu veröffentlichen. Jede derartige Mitteilung gilt am zweiten Tag nach dem Tag der Veröffentlichung (oder bei mehreren Veröffentlichungen am zweiten Tag nach dem Tag der ersten solchen Veröffentlichung) als wirksam erfolgt.

(2) *Mitteilungen an das Clearing System*. Sofern die Regularien der Börsen, an denen die Schuldverschreibungen notiert sind, dies zulassen, kann eine Veröffentlichung nach Absatz 1 durch eine Mitteilung an das Clearing System zur Weiterleitung an die Gläubiger ersetzt werden; jede derartige Mitteilung gilt am siebten Tag nach dem Tag der Mitteilung an das Clearing System als wirksam erfolgt.

§ 13 ANWENDBARES RECHT, GERICHTSSTAND UND GERICHTLICHE GELTENDMACHUNG

(1) *Anwendbares Recht*. Form und Inhalt der Schuldverschreibungen sowie die Rechte und Pflichten der Gläubiger und der Emittentin bestimmen sich in jeder Hinsicht nach deutschem Recht. Erfüllungsort ist Frankfurt am Main.

(2) *Gerichtsstand*. Nicht-ausschließlicher Gerichtsstand für alle Rechtsstreitigkeiten aus oder im Zusammenhang mit den Schuldverschreibungen ist Frankfurt am Main.

(3) *Gerichtliche Geltendmachung*. Jeder Gläubiger von Schuldverschreibungen ist berechtigt, in jedem Rechtsstreit gegen die Emittentin oder in jedem Rechtsstreit, in dem der Gläubiger und die Emittentin Partei sind, seine Rechte aus diesen Schuldverschreibungen im eigenen Namen auf der folgenden Grundlage zu schützen oder geltend zu machen: (i) er bringt eine Bescheinigung der Depotbank bei, bei der er für die Schuldverschreibungen ein Wertpapierdepot unterhält, welche (a) den vollständigen Namen und die vollständige Adresse des Gläubigers enthält, (b) den Gesamtnennbetrag der Schuldverschreibungen bezeichnet, die unter dem Datum der Bestätigung auf dem Wertpapierdepot verbucht sind und (c) bestätigt, dass die Depotbank gegenüber dem Clearing System eine schriftliche Erklärung abgegeben hat, die die vorstehend unter (a) und (b) bezeichneten Informationen enthält; und (ii) er legt eine Kopie der die betreffenden Schuldverschreibungen verbriefenden Globalurkunde vor, deren Übereinstimmung mit dem Original eine vertretungsberechtigte Person des Clearing Systems oder des Verwahrers des Clearing Systems bestätigt hat, ohne dass eine Vorlage der Originalbelege oder der die Schuldverschreibungen verbriefenden Globalurkunde in einem solchen Verfahren erforderlich wäre. Für die Zwecke des Vorstehenden bezeichnet „Depotbank“ jede Bank oder ein sonstiges anerkanntes Finanzinstitut, das berechtigt ist, das Wertpapierverwahrungsgeschäft zu betreiben und bei der/dem der Gläubiger ein Wertpapierdepot für die

(3) *Cancellation*. All Notes redeemed in full shall be cancelled forthwith and may not be reissued or resold.

§ 12 NOTICES

(1) *Publication*. All notices concerning the Notes shall be published on the website of the Luxembourg Stock Exchange (www.bourse.lu) and in a national newspaper designated for exchange notices by the Frankfurt Stock Exchange, which is expected to be the *Börsen-Zeitung*. Any notice so given will be deemed to have been validly given on the second day following the date of such publication (or, if published more than once, on the second day following the date of the first such publication).

(2) *Notification to Clearing System*. If the rules of the stock exchanges on which the Notes are listed so permit, the Issuer may deliver the relevant notice to the Clearing System for communication by the Clearing System to the Holders, in lieu of publication as set forth in subparagraph (1) above; any such notice shall be deemed to have been validly given on the seventh day after the day on which the said notice was given to the Clearing System.

§ 13 APPLICABLE LAW, PLACE OF JURISDICTION AND ENFORCEMENT

(1) *Applicable Law*. The Notes, as to form and content, and all rights and obligations of the Holders and the Issuer, shall be governed by German law. Place of Performance is Frankfurt am Main.

(2) *Submission to Jurisdiction*. Non-exclusive place of jurisdiction for all proceedings arising out of or in connection with the Notes shall be Frankfurt am Main.

(3) *Enforcement*. Any Holder of Notes may in any proceedings against the Issuer, or to which such Holder and the Issuer are parties, protect and enforce in his own name his rights arising under such Notes on the basis of (i) a statement issued by the Custodian with whom such Holder maintains a securities account in respect of the Notes (a) stating the full name and address of the Holder, (b) specifying the aggregate principal amount of Notes credited to such securities account on the date of such statement and (c) confirming that the Custodian has given written notice to the Clearing System containing the information pursuant to (a) and (b) and (ii) a copy of the Note in global form certified as being a true copy by a duly authorised officer of the Clearing System or a depository of the Clearing System, without the need for production in such proceedings of the actual records or the global note representing the Notes. For purposes of the foregoing, “Custodian” means any bank or other financial institution of recognised standing authorised to engage in securities custody business with which the Holder maintains a securities account in respect of the Notes and includes the Clearing System. Each Holder may, without prejudice to the foregoing, protect and enforce his rights under these Notes also in any other manner permitted in the country of the proceedings.

Schuldverschreibungen unterhält, einschließlich des Clearing Systems. Unbeschadet des Vorstehenden kann jeder Gläubiger seine Rechte aus den Schuldverschreibungen auch auf jede andere Weise schützen oder geltend machen, die im Land des Rechtsstreits prozessual zulässig ist.

**§ 14
SPRACHE**

Diese Emissionsbedingungen sind in deutscher Sprache abgefasst. Eine Übersetzung in die englische Sprache ist beigelegt. Der deutsche Text ist bindend und maßgeblich. Die Übersetzung in die englische Sprache ist unverbindlich.

**§ 14
LANGUAGE**

These Terms and Conditions are written in the German language and provided with an English language translation. The German text shall be controlling and binding. The English language translation is provided for convenience only.

GENERAL INFORMATION ABOUT THE ISSUER

Incorporation

Bertelsmann AG was incorporated on October 25, 1971 under the laws of the Federal Republic of Germany. It originated from the transformation of C. Bertelsmann Verlag oHG into a stock corporation and it is recorded in the commercial register of the local court of Gütersloh under docket number HRB 3100.

Corporate Seat and Duration

The Issuer has its corporate seat in Gütersloh, Germany, and its office address is Carl-Bertelsmann-Straße 270, 33311 Gütersloh, Germany, telephone number: +49-52 41-80-0. The Issuer has been established for an indefinite period of time.

Corporate Purpose

According to § 2 of its articles of association (*Satzung*), the corporate purpose of the Issuer is to manage, as holding company, a group of companies which are active, in particular, in the following industry sectors:

- Book production and publishing, in particular the operation of book publishing and book trading companies and similar enterprises;
- Operation of printing and printing technology enterprises for the manufacture and the sale of publishing, printing and electronic-technical products of all kinds;
- Manufacture and distribution of audio, data and video storage media of any kind;
- Provision of services for printing plants, publishing houses and enterprises of other industry sectors;
- Manufacture and distribution of products within the field of music and movies as well as radio, television and other forms of electronic individual and mass communication, in particular, the manufacture and sale of music contributions and programs, cinema and television movies as well as radio and television contributions and programs of all kinds;
- Dissemination of radio and television programmes and other electronic communications offerings as well as respective programme segments as radio and television organizer and as provider of electronic communications services of all kinds;
- Publication and distribution of newspapers, magazines and other printed products of all kinds.

The Issuer can also transact business itself in the above designated fields, in particular individual business transactions. It shall be entitled to undertake all actions and measures which are related to the company objects or which are appropriate directly or indirectly to serve such, also for preceding or succeeding market levels. The same shall apply also for financing transactions and other legal transactions and measures which concern the Issuer as a holding company or which are in the interest of the companies managed by it.

The Issuer can incorporate, acquire and participate as shareholder in other companies, in particular, in such which have respective company objects which cover either entirely or partially the company objects designated above. For the purpose of the investment of financial resources, the Issuer is entitled to participate as shareholder in companies of any kind. It can change companies structurally of which it participates as a shareholder, consolidate them under common management or restrict itself to their administration. The Issuer can establish both domestic and foreign branches.

Share Capital

The Issuer's registered share capital (*Grundkapital*) currently (as at September 18, 2006) amounts to €749,001,184.80. It is divided into 83,760 ordinary no-par-value shares. All shares are fully paid-up. On July 6, 2006, the Issuer's General Meeting resolved to increase the share capital to €1,000,000,000 without issuing new shares by way of converting part of the Issuer's reserves into share capital. The capital increase will become effective upon registration in the commercial register which is currently pending.

The capital increase from €749,001,184.80 to €1,000,000,000 is the last of the capital measures relating to the repurchase by the Issuer of 28,069 shares in the Issuer from Group Bruxelles Lambert pursuant to a share purchase agreement dated June 28, 2006 (see also “BUSINESS OF THE BERTELSMANN GROUP – Material Contracts”). The repurchased shares were transferred to the Issuer on July 4, 2006 and redeemed the same day. The redemption became effective upon registration in the commercial register on August 30, 2006, resulting in the share capital being reduced from previously €1,000,000,638.60 to the present figure.

Capitalisation

The following table sets forth the consolidated capitalisation of Bertelsmann Group as of June 30, 2006. This table should be read together with Bertelsmann's unaudited consolidated interim financial statements for the six months ended June 30, 2006, which have been prepared in accordance with IFRS.

(in € millions)	June 30, 2006 ⁽¹⁾
Equity	
Subscribed capital	1,000
Capital reserve	2,331
Retained earnings	4,788
Obligation to repurchase treasury shares deducted from equity (in accordance with IAS 32)	(4,500)
Shareholders' equity	3,619
Minority interests	873
	4,492
Non-current liabilities	
Provisions for pensions and similar obligations	1,649
Other provisions	119
Deferred tax liabilities	225
Profit participation capital	706
Financial debt	2,377
Trade accounts payable	21
Other liabilities	388
	5,485
Current liabilities	
Other provisions	478
Financial debt	390
Obligation to repurchase treasury shares (in accordance with IAS 32)	4,500
Trade accounts payable	3,758
Other liabilities	2,374
Current income tax payable	328
	11,828
Liabilities included in disposal groups held for sale	221
Capitalisation, total	22,026

⁽¹⁾ Unaudited.

The share purchase agreement relating to the Issuer's acquisition of the 25.1% stake in the Issuer from Groupe Bruxelles Lambert was signed on June 28, 2006 and the resulting indebtedness is, in accordance with IFRS, already included in the above figures. For further details on this transaction see “BUSINESS OF THE BERTELSMANN GROUP – Material Contracts”.

Since December 31, 2005, there has been no material change in the contingent liabilities of the Bertelsmann Group.

Shareholder Structure

The Issuer is a privately held stock corporation. Bertelsmann Stiftung holds 76.9% of the issued share capital, and the Mohn family the remaining 23.1% (in both cases indirectly through intermediary holding companies). The voting rights of Bertelsmann Stiftung and the Mohn family are exercised by Bertelsmann Verwaltungsgesellschaft (“BVG”).

Until July 4, 2006, Bertelsmann Stiftung held 57.6% of the share capital, the Mohn family 17.3%, and Groupe Bruxelles Lambert 25.1% (in each case indirectly through holding companies). BVG controlled 75.0% of the voting rights, while Groupe Bruxelles Lambert controlled 25.0%. On May 26, 2006, BVG, the Mohn family, the Bertelsmann Stiftung, Groupe Bruxelles Lambert and Bertelsmann AG agreed that Bertelsmann AG should repurchase the 25.1% stake in Bertelsmann AG held by Groupe Bruxelles Lambert for a purchase price of €4.5 billion (see “BUSINESS OF THE BERTELSMANN GROUP – Material Contracts” for details). The repurchased shares were redeemed (*eingezogen*) upon payment of the purchase price on July 4, 2006. The redemption became effective upon registration in the commercial register on August 30, 2006.

Dividend Policy

The executive board and the supervisory board of the Issuer propose dividends based on the Issuer’s year-end statutory financial statements. The proposal is then voted on at the Issuer’s annual meeting. The annual meeting is usually convened during the second quarter of each year.

The Issuer plans to allocate a majority of any future net income reported in its consolidated financial statements to the capital reserves and to use it to finance its business development and internal growth in accordance with its business strategy. Regarding the distribution of dividends to its shareholders, the Issuer will pursue a moderate dividend policy, and the Issuer’s shareholders have indicated that they will support this policy.

Management and Supervisory Bodies

In accordance with the German Stock Corporation Act (*Aktiengesetz*), the Issuer has an Executive Board (*Vorstand*) and a Supervisory Board (*Aufsichtsrat*). The two boards are separate, and no individual may serve as a member of both boards at the same time. Their powers are governed by the German Stock Corporation Act, the articles of association (*Satzung*) and their respective rules of procedure. While the Executive Board is responsible for managing the business, the principal function of the Supervisory Board is to oversee and advise the Executive Board. The Supervisory Board is also responsible for appointing and removing members of the Executive Board. The Supervisory Board may not make management decisions, but the Articles of Association or the rules of procedure of the Executive Board may require the prior consent of the Supervisory Board for certain types of transactions.

Supervisory Board

The following table sets forth the names of the members of the Supervisory Board, their positions on the Supervisory Board as well as the principal activities currently performed by them outside the Issuer. Furthermore, the table shows their membership of other supervisory boards and comparable bodies (as of December 31, 2005). Since the resignation of André Desmarais and Gilles Samyn (who represented Groupe Bruxelles Lambert) on July 4, 2006, the Supervisory Board consists of thirteen members.

Reinhard Mohn
(Honorary Chairman)

Prof. Dr. Dieter H. Vogel
(Chairman)

Managing partner of LGB & Vogel GmbH

Membership of statutory domestic supervisory boards:

Gerling-Konzern Versicherungs-Beteiligungs AG (since May 31, 2005)

Mobilcom AG (Chairman)

Telunico Holding AG (since December 14, 2005)

Wacker Construction Equipment AG (Chairman)

WCM Beteiligungs- und Grundbesitz AG (Chairman)

Membership of comparable domestic and foreign supervisory bodies of business enterprises:

HSBC Trinkaus & Burckhardt KGaA

Klöckner & Co GmbH (Chairman)

Prof. Dr. Jürgen Strube (Vice Chairman)	<p>Chairman of the Supervisory Board, BASF AG</p> <p><i>Membership of statutory domestic supervisory boards:</i> Allianz Lebensversicherungs-AG BASF AG (Chairman) BMW AG Commerzbank AG Fuchs Petrolub AG (Chairman) Hapag-Lloyd AG Linde AG</p>
Dr. Wulf H. Bernotat (since May 22, 2006)	<p>Chairman of the Executive Board and Chief Executive Officer, E.ON AG, Düsseldorf</p> <p><i>Membership of statutory domestic supervisory boards:</i> E.ON Energie AG (Chairman) E.ON Ruhrgas AG (Chairman) Allianz AG Metro AG RAG Aktiengesellschaft (Chairman)</p> <p><i>Membership of comparable domestic and foreign supervisory bodies of business enterprises:</i> E.ON Nordic AB (Chairman) E.ON UK plc (Chairman) E.ON U.S. Investments Corp. (Chairman) E.ON Sverige AB (Chairman)</p>
Dr. Claus-Michael Dill	<p>Chairman of the Executive Board, DAMP Holding AG</p> <p><i>Membership of statutory domestic supervisory boards:</i> Kölnische Rückversicherung AG (Vice Chairman) TÜV Rheinland Holding AG (Chairman)</p> <p><i>Membership of comparable domestic and foreign supervisory bodies of business enterprises:</i> Deutsche Bank AG, Regionalbeirat West West LB (since March 22, 2005)</p>
John R. Joyce	<p>Managing Director Silver Lake Partners (since July 19, 2005) Senior Vice President and Group Executive, IBM Global Services</p> <p><i>Membership of comparable domestic and foreign supervisory bodies of business enterprises:</i> Gartner, Inc. (since July 27, 2005) Avago Technologies, Ltd. (since December 1, 2005)</p>
Dr. Hans-Joachim Körber	<p>Chairman of the Executive Board, Metro AG</p> <p><i>Membership of statutory domestic supervisory boards:</i> Kaufhof Warenhaus AG (Chairman) Real Holding GmbH</p> <p><i>Membership of comparable domestic and foreign supervisory bodies of business enterprises:</i> LP Holding GmbH (since February 13, 2006) Skandinaviska Enskilda Banken AB</p>
Oswald Lexer	<p>Vice Chairman of the Bertelsmann AG Corporate Works Council</p>
Prof. Dr.-Ing. Joachim Milberg	<p>Chairman of the Supervisory Board, BMW AG</p> <p><i>Membership of statutory domestic supervisory boards:</i> Allianz Versicherungs-AG BMW AG (Chairman) Festo AG MAN AG (Vice Chairman)</p> <p><i>Membership of comparable domestic and foreign supervisory bodies of business enterprises:</i> Deere & Company Leipziger Messe GmbH</p>

Liz Mohn	Vice CEO of the Bertelsmann Stiftung Vice Chairwoman of the Board of Trustees of the Bertelsmann Stiftung Chairwoman of the Board of Bertelsmann Verwaltungsgesellschaft mbH
Willi Pfannkuche	Member of the Bertelsmann AG Corporate Works Council
Erich Ruppik	Chairman of the Bertelsmann AG Corporate Works Council
Richard Sarnoff	Chairman of the Bertelsmann AG Management Representative Committee President, Random House Corporate Development and Random House Ventures <i>Membership of comparable domestic and foreign supervisory bodies of business enterprises:</i> Activision, Inc. (since August 1, 2005) American Reading Company (since April 1, 2005) Audible, Inc. Classic Media Ebrary, Inc. Princeton Review, Inc. Xlibris, Inc. Vocel Inc. (since February 1, 2005)
Lars Rebien Sørensen	President and CEO, Novo Nordisk A/S <i>Membership of comparable domestic and foreign supervisory bodies of business enterprises:</i> Scandinavian Airlines System AB Zymo Genetics, Inc.

Christian van Thillo's term on the Bertelsmann Supervisory Board ended on May 22, 2006. He was succeeded by Dr. Wulf H. Bernotat.

The members of the Supervisory Board may be contacted through the Issuer's headquarters in Gütersloh. With regard to any of the supervisory board members, there are no conflicting interests between any of their duties to the Issuer and their private interests and/or other duties. The members of the Supervisory Board accept memberships on the supervisory boards of other corporations within the limits prescribed by law.

The Supervisory Board has established an Audit and Finance Committee, a Strategy and Investment Committee and a Personnel Committee. The Audit and Finance Committee (consisting of Prof. Dr. Jürgen Strube (Chairman), Dr. Claus-Michael Dill, John R. Joyce and Erich Ruppik) supports the Supervisory Board with the observation of its supervisory duties and deals, in particular, with questions of accounting and risk management, the independence of the auditors, the grant of the audit engagement to the auditor, the determination of the audit focus areas and the fee arrangement. It prepares the resolutions of the Supervisory Board concerning the annual financial statements, the management report, the consolidated financial statements and the group management report. The Audit and Finance Committee is obliged to also examine the Group financing as well as the observance of the Executive Board Guidelines and the implementation of Supervisory Board resolutions. The Strategy and Investment Committee supports the Supervisory Board in its strategic dialogue with the Executive Board. It concerns itself with the basic understanding of aims of the management, the strategic company development as well as the evaluation of investments and divestments. The Personnel Committee supports the Supervisory Board with the examination of important personnel decisions, the assurance of management continuity as well as the discussion of fundamental questions of management organization and personnel work. It advises regularly with regard to long-term succession planning for the Executive Board.

Executive Board

The following table sets forth the names of the members of the Executive Board as well as the principal activities currently performed by them outside the Issuer. The members of the Executive Board accept memberships in the supervisory boards of other corporations, including the Issuer's subsidiaries, within the limits prescribed by law. The table does not list the memberships of the executive board members on the administrative, management or supervisory entities of the Issuer's subsidiaries.

Dr. Gunter Thielen (Chairman and Chief Executive Officer)	<i>Membership of comparable domestic and foreign supervisory bodies of business enterprises:</i> Leipziger Messe GmbH
Dr. Bernd Kundrun	Chairman and Chief Executive Officer, Gruner + Jahr AG
Peter Olson, J.D./MBA	Chairman and Chief Executive Officer, Random House
Hartmut Ostrowski	Chairman, Arvato AG
Dr. Thomas Rabe (Chief Financial Officer)	Head of Bertelsmann Music Group (BMG) Head of Corporate Center
Dr. Ewald Walgenbach	Chief Executive Officer, Direct Group Bertelsmann
Gerhard Zeiler	Chief Executive Officer, RTL Group

The members of the Executive Board may be contacted through the Issuer's headquarters in Gütersloh. With regard to any of the Executive Board members, there are no conflicting interests between any of their duties to the Issuer and their private interests and/or other duties.

Corporate Governance

Despite being an unlisted company with a limited number of shareholders, the Issuer has decided to comply with the recommendations and suggestions of the German Corporate Governance Code (*Deutscher Corporate Governance Kodex*, last amended June 2, 2005), with the exception of those regulations which the Issuer believes are only sensible in the context of a publicly listed company, such as those which deal with the organisation of the annual shareholders' meeting. Moreover, the directors and officers liability insurance which the Issuer has arranged for the members of the Executive Board and the Supervisory Board does not provide for a deductible to be paid by the individuals covered. Also, the individual compensation of the members of the Executive Board and the Supervisory Board is not being reported in the notes to the Issuer's consolidated financial statements. The individual compensation is known, however, to the Issuer's shareholders.

As the Issuer is an unlisted company, German law (Section 161 of the German Stock Corporation Act) does not require the Executive Board and the Supervisory Board to make a formal declaration on the scope of its compliance with the recommendations of the German Corporate Governance Code.

Organisational Structure

The Issuer is the ultimate parent company of the Bertelsmann Group of companies and serves as an operative management holding company. The Group comprises six corporate divisions, namely RTL Group, Random House, Gruner + Jahr, BMG, Arvato and Direct Group. Within the scope defined by the parent company, the six corporate divisions are operationally autonomous. They are reportable segments.

As at December 31, 2005, there were 1,380 (2004: 1,206) entities included in the Group, including the Issuer. Of those 1,380 entities, 974 were fully consolidated in the financial statements for the financial year 2005 (2004: 842), 217 joint ventures were proportionately consolidated (2004: 239), while further 189 (2004: 125) associated companies were included at equity.

Internal management and reporting are based on the corporate structure, divided into segments that correspond to the corporate divisions. In addition to the corporate divisions, Bertelsmann has a Corporate Center which supports the Executive Board in directing the Issuer's activities. The Issuer's tasks include supervisory and management functions for the group, the management of its shareholdings, financing, and service functions performed by some departments of the Corporate Center.

Employees

At the end of the financial year 2005, Bertelsmann Group had 88,516 employees worldwide (2004: 76,266). The divisional breakdown is: Arvato 47.6%, Gruner + Jahr 15.8%, Direct Group 15.2%, RTL Group 10.1%, Random House 6.1%, BMG 4.1% and Corporate Center 1.1%. The increase of 12,250 staff in 2005 was caused partly by organic growth, the establishment of the Prinovis gravure company and acquisitions. At the end of 2005, the company had 1,074 apprentices (*Auszubildende*) in Germany (2004: 890). The increase is primarily due to the formation and acquisition of companies.

Bertelsmann sees the implementation and ongoing evolution of its corporate culture of partnership as a key to its long-term commercial success. Human resource management at Bertelsmann supports the implementation of this corporate culture of partnership and its ongoing development.

Ratings

As of the date of this prospectus, the Issuer's credit ratings for senior unsecured long-term debt are BBB+ with negative outlook according to Standard & Poor's Rating Services and Baa1 with negative outlook according to Moody's Investors Service, Inc (see also "RISK FACTORS – Risk Factors regarding Bertelsmann). In addition, Bertelsmann has an unsolicited rating of BBB+ (stable) from Fitch Ratings.

Auditors

The consolidated financial statements of the Bertelsmann Group for the financial years ended December 31, 2004 and December 31, 2005 prepared in accordance with the International Financing Reporting Standards (IFRS) of the International Accounting Standards Board have been audited by KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft ("KPMG"), Nikolaus-Dürkopp-Straße 2 a, 33602 Bielefeld, Germany. KPMG has issued an unqualified auditor's opinion in each case. KPMG is a member of the German Chamber of Auditors (*Wirtschaftsprüferkammer*).

Financial Year

The Issuer's financial year is the calendar year.

BUSINESS OF THE BERTELSMANN GROUP

Overview

The Issuer was founded as a regional publishing house under the name C. Bertelsmann Verlag in Gütersloh in 1835. In its more than 170-year history, Bertelsmann AG has grown into an international media group with a strong presence in many parts of the world. The Issuer believes that the Group commands globally leading positions in most of the major media markets. The Issuer's core business is the creation of high-quality media content.

The Issuer serves as an operative management holding company. Decentralisation is a fundamental organisational principle at Bertelsmann, with the aim of promoting entrepreneurial initiative. Accordingly, the entire group is structured into spheres of responsibility with few management levels. Internal management and reporting are based on the corporate structure, divided into segments that correspond to the corporate divisions. Most of the Issuer's income is derived from the profit distributions by its subsidiaries. The general make-up of the balance sheet is also characterised by financial investments in and loans to subsidiary companies.

The Group comprises six corporate divisions which are – within the scope defined by the Issuer – operationally autonomous: RTL Group, Random House, Gruner + Jahr, BMG, Arvato and Direct Group.

Description of the Corporate Divisions

RTL Group

RTL Group is, based on total revenues, the largest television and radio broadcaster as well as the largest television and radio content production company in Europe. It operates 34 television channels and 34 radio stations in 11 countries. The division's main television interests are RTL Television, Super RTL, VOX and N-TV in Germany, M6 in France, Five in the U.K., the RTL channels in the Netherlands, Belgium, Luxembourg, Croatia and Hungary as well as shareholdings in Antena 3 in Spain, Media Capital in Portugal and REN TV in Russia. With radio stations in France, Germany, Belgium, The Netherlands, Luxembourg, Spain and Portugal, RTL Group is also active in commercial radio broadcasting. It is also one of the world's leading producers of television content such as primetime drama, game shows and serial drama, including "American Idol", "Gute Zeiten, Schlechte Zeiten" and "Family Feud".

RTL Group, headquartered in Luxembourg, is publicly listed on the stock exchanges in Brussels and Luxembourg. Bertelsmann AG owns 89.8% of the group with the rest being in free-float. RTL Group is fully consolidated in the Bertelsmann accounts.

Random House

Random House is the world's largest trade book publisher in terms of revenues with more than 100 publishing imprints providing a broad spectrum of editorial voices in 17 countries worldwide. These include Doubleday and Knopf in the U.S., Century and Transworld in the U.K., Heyne and Goldmann in Germany, Plaza & Janés in Spain, Editorial Sudamericana in Argentina, Random House Kodansha in Japan and Random House Joong Ang in South Korea. They publish over 9,000 new titles annually in hardcover, paperback, audio and electronic formats and maintain a backlist of almost 50,000 titles. Their authors include Dan Brown, Bill Clinton, J.M. Coetzee, E.L. Doctorow, William Faulkner, John Grisham, John Irving, Thomas Mann, Toni Morrison, Danielle Steel and John Updike.

Random House world headquarters is in New York City, USA.

Gruner + Jahr

Gruner + Jahr publishes over 285 magazines and newspapers in 20 countries. The magazines cover core segments including women, family, people, popular science, lifestyle and business with established titles such as: Stern, Gala, Brigitte, Geo and Capital in Germany; News, TV Media and Woman in Austria; Femme Actuelle, Voici and Tele2Semaines in France; Muy, Mia and Capital in Spain; and Claudia, Naj and Focus in Poland. The newspapers include Financial Times Deutschland (a joint venture with the publisher Pearson) and Sächsische Zeitung in Germany. In addition to newspapers and magazines, Gruner + Jahr operates state-of-the-art printing plants in the

U.S. and in Germany. In May 2005, Gruner + Jahr transferred its German rotogravure printing business to a newly founded joint-venture with Arvato and Axel Springer AG, called Prinovis, in which Gruner + Jahr owns 37.45%.

Gruner + Jahr, headquartered in Hamburg, is owned by Bertelsmann (74.9%) and the Jahr family (25.1%) and is fully consolidated in the Bertelsmann accounts.

Bertelsmann Music Group

BMG's business scope is recorded music (the business of finding, developing and marketing of artists and exploiting the repertoire via record labels) and music publishing (the business of exploiting music rights from royalties on records sales, performances and synchronisation). BMG brings together a 50% joint venture stake in the recording company, Sony BMG Music Entertainment, and a 100% stake in the music publisher, BMG Music Publishing (which the Issuer has now agreed to sell to the Vivendi Group).

Sony BMG owns some of the world's most successful label groups including Columbia, Epic, RCA, Arista, LaFace, Zomba, Jive and RLG Nashville as well as more than two hundred sub-labels covering a music spectrum that ranges from Hip-Hop, musical soundtracks, country to classical and gospel to rock. Sony BMG is present in 43 countries and home to more than 5,000 artists including Alicia Keys, Avril Lavigne, Beyoncé, Britney Spears, Christina Aguilera, Justin Timberlake, Pink, R. Kelly, Shakira, Bruce Springsteen, Celine Dion, Eros Ramazzotti, George Michael, Prince, Rod Stewart, Santana and Whitney Houston. According to data collected by the International Federation of the Phonographic Industries (IFPI), Sony BMG is the world's second largest music recording company.

BMG Music Publishing is (according to IFPI) the third biggest music publishing company in the world and has rights to more than one million songs. Current writer/artist signings include Christina Aguilera, Coldplay, Justin Timberlake, Keane, Linkin Park, Maroon 5, Nelly, R. Kelly, Rammstein and Robbie Williams. BMG Music Publishing also holds the catalogues of Elvis, B.B. King, The Beach Boys, The Eurythmics, John Lee Hooker, Barry Manilow, Santana and many more. BMG Music Publishing also represents rights from famed composers such as Bartok, Debussy, Puccini, Ravel, Saint-Saens, Verdi and Xenakis. The Issuer has recently agreed to sell BMG Music Publishing to the Vivendi Group (see "– Recent Developments" for details).

The Sony BMG and BMG Music Publishing headquarters are located in New York, USA.

Arvato

Arvato is an international media service provider with subsidiaries in 37 countries throughout the world. It is one of the largest (based on total revenues) media and communication service providers in Europe with a business scope that includes printing, call/service centers, customer loyalty systems, logistics, supply chain management, storage media, financial services, IT services, address and database management and knowledge management. Through Arvato Mobile it is also active in the field of mobile entertainment.

In 2005, Arvato transferred its German and British rotogravure printing businesses to a newly founded joint-venture with Gruner + Jahr and Axel Springer AG, called prinovis, in which Arvato owns 37.45%. It also established a strategic joint venture, arvato infoscore, for data, information and receivables management and started a new area of services through public private partnership to run public services for the county of East Riding, England.

Arvato headquarters are located in Gütersloh, Germany.

Direct Group

Direct Group is the world's leading (based on revenue base) provider in the community based media business. Its business scope covers book clubs such as Book-of-the-Month Club and The Literary Guild in the U.S., France Loisirs in France, Der Club Bertelsmann in Germany, BCA in the U.K. and Circulo de Lectores in Spain as well as the DVD club BMG Columbia House in the U.S. Through its French subsidiary, France Loisirs, Direct Group is also the second largest bookseller in France. Direct Group combines Bertelsmann's strengths in direct marketing, program expertise and multi-channel distribution. Present in 22 countries worldwide, Direct Group serves around 35 million members who have access to the clubs' product range via catalogue, Internet and club- and retail shops.

Direct Group headquarters are located in Gütersloh, Germany.

Major Subsidiaries

The following table sets out information (as of December 31, 2005) on those (direct and indirect) subsidiaries of the Issuer that showed net revenues over €50 million for the financial year 2005.

Name/Location	Principal Business	Currency	Share Capital	Share-holding (%)	Revenues ⁽¹⁾ Fiscal Year 2005 (€ millions)
RTL Group, Luxembourg ⁽²⁾	Television, film and radio	EUR	191,900,551.00	90.43	5,095.0
Sony BMG ⁽³⁾	Recorded music	USD	53,502.58	50.00	1,753.8
Random House, Inc., New York	Publishing	USD	1,010.00	100.00	1,080.8
Gruner + Jahr AG & Co. KG, Hamburg	Printing and publishing	EUR	77,215,504.41	74.90	550.3
Gruner + Jahr Printing and Publishing Company, New York	Printing and publishing	USD	338,468,319.46	74.90	405.0
Prisma Presse, S.n.c., Paris	Publishing	EUR	3,000,000.00	74.90	358.3
BMG Columbia House, Inc., Delaware	Music clubs	USD	98,730,190.00	100.00	353.0
FRANCE LOISIRS S.A.S., Paris	Book and music clubs	EUR	3,724,000.00	100.00	333.8
Mohn Media Sales GmbH, Gütersloh	Printing	EUR	100,000.00	100.00	315.3
The Random House Group Limited, London	Publishing	GBP	81,956,072.00	100.00	293.4
BookSpan (Partnership), Delaware ⁽³⁾	Book clubs	USD	203,841,503.64	50.00	288.3
RM Buch und Medien Vertrieb GmbH, Gütersloh	Book and music clubs	EUR	409,033.51	100.00	275.3
Verlagsgruppe Random House GmbH, Gütersloh	Publishing	EUR	102,470.00	100.00	218.7
arvato distribution GmbH, Harsewinkel	Services	EUR	100,570.00	100.00	218.0
Columbia House Holdings, Inc., Albany	Book and music clubs	USD	0.00	100.00	174.8
Prinovis Nürnberg GmbH & Co. KG, Nürnberg	Printing	EUR	1,000,000.00	56.14	153.1
inmediaONE) GmbH, Gütersloh	Distribution	EUR	170,000.00	100.00	149.5
Sonopress LLC, Wilmington	Storage media	USD	1,000.00	100.00	146.7
Arvato Storage Media GmbH, Gütersloh	Storage media	EUR	5,112,918.81	100.00	141.9
Circulo de Lectores S.A., Barcelona	Book and music clubs	EUR	6,010,121.04	100.00	139.9
Verlagsgruppe NEWS Gesellschaft m.b.H., Wien	Publishing	EUR	70,000.00	41.96	136.7
Dresdner Druck- und Verlagshaus GmbH & Co.KG, Dresden	Printing and publishing	EUR	4,000,000.00	44.94	133.4
maul + co - Chr. Belser GmbH, Nürnberg	Printing	EUR	36,000,000.00	75.00	127.3
ECI voor Boeken en Platen B.V., Vianen	Book and music clubs	EUR	1,816,000.00	100.00	116.5
Prinovis Ahrensburg GmbH & Co. KG, Hamburg	Printing	EUR	1,001,000.00	56.14	108.0
Book Club Associates, London	Book and music clubs	GBP	7,500,000.00	100.00	107.8
Random House of Canada Limited, Mississauga (Ontario)	Publishing	CAD	33,623,045.00	100.00	89.1
GGP Media GmbH, Pößneck	Printing	EUR	5,363,920.00	100.00	88.2
arvato services, Inc., Sacramento	Services	USD	58,849,380.68	100.00	81.4
Euro-Papier N.V., Sint-Niklaas	Printing	EUR	65,000.00	56.14	78.1
Nuovo Istituto Italiano d'Arti Grafiche S.p.A., Bergamo	Printing	EUR	18,963,000.00	99.86	71.8

Orion S.N.C., Paris	Publishing	EUR	15,000.00	74.90	70.7
DPV Worldwide GmbH, Hamburg	Distribution	EUR	2,045,167.52	74.90	66.5
arvato business developpement services France S.A.R.L., Issy les Moulineaux	Services	EUR	320,000.00	100.00	65.0
arvato media GmbH, Gütersloh	Services	EUR	200,000.00	100.00	65.0
Motor Presse Stuttgart GmbH & Co. KG, Stuttgart	Publishing	EUR	6,000,000.00	41.12	64.9
Printer Industria Gráfica Newco, S.L., Sant Vicenc dels Horts (Barcelona)	Printing	EUR	6,016,100.00	100.00	64.5
arvato technology ELC GmbH, Düren	Services	EUR	25,000.00	100.00	63.8
Prinovis Itzehoe GmbH & Co. KG, Hamburg	Printing	EUR	100,000.00	56.14	63.3
G y J Espana Ediciones, S.L., S. en C., Madrid	Publishing	EUR	5,052,500.00	74.90	63.0
BMG Music Publishing NA, Inc., Sacramento	Music publishing	USD	6,504,853.00	100.00	61.5
Sonopress-Rimo da Amazonia Indústria e Comércio Fonográfica Ltda., Manaus	Storage media	BRL	498,426.99	52.00	59.3
arvato services France S.A.R.L., Noyelles sous Lens	Services	EUR	2,984,100.00	100.00	58.2
Eurogravure S.p.A., Bergamo	Printing	EUR	24,492,374.92	69.90	57.6
Eurohueco, S.A., Castellbisbal (Barcelona)	Printing	EUR	4,808,000.00	75.00	57.5
Gruner + Jahr Polska Sp. z o.o. & Co. Spółka Komandytowa, Warszawa	Publishing	PLN	67,600,000.00	74.90	53.2
Offset Paperback MFRS, Inc., Dallas	Printing	USD	100,000.00	100.00	52.7
Zomba Enterprises, Inc., New York	Music publishing	USD	364,675.00	100.00	51.0
Random House Australia Pty. Ltd., Melbourne	Publishing	AUD	1,250,002.00	100.00	50.7
AZ Direct GmbH, Gütersloh	Services	EUR	102,560.00	63.00	50.4
Coral Graphic Services, Inc., Horsham	Printing	USD	150,000.00	95.10	50.1

⁽¹⁾ Net revenues after elimination of intercompany sales.

⁽²⁾ Consolidated figure.

⁽³⁾ Proportionally consolidated.

Corporate Strategy

All Bertelsmann companies seek to attain or strengthen leading positions in attractive markets. The strategic focus is on media and services markets in Europe and the U.S., and is complemented by investments in growth markets. A number of strategic measures were put into practice in 2005 to accelerate the enhancement of leading market positions in key areas of business. Recent examples of this strategy include the acquisition of the DVD specialist retailer Columbia House in the U.S., the magazine publisher Motor Presse Stuttgart and the credit scoring company Infocore, a stake in the leading Russian television network REN TV and the leading bookseller chain in France Librairies Privat as well as establishment of the Prinovis joint venture, which combines several gravure printing operations. Bertelsmann exercises business and management control largely by aspiring to sole ownership of its businesses. Specifically, this strategy was put into practice in 2005 when the Group's ownership position in RTL Group was significantly strengthened by acquiring the shares owned by the WAZ group (Westdeutsche Allgemeine Zeitung) and buying the remaining shares in the British television channel, Five.

Following the acquisition of the Bertelsmann shares previously held by Groupe Bruxelles Lambert in July 2006, Bertelsmann's current corporate strategy is further focussed on regaining its traditional financial flexibility by the end of 2007. To achieve this aim, the Issuer has sold BMG Music Publishing and intends to pursue a restrained investment policy, focus on strengthening cashflows and follow a moderate dividend policy.

In 2005, the Executive Board initiated the “Growth Opportunities and Development Potential” project to conduct an ongoing analysis of Bertelsmann’s major businesses and of major future opportunities and challenges that may arise from changed consumer behaviour, technological advances and new forms of advertising.

In all its businesses, Bertelsmann strives for an adequate return on capital invested and to augment the company’s value as defined by rising, sustainable profitability. Bertelsmann’s strategy is consistent with the values espoused in its corporate culture.

Investments

In 2005, investments in property, plant and equipment, intangible assets and financial assets including acquisition price payments increased considerably, totalling €2,565 million for the year (2004: €863 million). Property, plant and equipment accounted for €568 million (2004: €498 million), most of which was invested at Arvato. Investments in intangible assets totalled €204 million (2004: €157 million), mostly at RTL Group, Direct Group and BMG. Investments in financial assets amounted to €59 million (2004: €123 million). There was a considerable increase in the purchase price paid for consolidated investments, now amounting to €1,734 million (2004: €85 million). In particular, this increase is the result of RTL Group’s acquisition of the remaining shares in Britain’s television channel Five, Gruner + Jahr’s increase of its holdings in Motor Presse Stuttgart, Direct Group’s acquisition of the North American DVD club Columbia House, and Bertelsmann’s acquisition of the RTL Group shares indirectly held by the WAZ group, a minority shareholder.

On July 4, 2006, the Issuer acquired the 25.1% stake in the Issuer from Groupe Bruxelles Lambert for a purchase price of €4.5 billion. For details on this investment, see “– Material Contracts” below.

Investments in 2006 and 2007 will, as a general policy, be made on a restrictive basis allowing only budgeted investments while unbudgeted investments must generally be refinanced through divestments.

Financing

The financial guidelines adopted by Bertelsmann Group are designed to ensure a balance between financial security, return on equity and growth. These parameters ensure a long-term safeguarding of the Group’s financing, an optimal use of the Group’s financial strength, and optimized costs of financing. In this context, financing is concentrated at group level wherever legally possible, taking into account the requirements and views of capital market participants.

Bertelsmann has long practised a system of controlling based on quantified financial targets that is a key contributor to the company’s independence. Key financial targets include a leverage factor of 2.3 or below and a coverage ratio exceeding 4. The leverage factor is the ratio of economic debt to operating EBITDA. Economic debt includes net financial debt as well as debt substitutes, which at Bertelsmann include pension provisions and profit participation capital. In calculating the leverage factor, modifications are made to the balance sheet figures, to better reflect the Group’s actual financial strength. The coverage ratio is calculated as the ratio between operating EBITDA and financial result.

The drawdown of the Acquisition Facility used for the payment of the purchase price for the Groupe Bruxelles Lambert shares has significantly increased the Issuer’s net financial debt (for further details on this transaction, see “– Material Contracts” below). Some of the internal financial targets are therefore currently not met. The Issuer’s management aims to bring debt levels back in line with the Issuer’s internal financial targets by the end of 2007.

Risk Management

Bertelsmann has an integrated risk management system. This system, which is subject to continuous evolution, is an integral part of the company’s management structure. It strives to identify and control potential risks from operating businesses, participations and financial assets. A major element of the risk identification process is a risk inventory which lists risks year by year, and then aggregates them at corporate level. Measures are continuously taken to monitor, reduce or eliminate the risks that have been identified.

Material Contracts

On May 26, 2006, BVG, the Mohn family, Bertelsmann Stiftung, Groupe Bruxelles Lambert and Bertelsmann AG agreed that Bertelsmann AG should repurchase the 25.1% stake in Bertelsmann AG held by Groupe Bruxelles

Lambert for a purchase price of €4.5 billion. A share purchase agreement to that effect was concluded on June 28, 2006. The acquisition became effective upon payment of the purchase price on July 4, 2006. To finance the purchase price, Bertelsmann AG made use of a €4.5 billion term loan facility (the “**Acquisition Facility**”). This has resulted in a substantial increase of the Issuer’s financial indebtedness.

The Acquisition Facility consists of two tranches, both of which carry variable interest. The first tranche, totalling €2 billion, will not be syndicated and is due for repayment after one year (or, if the one year extension option is used, after two years). The second tranche, in the amount of €2.5 billion, was syndicated in July 2006. It must be repaid after three years at the latest. The margin payable on the second tranche depends on the Issuer’s rating, while the margin of the first tranche does not. The Acquisition Facility contains certain customary covenants (including one financial covenant) and a cross-default clause.

The Issuer will use the majority of the proceeds from the issuance of the Notes to repay the Acquisition Facility in part. Furthermore, the Issuer intends to repay part of the credit facility with the proceeds from the sale of BMG Music Publishing, and through cash flow while reducing the payout ratio. The Issuer’s management is committed, under given circumstances, to bring debt levels back in line with Bertelsmann’s internal financing targets by the end of 2007. The leverage-factor, i.e. the ratio of economic debt to operating EBITDA after modifications, is expected to be reduced to the internal financing target of 2.3 by then.

On September 6, 2006, the Issuer and the Vivendi Group signed a binding agreement for the sale of BMG Music Publishing to the Vivendi Group. For details on this transaction, see “– Recent Developments” below.

Litigation and Arbitration Proceedings

Bertelsmann Group companies are parties to various legal proceedings, including some in which claims for large amounts in damages have been asserted.

- Various music publishers and record labels have sued Bertelsmann for substantial amounts in damages in a U.S. court in 2003 claiming that Bertelsmann contributed to alleged copyright infringements by the music file-sharing platform Napster and its users. The plaintiffs’ claim is based on the allegation that Bertelsmann, by granting loans to the music file-sharing platform Napster (which has since gone bankrupt), enabled Napster to survive longer than it would have otherwise, and thereby contributed to copyright infringements by Napster and its users. The plaintiffs further contend that Bertelsmann had de facto taken over Napster in the fall of 2000, and had thus assumed control of Napster’s day-to-day business. In 2005, the judge in San Francisco confirmed Bertelsmann’s interpretation of the law that the mere listing of names of music titles on Napster’s former server does not constitute a copyright violation. The Issuer believes that the on-going pre-trial discovery, most of which has been completed by the end of April 2006, has to date not yielded any evidence supporting plaintiffs’ theories. Accordingly, Bertelsmann’s view remains unchanged that the allegations and legal theories brought forth by the plaintiffs are untenable and completely without factual or legal foundation. On September 6, 2006, the Issuer and one of the plaintiffs, Universal Music Group, jointly announced a settlement. As consideration for this settlement, the Issuer will pay to Universal Music Group USD60 million. This payment includes the reimbursement of legal fees and expenses and covers the resolution of the legal claims of Universal’s recorded music and music publishing businesses, as well as potential claims of BMG Music Publishing. The Issuer has admitted no liability in making this settlement.
- The European Court of First Instance has annulled the European Commission’s decision which had unconditionally approved the creation of Sony BMG, the recorded music joint venture between Sony Corporation and Bertelsmann formed in 2004. This judgement can be appealed to the European Court of Justice. Upon renewed investigation (which will take place at the same time as any appeal), the European Commission may adopt a new unconditional clearance decision; alternatively, it could make its clearance conditional upon the parties complying with certain commitments they may offer to address competition concerns, failing which it could prohibit the combination.
- In Luxembourg, several minority shareholders of RTL Group S.A. (“**RTL**”) have taken legal action against Bertelsmann AG and Groupe Bruxelles Lambert (“**GBL**”) with respect to the acquisition by Bertelsmann AG of a 29.9% stake in RTL from GBL in 2001 in exchange for a 25.1% stake in Bertelsmann AG. While the plaintiffs’ main petition was to annul the transaction, they have, in ancillary petitions, demanded to be compensated for the damages they allegedly suffered due to Bertelsmann’s acquisition of the GBL’s shares in RTL by being allowed to exchange their shares in RTL for shares in Bertelsmann AG on terms equal to the terms agreed upon between Bertelsmann AG and GBL, alternatively they have claimed a specified monetary compensation. In another lawsuit filed by minority shareholders of RTL against, among others, RTL, its directors

and Bertelsmann AG in Luxembourg in September 2002, the plaintiffs seek a court decision obliging RTL Group to increase the free float and prohibiting Bertelsmann AG and other defendants from acquiring further shares in RTL. In addition, several minority shareholders have challenged the de-listing of the RTL shares from the London Stock Exchange which took effect on December 31, 2002. All these claims were rejected at the first instance. The minority shareholders' appeals were dismissed by the Luxembourg Court of Appeal in July 2006. The plaintiffs may refer the case to the Luxembourg *Cour de Cassation* within two months of delivery of the decisions (which has not taken place yet).

- After investigations of the major music companies concerning digital music pricing were commenced by the United States Department of Justice and the Office of the New York Attorney General, civil lawsuits were filed against the major music companies, including Sony BMG and the Issuer. These cases, brought principally in California and New York, but subject to pending motions to consolidate, are purported class actions brought on behalf of consumers generally alleging that the music companies colluded to exclude competition and fix prices in connection with the sale of digital music. Sony BMG and the Issuer have retained counsel and are in the process of preparing their responses to the various actions. It is very early in the process and therefore difficult to assess the merits of the actions at this time. The process likely will take between two to three years, however it is possible that the Issuer may have grounds to dispose of the cases before then.

The Issuer and its subsidiaries are, in addition to the legal proceedings described above, involved in a number of further legal, regulatory and arbitration proceedings involving claims by and against them. These proceedings arise in the ordinary course of their businesses. While it is not feasible to predict or determine the ultimate outcome of these proceedings, the Issuer's management does not believe that the outcome of these proceedings will have a material adverse effect on the financial position or results of operations of Bertelsmann. The Issuer's management is not aware of any threatened proceedings which could have such a material adverse effect.

Recent Developments

The shares in the Issuer repurchased from Groupe Bruxelles Lambert were transferred to the Issuer on July 4, 2006. The redemption of the repurchased shares became effective upon registration in the commercial register on August 30, 2006.

On July 13, 2006, the European Court of First Instance annulled the European Commission's clearance of the merger of BMG and Sony's recorded music businesses into Sony BMG (see also "– Litigation and Arbitration Proceedings" above). The ruling does not affect the continued existence of the music joint venture.

In August 2006, Random House strategically enhanced its portfolio by purchasing the remaining shares in the South Korean book publisher Random House Joong Ang and by acquiring Multnomah Publishers, a Christian imprint in the U.S.

On September 6, 2006, the Issuer and the Vivendi Group signed a share purchase agreement for the sale of BMG Music Publishing to the Vivendi Group for an aggregate purchase price of €1.63 billion. The Issuer expects to receive payment of the purchase price by the end of the year. The transaction has been approved by the Supervisory Boards of both parties. The closing is subject to customary conditions. BMG Music Publishing generated €371 million in revenues and €81 million in earnings before interest, taxes, depreciation and amortization (EBITDA) for the twelve months ended December 31, 2005. This represents 2.1% of the revenues and 3.6% of the EBITDA of the Bertelsmann Group for such period.

Outlook

The following outlook for the results for the financial year 2006 is based on Bertelsmann's current business strategy and reflects the Issuer's risk and opportunity considerations. All statements regarding possible future developments are estimates based on the information currently available. Should the underlying suppositions fail to materialise and/or further risks arise, actual results may deviate from the expected results. Therefore, no guarantee is made for the information provided.

In the light of modest growth in the media markets, the Issuer expects a marked increase in its revenues and operating results for fiscal 2006. The acquisitions made in fiscal 2005 continue to have a positive influence on revenue growth. RTL Group remains cautious but optimistic in its revenue and profit outlook for fiscal 2006, though phasing effects will prevent a continuation of the first-half surge in earnings. Random House will continue to see a slight increase in revenues, and achieve profitable growth. Both the core business and the recent con-

solidation of Prinovis and Motor Presse will result in improved revenues and profits at Gruner + Jahr. BMG remains confident about its outlook for fiscal 2006 and expects to maintain or slightly improve on the previous year's results against steady-to-slightly-declining revenues. Arvato expects considerable growth in revenues and profits, due in approximately equal parts to strong organic growth and the purchases made in 2005. Likewise, at Direct Group, the acquisitions in 2005 will increase revenues considerably. The division expects further improvements on the earnings side.

The Issuer expects to regain its financial flexibility in line with its financial targets by the end of fiscal 2007. The strong release of funds from operations, expected proceeds from the sale of BMG Music Publishing, and a moderate dividend and investment policy will contribute to this development. The leverage factor is expected to return to around the target of 2.3 by the end of fiscal 2007.

USE OF PROCEEDS

The net proceeds from the issuance of the Notes will amount to approximately €1.49 billion. The majority of the proceeds will be used to repay in part the €4.5 billion syndicated credit facility taken out by the Issuer to finance the buyback of the 25.1% stake in the Issuer held by Groupe Bruxelles Lambert for a purchase price of €4.5 billion, while the remaining part will be used for general corporate purposes. For details on the share repurchase see “BUSINESS OF THE BERTELSMANN GROUP – Material Contracts”.

SELECTED FINANCIAL INFORMATION

The following selected financial data for the years 2005 and 2004 are excerpted from the consolidated financial statements of Bertelsmann, which have been audited by KPMG, the statutory auditors during this period. Accounting and reporting of the Bertelsmann Group is performed according to IFRS.

The selected financial data for the periods January to June 2006 and January to June 2005 are excerpted from the unaudited interim reports relating to those periods, which were prepared in accordance with IAS 34 (Interim Financial Reporting).

The Issuer has adopted IAS 32.18 b), which regards the accounting treatment of minority interests in partnerships and put options held by minority shareholders (puttable instruments), for the first time in its financial statements for the period ending December 31, 2005. The comparative figures for the financial year ending December 31, 2004 and for the six months ending June 30, 2005 have been restated accordingly.

Investors should read the information below together with the consolidated financial statements of Bertelsmann, including the notes thereto, the interim reports, and the other financial information that is incorporated into this Prospectus by reference.

The financial year of Bertelsmann AG is the calendar year.

Consolidated Statements of Income

(in € millions)	H1 2006 ⁽¹⁾	H1 2005 ^(1, 2)	2005	2004 ⁽²⁾
Revenues	9,144	7,988	17,890	17,016
Other operating income	318	296	591	685
Change in inventories	72	59	30	80
Own costs capitalized	110	94	217	188
Cost of materials	(2,860)	(2,380)	(5,328)	(4,988)
Royalty and license fees	(751)	(667)	(1,500)	(1,491)
Personnel costs	(2,394)	(2,045)	(4,458)	(4,204)
Amortization of intangible assets and depreciation of property, plant and equipment	(357)	(298)	(656)	(671)
Other operating expenses	(2,632)	(2,468)	(5,267)	(5,222)
Results from investments accounted for using the equity method	43	40	76	37
Income from other participations	8	25	15	(1)
Special items	(8)	(80)	61	318
EBIT (Earnings before interest and taxes)	693	564	1,671	1,747
Interest income	77	89	170	175
Interest expenses	(134)	(129)	(264)	(253)
Other financial expenses	(115)	(107)	(292)	(234)
Financial result	(172)	(147)	(386)	(312)
Income taxes	(182)	(87)	(244)	(263)
Net income	339	330	1,041	1,172
Attributable to:				
Share of profit of Bertelsmann shareholders	243	224	880	1,032
Minority interest	96	106	161	140

⁽¹⁾ Unaudited.

⁽²⁾ Restated.

Reconciliation to Operating EBIT

(in € millions)	H1 2006 ⁽¹⁾	H1 2005 ^(1, 2)	2005	2004 ⁽²⁾
EBIT	693	564	1,671	1,747
Special items				
– Impairment of goodwill and income from release of badwill	–	–	12	34
– Capital gains/losses	(30)	(15)	(246)	(328)
– Other special items	38	95	173	(24)
Operating EBIT⁽³⁾	701	644	1,610	1,429
Operating EBITDA⁽⁴⁾	1,058	949	2,274	2,112

⁽¹⁾ Unaudited.

⁽²⁾ Restated.

⁽³⁾ Earnings before interest, taxes and special items.

⁽⁴⁾ Earnings before interest, taxes, depreciation, amortisation and special items.

Consolidated Balance Sheet

(in € millions)	6/30/2006 ⁽¹⁾	6/30/2005 ⁽¹⁾	12/31/2005	12/31/2004 ⁽²⁾
Assets				
Non-current assets				
Goodwill	7,699	6,404	7,755	6,415
Other intangible assets	1,489	1,381	1,611	1,321
Property, plant and equipment	2,814	2,489	2,785	2,369
Investments accounted for using the equity method	688	435	691	437
Other financial assets	239	654	264	621
Trade accounts receivable	8	24	93	14
Other accounts receivable and other current assets	397	303	452	311
Deferred tax assets	335	331	420	286
	13,669	12,021	14,071	11,774
Current assets				
Inventories	2,131	2,017	2,108	1,933
Trade accounts receivable	2,795	2,733	3,205	2,813
Other accounts receivable and other current assets	2,033	1,863	1,963	2,064
Other financial assets	62	311	39	62
Current income tax receivable	172	218	219	252
Cash and cash equivalents	899	1,255	1,036	2,092
	8,092	8,397	8,570	9,216
Assets held for sale	265	224	291	–
	22,026	20,642	22,932	20,990
Equity and Liabilities				
Equity				
Subscribed capital	1,000	1,000	1,000	1,000
Capital reserve	2,331	2,331	2,331	2,331
Retained earnings	4,788	4,245	4,997	4,179
Obligation to repurchase treasury shares deducted from equity ⁽³⁾	(4,500)	–	–	–
Shareholders' equity	3,619	7,576	8,328	7,510
Minority interest	873	1,322	842	1,212
	4,492	8,898	9,170	8,722
Non-current liabilities				
Provisions for pensions and similar obligations	1,649	1,667	1,647	1,874
Other provisions	119	95	105	136
Deferred tax liabilities	225	224	273	208
Profit participation capital	706	706	706	706
Financial debt	2,377	1,942	2,435	1,880
Trade accounts payable	21	77	130	75
Other liabilities	388	357	576	590
	5,485	5,068	5,872	5,469
Current liabilities				
Other provisions	478	500	646	484
Financial debt	390	267	179	264
Obligation to repurchase treasury shares ⁽³⁾	4,500	–	–	–
Trade accounts payable	3,758	3,530	4,022	3,610
Other liabilities	2,374	2,101	2,435	2,162
Current income tax payable	328	238	364	279
	11,828	6,636	7,646	6,799
Liabilities included in disposal groups held for sale	221	40	244	–
	22,026	20,642	22,932	20,990

⁽¹⁾ Unaudited.

⁽²⁾ Restated.

⁽³⁾ In accordance with IAS 32.

Consolidated Cash Flow Statement

(in € millions)	H1 2006 ⁽¹⁾	H1 2005 ^(1, 2)	2005	2004 ⁽²⁾
EBIT	693	564	1,671	1,747
Taxes paid	(133)	(155)	(253)	(244)
Depreciation and write-ups of non-current assets	357	305	699	695
Capital gains/losses	(30)	(15)	(246)	(328)
Change in provisions for pensions	(17)	(29)	(22)	(52)
Change in other provisions	(66)	(72)	–	–
Other effects	(73)	89	(46)	(108)
Change in net working capital	(92)	(118)	(12)	119
Cash flow from operating activities	639	569	1,791	1,829
Investments in:				
– intangible assets	(65)	(91)	(204)	(157)
– property, plant and equipment	(287)	(299)	(568)	(498)
– other investments and financial assets	(14)	(23)	(59)	(123)
– purchase price for consolidated investments (minus acquired cash)	(187)	(352)	(1,734)	(85)
Proceeds from disposal of non-current assets	122	93	436	366
Proceeds from disposal of marketable securities and short-term investments	15	–	–	–
Cash flow from investing activities	(416)	(672)	(2,129)	(497)
Change in bonds and promissory notes	–	(40)	310	(297)
Change in financial debt	217	31	(120)	(78)
Interest paid	(166)	(118)	(165)	(175)
Change in shareholders' equity	–	–	–	20
Dividend Bertelsmann shareholders and minority interest	(378)	(412)	(414)	(262)
Additional payments to partners (IAS 32)	(14)	(7)	(39)	(53)
Cash flow from financing activities	(341)	(546)	(428)	(845)
Change in cash and cash equivalents	(118)	(649)	(766)	487
Funding of Bertelsmann Pension Trust e.V. (CTA)	–	(200)	(360)	–
Currency effects and other changes in cash and cash equivalents	(19)	12	70	(37)
Cash and cash equivalents at the beginning of the period	1,036	2,092	2,092	1,642
Cash and cash equivalents at the end of the period	899	1,255	1,036	2,092

⁽¹⁾ Unaudited.

⁽²⁾ Restated.

Distribution of Consolidated Revenues by Geographical Regions

(in %)	H1 2006 ⁽¹⁾	H1 2005 ⁽¹⁾	2005	2004
Germany	30.5	30.0	29.7	29.7
Other European Countries	43.6	44.0	43.8	42.2
United States	20.4	20.6	20.5	22.4
Other Countries	5.5	5.4	6.0	5.7

⁽¹⁾ Unaudited.

Revenues by Corporate Divisions

(in € millions)	H1 2006 ⁽¹⁾	H1 2005 ⁽¹⁾	2005	2004
RTL Group	2,854	2,397	5,112	4,878
Random House	859	799	1,828	1,791
Gruner + Jahr	1,374	1,188	2,624	2,439
BMG ⁽²⁾	888	952	2,128	2,547
Arvato	2,202	1,874	4,365	3,756
Direct Group	1,264	1,016	2,384	2,175
Total divisions	9,441	8,226	18,441	17,586
Corporate	8	7	15	13
Consolidation	(305)	(245)	(566)	(583)
Total group	9,144	7,988	17,890	17,016

⁽¹⁾ Unaudited.

⁽²⁾ *Thereof* BMG Music Publishing: €183 million for the six months ending June 30, 2006 and June 30, 2005, respectively. The Issuer has agreed to sell BMG Music Publishing to the Vivendi Group with economic effect as of July 1, 2006.

Results Breakdown

(in € millions)	H1 2006 ⁽¹⁾	H1 2005 ⁽¹⁾	2005	2004
Operating EBIT by Divisions				
RTL Group	471	371	756	668
Random House	48	48	166	140
Gruner + Jahr	111	126	250	210
BMG ⁽²⁾	2	48	177	162
Arvato	96	100	341	310
Direct Group	13	(11)	53	32
Total divisions	741	682	1,743	1,522
Corporate/Consolidation	(40)	(38)	(133)	(93)
Group Operating EBIT	701	644	1,610	1,429
Special Items	(8)	(80)	61	318
Group EBIT	693	564	1,671	1,747

⁽¹⁾ Unaudited.

⁽²⁾ *Thereof* BMG Music Publishing: €30 million for the six months ending June 30, 2006 and €23 million for the six months ending June 30, 2005. The Issuer has agreed to sell BMG Music Publishing to the Vivendi Group with economic effect as of July 1, 2006.

TAXATION

The following is a general discussion of certain German and Luxembourg tax consequences of the acquisition and ownership of Notes. This discussion does not purport to be a comprehensive description of all tax considerations which may be relevant to a decision to purchase Notes. In particular, this discussion does not consider any specific facts or circumstances that may apply to a particular purchaser. This summary is based on the laws of the Federal Republic of Germany and the Grand-Duchy of Luxembourg currently in force and as applied on the date of this prospectus, which are subject to change, possibly with retroactive or retrospective effect.

PROSPECTIVE PURCHASERS OF NOTES ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF NOTES, INCLUDING THE EFFECT OF ANY STATE OR LOCAL TAXES, UNDER THE TAX LAWS OF GERMANY, THE GRAND DUCHY OF LUXEMBOURG AND EACH COUNTRY OF WHICH THEY ARE RESIDENTS.

Taxation in Germany

Tax Residents

Payments of interest on the Notes to persons who are tax residents of Germany (*i.e.*, persons whose residence, habitual abode, statutory seat, or place of effective management and control is located in Germany) are subject to German personal or corporate income tax (plus solidarity surcharge (*Solidaritätszuschlag*)). Such interest may also be subject to trade tax if the Notes form part of the property of a German trade or business.

Upon the disposition of a Note carrying interest a holder of the Note will also have to include in his taxable income any consideration invoiced separately for such portion of the interest of the current interest payment period which is attributable to the period up to the disposition of the Note (“**Accrued Interest**”). Accrued Interest paid upon the acquisition of the Notes may be declared as negative income if the Note is held as a non-business asset.

If for the determination of the issue price of the Note the redemption amount is reduced by a discount or if the redemption amount is increased as compared with the issue price of the Note (as, for example, in the case of a discounted Note or a Note with accrued interest added), the difference between the redemption amount and the issue price of the Note (“**Original Issue Discount**”) realized when a Note held as a non-business asset is redeemed to its initial subscriber will be taxable investment income, however, only if the Original Issue Discount exceeds certain thresholds; in such case, the Note qualifies as a financial innovation under German tax law.

If the Note qualifies as a financial innovation (*Finanzinnovation*) (including, among other things, zero coupon Notes or other discounted Notes or Notes with accrued interest added as well as floating rate Notes) and is disposed of while outstanding or redeemed at maturity, such portion of the proceeds from the disposition of the Note or of the redemption amount of the Note which equals the yield to maturity of the Note attributable to the period over which the holder has held such Note, minus interest, including Accrued Interest, already taken into account, will be subject to income tax (plus solidarity surcharge), provided the holder of the Note is an individual. The yield to maturity is determined by taking into account the Original Issue Discount. If the Notes do not have a predetermined yield to maturity (e.g. in the case of floating rate Notes) or the holder does not give proof thereof, the difference between the proceeds from the disposition, assignment or redemption and the issue or purchase price of the Note is subject to income tax (plus solidarity surcharge) in the year of the disposition, assignment, or redemption of the Note. Where a Note forms part of the property of a German trade or business, in each fiscal year the yield to maturity of the Note to the extent attributable to such period has to be taken into account as interest income by the initial subscriber of the Note and is subject to personal or corporate income tax (plus solidarity surcharge) and trade tax.

Capital gains from the disposition of Notes, other than income described in the preceding paragraph, are only taxable to a German tax-resident individual if the Notes are disposed of within one year after their acquisition or form part of the property of a German trade or business. In the latter case the capital gains may also be subject to trade tax.

Capital gains derived by German-resident corporate holders of Notes will be subject to corporate income tax (plus solidarity surcharge) and trade tax, even if the Notes do not qualify as financial innovations.

If the Notes are held in a custodial account which the Noteholder maintains with a German branch of a German or non-German bank or financial services institution (the “**Disbursing Agent**”) a 30% withholding tax on interest payments (*Zinsabschlag*), plus 5.5% solidarity surcharge on such tax, will be levied, resulting in a total tax charge of 31.65% of the gross interest payment. Withholding tax is also imposed on Accrued Interest. If the Notes qualify as financial innovations, as explained above, withholding tax at the aforementioned rate will also be withheld from the difference between the proceeds from the disposition, assignment or redemption and the issue or purchase price of the Notes if the Note has been kept in a custodial account with such Disbursing Agent since the time of issuance or acquisition, respectively. If the Notes have been transferred into the custodial account of the Disbursing Agent only after such point in time, withholding tax at the aforementioned rate will be levied on a lump-sum basis on 30% of the proceeds from the disposition, assignment or redemption of the Notes.

In computing the tax to be withheld the Disbursing Agent may deduct from the basis of the withholding tax any Accrued Interest paid by the holder of a Note to the Disbursing Agent during the same calendar year. In general, no withholding tax will be levied if the holder of a Note is an individual (i) whose Note does not form part of the property of a German trade or business nor gives rise to income from the letting and leasing of property, and (ii) who filed a withholding exemption certificate (*Freistellungsauftrag*) with the Disbursing Agent but only to the extent the interest income derived from the Note together with other investment income does not exceed the maximum exemption amount shown on the withholding exemption certificate. Similarly, no withholding tax will be deducted if the holder of the Note has submitted to the Disbursing Agent a certificate of non-assessment (*Nichtveranlagungsbescheinigung*) issued by the relevant local tax office.

Withholding tax and the solidarity surcharge thereon are credited as prepayments against the German personal or corporate income tax and the solidarity surcharge liability of the German resident. Amounts overwithheld will entitle the holder of a Note to a refund, based on an assessment to tax.

Non-Residents

Interest, including Accrued Interest and (in the case of financial innovations) Original Issue Discount, and capital gains are not subject to German taxation, unless (i) the Notes form part of the business property of a permanent establishment, including a permanent representative, or a fixed base maintained in Germany by the holder of a Note or (ii) the interest income otherwise constitutes German source income (such as income from the letting and leasing of certain German-situs property). If the nonresident of Germany is subject to German taxation with income from the Notes, a tax regime similar to that explained above at “Tax Residents” applies; capital gains from the disposition of Notes are, however, only taxable in the case of (i).

Nonresidents of Germany are, in general, exempt from German withholding tax on interest and the solidarity surcharge thereon. However, where the interest is subject to German taxation as set forth in the preceding paragraph and the Notes are held in a custodial account with a Disbursing Agent, withholding tax is levied as explained above at “Tax Residents”.

Inheritance and Gift Tax

No inheritance or gift taxes with respect to any Note will arise under the laws of Germany, if, in the case of inheritance tax, neither the decedent nor the beneficiary, or, in the case of gift tax, neither the donor nor the donee, is a resident of Germany and such Note is not attributable to a German trade or business for which a permanent establishment is maintained, or a permanent representative has been appointed, in Germany. Exceptions from this rule apply to certain German citizens who previously maintained a residence in Germany.

Other Taxes

No stamp, issue, registration or similar taxes or duties will be payable in Germany in connection with the issuance, delivery or execution of the Notes. Currently, net assets tax is not levied in Germany.

Proposal for the Introduction of a Flat Tax on Investment Income

Based upon a July 12, 2006 Ministry of Finance press release, the coalition government has reached agreement on the introduction of a flat tax on investment income (so-called *Abgeltungssteuer*). While details have not been announced the flat tax would likely be collected by withholding from interest paid on the Notes after 2007 and would satisfy the income tax liability of a non-business investor. The flat tax could conceivably extend to gain realized upon the disposition of non-business financial assets, irrespective of any holding period. In this case the

new tax regime would likely also apply to interest-bearing notes or bonds and could subject any gain realized upon the sale or redemption of a Note to personal income tax. The tax would most likely apply to gain realized after 2007 whether or not the Note was acquired prior to 2008. Steps to initiate the formal legislative procedure required to change the current tax regime described herein have not been taken, and no further details of the envisaged legislative changes are currently available.

EU Savings Tax Directive

On June 3, 2003 the Council of the European Union approved a directive regarding the taxation of savings income in the form of interest payments (the “**EU Savings Tax Directive**”). Accordingly, each EU Member State must require paying agents (within the meaning of such directive) established within its territory to provide to the competent authority of this state details of the payment of interest made to any individual resident in another EU Member State as the beneficial owner of the interest. The competent authority of the EU Member State of the paying agent (within the meaning of the EU Savings Tax Directive) is then required to communicate this information to the competent authority of the EU Member State of which the beneficial owner of the interest is a resident.

For a transitional period, Austria, Belgium and Luxembourg may opt instead to withhold tax from interest payments within the meaning of the EU Savings Tax Directive at a rate of 15% for the first three years from application of the provisions of such directive, of 20% for the subsequent three years, and of 35% from the seventh year after application of the provisions of such directive.

In conformity with the prerequisites for the application of the EU Savings Tax Directive, Switzerland, Liechtenstein, San Marino, Monaco and Andorra have confirmed that from July 1, 2005 they will apply measures equivalent to those contained in such directive, in accordance with agreements entered into by them with the European Community. It has also been confirmed that certain dependent or associated territories (the Channel Islands, the Isle of Man and certain dependent or associated territories in the Caribbean) will apply from that same date an automatic exchange of information or, during the transitional period described above, a withholding tax in the described manner. Consequently, the Council of the European Union noted that the conditions have been met to enable the provisions of the EU Savings Tax Directive to enter into force as from July 1, 2005.

By legislative regulations dated January 26, 2004 the German Federal Government enacted the provisions for implementing the EU Savings Tax Directive into German law. These provisions apply as from July 1, 2005.

Noteholders who are individuals should note that the Issuer will not pay additional amounts under § 7 of the Terms and Conditions of the Notes in respect of any withholding tax imposed as a result of the EU Savings Tax Directive.

Taxation in Luxembourg

Non-Residents

Under the existing laws of Luxembourg and except as provided for by the Luxembourg law of June 20, 2005 implementing the EU Savings Tax Directive (as defined above), there is no withholding tax on the payment of interest on, or reimbursement of principal of, the Notes made to non-residents of Luxembourg.

Under the Luxembourg law of June 20, 2005 implementing the EU Savings Tax Directive and as a result of ratification by Luxembourg of certain related Accords with the relevant dependent and associated territories, payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual or certain residual entities as defined by the law, who, as a result of an identification procedure implemented by the paying agent, are identified as residents or are deemed to be residents of an EU Member State other than Luxembourg or certain of those dependent or associated territories referred to under “the EU Savings Tax Directive” (as defined above), will be subject to a withholding tax unless the relevant beneficiary has adequately instructed the relevant paying agent to provide details of the relevant payments of interest or similar income to the fiscal authorities of his/her country of residence or deemed residence or has provided a tax certificate from his/her fiscal authority in the format required by law to the relevant paying agent. Where withholding tax is applied, it will be levied at a rate of 15% during the first three-year period starting July 1, 2005, at a rate of 20% for the subsequent three-year period and at a rate of 35% thereafter.

When used in the preceding paragraph “interest” and “paying agent” have the meaning given thereto in the Luxembourg law of June 20, 2005 (or the relevant Accords). “Interest” will include accrued or capitalised interest

at the sale, repayment or redemption of the Notes. "Paying agent" is defined broadly for this purpose and in the context of the Notes means any economic operator established in Luxembourg who pays interest on the Notes to or ascribes the payment of such interest to or for the immediate benefit of the beneficial owner, whether the operator is, or acts on behalf of, the Issuer or is instructed by the beneficial owner to collect such payment of interest.

Payments of interest or similar income under the Notes to the Clearing Systems and payments by or on behalf of Clearstream Banking, *société anonyme*, Luxembourg, to financial intermediaries will not give rise to a withholding tax under Luxembourg law.

Residents

Interest on Notes paid by a Luxembourg paying agent to an individual holder who is a resident of Luxembourg will be subject to a withholding tax of 10% which will operate a full discharge of income tax due on such payments.

Interest on Notes paid by a Luxembourg paying agent to residents of Luxembourg which are not individuals will not be subject to any withholding tax.

SUBSCRIPTION AND SALE

Subscription of the Notes

Pursuant to a subscription agreement dated September 26, 2006 (the “**Subscription Agreement**”) between the Issuer and the Managers, the Managers have agreed, subject to certain conditions, to subscribe and pay for the Notes at an issue price of 99.803% in the case of the Tranche A Notes and of 99.222% in the case of the Tranche B Notes, in each case less certain management and underwriting commissions. The conditions as referred to in the first sentence of this paragraph are customary closing conditions as set out in the Subscription Agreement.

In the Subscription Agreement, the Issuer has made certain representations and warranties in respect of its legal and financial matters. The Subscription Agreement entitles the Managers to terminate its obligations thereunder in certain circumstances prior to payment of the purchase price of the Notes. The Issuer has agreed to indemnify the Managers against certain liabilities in connection with the offer and sale of the Notes. The Issuer has also agreed to reimburse the Managers for certain of their expenses incurred in connection with the management of the issue of the Notes. The Subscription Agreement is governed by German law.

The Managers (or their affiliates) have provided from time to time, and expect to provide in the future, investment services to the Issuer (or its affiliates), for which the Managers (or their affiliates) have received or will receive customary fees and commissions.

There are no interests of natural and legal persons involved in the issue, including conflicting interests, which are material to the issue.

Selling Restrictions

European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), each Manager has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that Member State (the “**Relevant Implementation Date**”) it has not made and will not make an offer of Notes to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Notes which has been approved by the competent authority in that Relevant Member State in accordance with the Prospectus Directive or, where appropriate, published in another Relevant Member State and notified to the competent authority in that Relevant Member State in accordance with Article 18 of the Prospectus Directive, except that it may, with effect from and including the Relevant Implementation Date, make an offer of Notes to the public in that Relevant Member State at any time:

- (a) to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (b) to any legal entity which has two or more of (1) an average of at least 250 employees during the last fiscal year; (2) a total balance sheet of more than €43,000,000 and (3) an annual turnover of more than €50,000,000, as shown in its last annual or consolidated accounts; or
- (c) in any other circumstances which do not require the publication by the Issuer of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression “**Prospectus Directive**” means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United States of America and its Territories

The Notes have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) and may not be offered, or sold within the United States of America or to, or for the account or

benefit of, U.S. persons except in accordance with Regulation S under the Securities Act. Each Manager has represented and agreed that it has neither offered nor sold the Notes, and will neither offer nor sell the Notes (i) as part of its distribution at any time or (ii) otherwise until 40 days after the closing date, except in accordance with Rule 903 of Regulation S under the Securities Act. Neither the Managers, their affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed selling efforts with respect to the Notes, and it and they have complied and will comply with the offering restrictions requirements of Regulation S under the Securities Act. Each Manager has also agreed that at or prior to confirmation of sale of Notes, it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it during the restricted period a confirmation or notice to substantially the following effect:

“The Securities covered hereby have not been registered under the U.S. Securities Act of 1933, as amended (the “**Securities Act**”) and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (i) as part of their distribution at any time or (ii) otherwise until 40 days after the closing date as determined and certified by each Manager, except in either case in accordance with Regulation S under the Securities Act.”

Terms used in the preceding paragraph have the meaning given to them by Regulation S under the Securities Act.

In addition, each Manager has represented and agreed that, as the Notes are issued in bearer form in accordance with U.S. Treasury Regulation §1.163-5(c)(2)(i)(C) (the “**C Rules**”), they may only be issued and delivered outside the United States and its possessions in connection with their original issuance. Each Manager represents and agrees that it has not offered, sold or delivered and that it will not offer, sell or deliver, directly or indirectly, the Notes within the United States or its possessions in connection with their original issuance. Further, each Manager has represented and agreed that it has not communicated, and will not communicate, directly or indirectly, with a prospective purchaser if such Manager or purchaser is within the United States or its possessions and will not otherwise involve its U.S. office in the offer or sale of the Notes. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the C Rules.

In addition, until 40 days after the commencement of the offering, an offer or sale of Notes within the United States by a Manager may violate the registration requirements of the Securities Act.

United Kingdom of Great Britain and Northern Ireland

Each Manager has represented and agreed that

- (a) (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell the Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (“**FSMA**”) by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

France

Each Manager has represented and agreed that Notes in connection with their initial distribution have not been offered or sold and will not be offered or sold, directly or indirectly, to the public in France, and that, in connection with their initial distribution, it has not distributed and will not distribute or cause to be distributed to the public in France the Prospectus or any other offering material relating to the Notes. Nevertheless, the Notes, in connection with their initial distribution, can be offered or sold and the Prospectus or any amendment, supplement or replacement thereto or any material relating to the Notes may be distributed or caused to be distributed to any French Qualified Investor (*investisseur qualifié*), or to a limited circle of investors (*cercle restreint d'investisseurs*), as defined by article L.411-2-II of the French Monetary and Financial Code (*Code Monétaire et Financier*) and by

the French Decree no. 98-880 dated 1 October 1998 and in compliance with all relevant regulations issued from time to time by the French financial market authority (i.e. *Autorité des Marchés Financiers*).

Investors in France are informed that:

- (i) neither the offer and sale of the Notes nor the Prospectus have been submitted for clearance to the French financial market authority (*Autorité des Marchés Financiers*);
- (ii) investors or entities described in article L.411-2-II-4° of the French Monetary and Financial Code (*Code Monétaire et Financier*) can only acquire Notes for their own account and in accordance with the provisions of articles D.411-1, D.411-2, D.734-1, D.744-1, D.754-1 and D.764-1 of the French Monetary and Financial Code (*Code Monétaire et Financier*); and

the direct and indirect distribution or sale to the public of the Notes acquired by them can only be made in compliance with articles L.411-1, L.411-2, L.412-1 and L.621-8 to L.621-8-3 of the French Monetary and Financial Code (*Code Monétaire et Financier*).

Italy

The offering of the Notes has not been cleared by CONSOB (the Italian Securities Exchange Commission) pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the Prospectus or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- (A) to professional investors (*operatori qualificati*), as defined in Article 31, second paragraph, of CONSOB Regulation No. 11522 of July 1, 1998, as amended; or
- (B) in circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of Legislative Decree No. 58 of 24th February, 1998 (the “**Financial Services Act**”) and Article 33, first paragraph, of CONSOB Regulation No. 11971 of May 14, 1999, as amended.

Any offer, sale or delivery of the Notes or distribution of copies of the Prospectus or any other document relating to the Notes in the Republic of Italy under (A) or (B) above must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act and Legislative Decree No.385 of September 1, 1993 (the “**Banking Act**”), as amended;
- (ii) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy pursuant to which the issue or the offer of securities in the Republic of Italy may need to be preceded and followed by an appropriate notice to be filed with the Bank of Italy depending, *inter alia*, on the aggregate value of the securities issued or offered in the Republic of Italy and their characteristics; and
- (iii) in compliance with any other applicable laws and regulations.

General

In addition to the specific restrictions set out above, the Managers have agreed that they will, to their best knowledge and belief, observe all applicable provisions of law in each jurisdiction in or from which it may offer Notes or distribute any offering material.

GENERAL INFORMATION

Authorisation

The issue of the Notes is part of the refinancing of the Issuer's repurchase of the 25.1% stake in the Issuer from Groupe Bruxelles Lambert (see "BUSINESS OF THE BERTELSMANN GROUP – Material Contracts" for details on this transaction). This transaction has been authorised by a resolution of the Executive Board (*Vorstand*) of the Issuer on May 26, 2006 and by a resolution of the Supervisory Board (*Aufsichtsrat*) of the Issuer on June 26, 2006.

Litigation

Save as disclosed in this Prospectus, there are currently no, and the Issuer or any of its subsidiaries has or have not been involved in any, governmental, legal or arbitration proceedings during the period of the last twelve months, against or affecting the Issuer or any of its subsidiaries, nor is the Issuer aware of any pending or threatened proceedings, which (in either case) may have or have had in the recent past significant effects on the Issuer's or Bertelsmann Group's financial position or profitability.

Material Change

Save as disclosed in this Prospectus, there has been no material adverse change in the prospects of the Issuer and no significant change in the Issuer's financial or trading position since December 31, 2005.

Payment Information

For as long as any of the Notes are listed on the Luxembourg Stock Exchange, the Luxembourg Stock Exchange will be informed by the Issuer of all notifications regarding payments.

Payments and transfers of the Notes will be settled through Euroclear and Clearstream Luxembourg.

All notices to the Noteholders regarding the Notes will be published on the website of the Luxembourg Stock Exchange (www.bourse.lu) and in a national newspaper designated for exchange notices by the Frankfurt Stock Exchange (which is expected to be the *Börsen-Zeitung*) or in such other publication or manner conforming to the rules of the Luxembourg Stock Exchange and the Frankfurt Stock Exchange.

Listing

Application has been made to list the Notes on the regulated market of Luxembourg Stock Exchange and on the regulated market (*geregelter Markt*) of the Frankfurt Stock Exchange. The Notes are expected to be traded on both markets from September 26, 2006.

The Issuer has appointed Deutsche Bank Luxembourg S.A., 2 Boulevard Konrad Adenauer, 1115 Luxembourg, Grand Duchy of Luxembourg, as the initial Listing Agent for the Luxembourg Stock Exchange and as initial Luxembourg Paying Agent in the City of Luxembourg. For as long as any of the Notes are listed on the Luxembourg Stock Exchange the Issuer will maintain a Listing and Paying Agent in Luxembourg.

Clearing Codes

The Notes have been accepted for clearing by Euroclear and Clearstream Luxembourg with the following security identification numbers:

	Tranche A	Tranche B
ISIN Code:	XS0268584298	XS0268583993
Common Code:	026858429	026858399
WKN (German Securities Code):	A0KPZA	A0KPZB

Availability of Documents

For so long as any Notes are outstanding, copies of the following documents may be inspected during normal business hours at the specified office of each Paying Agent:

- (i) the Articles of Association (*Satzung*) of the Issuer;
- (ii) this Prospectus; and
- (iii) the Issuer's Annual Reports 2004 and 2005 and the Issuer's Interim Reports for the six months ending June 30, 2005 and June 30, 2006, respectively.

The Prospectus, the Annual Reports and the Interim Report will also be available in electronic form on the website of the Issuer (www.bertelsmann.com) and, as long as the Notes are listed on the regulated market of the Luxembourg Stock Exchange, on the website of the Luxembourg Stock Exchange (www.bourse.lu).

Yield of the Notes

For the subscribers of the Notes the re-offer yield is 4.413% per annum in the case of the Tranche A Notes calculated on the basis of the issue price of 99.803%, and 4.850% in the case of the Tranche B Notes calculated on the basis of the issue price of 99.222%.

Expenses of the Issue

The expenses of the issue of the Notes will be approximately €5 million.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have been published previously and filed with the CSSF shall be incorporated in, and form part of, this Prospectus:

- (a) the audited consolidated annual financial statements of Bertelsmann Group and the group management report for the financial year ended December 31, 2005, to be found in the Annual Report 2005 of Bertelsmann (pages 74-127):
 - Group Management Report (pages 50-70);
 - Consolidated Income Statement (page 74);
 - Consolidated Balance Sheet (page 75);
 - Consolidated Cash Flow Statement (page 76);
 - Notes (pages 80-123); and
 - Auditor's Report (page 127);
- (b) the audited consolidated annual financial statements of Bertelsmann Group and the group management report for the financial year ended December 31, 2004, to be found in the Annual Report 2004 of Bertelsmann (pages 10 to 45 and 50 to 105):
 - Group Management Report (pages 50-70);
 - Consolidated Income Statement (page 50);
 - Consolidated Balance Sheet (page 51);
 - Consolidated Cash Flow Statement (page 52);
 - Notes (pages 56-101); and
 - Auditor's Report (page 105);
- (c) the unaudited financial statements of Bertelsmann Group for the half year ended June 30, 2006, to be found in the Interim Report January to June 2006 of Bertelsmann (pages 2 to 12):
 - Consolidated Income Statement (page 10);
 - Consolidated Balance Sheet (page 11);
 - Consolidated Cash Flow Statement (page 12).
- (d) the unaudited financial statements of Bertelsmann Group for the half year ended June 30, 2005, to be found in the Interim Report January to June 2005 of Bertelsmann (pages 2 to 9):
 - Consolidated Income Statement (page 6);
 - Consolidated Balance Sheet (page 7);
 - Consolidated Cash Flow Statement (page 8).

Any information not listed in the above list but included in the documents incorporated by reference is given for information purposes only.

Any document incorporated herein by reference can be obtained free of charge at the Issuer's headquarters. Requests for such documents should be directed to Bertelsmann AG, Investor Relations, Carl-Bertelsmann-Str. 270, 33311 Gütersloh, Tel. +49-541-80-0. In addition, the documents are available in electronic form on the Issuer's website (www.bertelsmann.com) and on the website of the Luxembourg Stock Exchange (www.bourse.lu).

ISSUER

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