

G+J Annual Press Conference on 27 March 2003

Review of the Financial Year 2002

Successful Consolidation is the Foundation of New Magazine Projects

(Check against delivery)

Dr. Bernd Kundrun

Chart: "Welcome"

Ladies and Gentlemen,

It gives me great pleasure to welcome you here to the Gruner + Jahr Press Building on Baumwoll.

First of all, a brief outline of our arrangements: following a review of the main events and decisions of the past financial year 2002, I will go on to present our provisional annual results and then give you an outlook on the prospects for the years ahead. You will then have adequate opportunity to put your questions to all members of the Executive Board.

Gruner + Jahr's annual press conference in 2003 is unusual for a number of reasons.

First, we can celebrate an anniversary today. This annual press conference is the thirtieth in the history of Europe's biggest magazine publisher.

Chart: "Gruner + Jahr – 1972 and 2002"

Thirty years ago, CEO Ernst Naumann was able to announce sales of DM 645 million and a profit of DM 26 million for the financial year 1972/73. And the German trade magazine w&v then proclaimed: "Gruner + Jahr expects 'a noticeable improvement in the result' for 1973". This prophesy remained true for many years – year after year. And even in the 1970s we were already directing our gaze beyond Germany: into the wider world, looking at new markets and broader horizons. In those days we had already arrived where others are trying to head for today.

With the result that we have not only succeeded in stepping up our sales and profits by over 700 percent, but also in raising the number of titles we publish from a mere 10 to more than 120 titles worldwide.

What is more, this is the first annual press conference that is not taking place in the late summer. As most of you know,

Gruner + Jahr, together with Bertelsmann AG, changed its financial year to the calendar year in 2001. Which is why nearly one and a half years have gone by since we last met here.

Chart: “Agenda – Review of 2002”

In the past 18 months the world has undergone more dramatic changes than we could have imagined in August 2001. That was before September 11th, before the fight against terrorism and before the war against Iraq – which will have not only human and political, but also economic repercussions that nobody can seriously forecast. There were signs that the Internet bubble would burst, but many people – and that includes us – underestimated the associated crisis of the world economy and the dramatic falls in share prices worldwide. All hopes of improvement have so far proved to be illusory.

September 11th was followed by a phase of great uncertainty in politics, industry and among consumers, and this is still continuing. The political crisis gave rise to the economic crisis, and the economic crisis to the advertising crisis. After all, advertising means investing in the future, and confidence in the future is something that virtually all market players seem to lack at present. We will however see that those who take an anticyclical approach to investment will emerge from the crisis in a much stronger position.

Chart: “The media industry as reflected in the press”

As journalists affected yourselves, you are well aware how hard this advertising crisis has hit our industry in Germany in particular. These headlines, which we present as examples of developments in the media industry, come from you. You have all felt how the size of your publications has been progressively reduced. You have all experienced the situation that your editors have increasingly had to restrict the space they can give you for your contributions.

Chart: “Five success factors in the crisis”

The fact that we have successfully overcome the ongoing crisis in the media industry in spite of very difficult basic conditions is due primarily to five factors:

- Firstly, we reacted quickly: in particular, we reviewed and improved our workflows and thereby made radical reductions in our costs. We made targeted reductions in costs where the impact of the decline in the markets was particularly marked. And we decided in good time to get rid of titles that had no economic perspective, such as HOMESTYLE, BIZZ and ONLINE TODAY.

- Secondly, we did not allow ourselves to be diverted from our publishing principles. Especially in difficult times, our uncompromising belief in quality journalism has paid off.
- Thirdly, our persistent pursuit of our strategy of market leadership in core segments has proved its worth.
- Fourthly, we have not allowed the crisis to divert us from our course of continuing to invest in the expansion of existing titles and the launch of new titles. We have actively swum against the tide.
- And fifthly, as the world's most international publishing house, we have profited more than others from the ability to offset negative trends in individual markets.

Let me now give you an overview of how Gruner + Jahr has developed in its most important markets Germany, France and the USA.

Chart: “Germany – Gruner + Jahr better than the advertising market in 2002”

Except for the limited volume of online advertising, advertising revenue in Germany has been on the decline in all media categories since 2001. Following the boom year 2000, when Gruner + Jahr profited more than most from the growth on the advertising markets with a gross increase of over 20 percent, we recorded a sharp drop in 2001, above all due to the particularly marked drop in advertising in the business press sector. In 2002 we succeeded in turning the relative trend to our advantage. Gruner + Jahr fared rather better than the overall market for general-interest magazines, where advertising sales were down by a good seven percent.

The “Magazines Germany” division successfully defied the crisis in the German advertising market that is now entering its third year and becoming increasingly serious. Despite falling advertising sales, the company maintained the result at the previous year's level, which means that our employees will receive profit sharing for 2002.

Chart: “Gruner + Jahr continues to lead the German advertising market in 2002”

This means that we continued to lead the German advertising market by a clear margin in 2002. The reasons for this success are obvious: Gruner + Jahr occupies leading positions in its core segments and is thus the contact of choice for advertising clients. This means we are particularly resistant in times of crisis. But this capacity for resistance has its limits. If the negative trend of the first three months on the German

advertising market continues for the rest of the year, we cannot rule out the possibility of further adjustments.

Chart: “Highlights in the core market Germany”

One of the publishing highlights in Germany in the past year was undoubtedly STERN. Our flagship not only stepped up its gross advertising revenue against the trend by nearly five percent, but also, on a combined view of circulation and advertising sales, moved into the lead in the topical weekly magazine sector. And: STERN's current circulation is significantly higher than the year before! For this we have to thank an editorial team headed by Thomas Osterkom and Andreas Petzold and deputy editor-in-chief Uli Jörges, who are not afraid to get to grips with controversial topics in a way that is both courageous and to the point. Especially in recent months, in the debate about the pros and cons of a war against Iraq, STERN has demonstrated what a valuable source of guidance it is. With its series on Iraq and the United Nations it has put its readers in a position to arrive at a sound and informed opinion about the tub-thumping and sabre-rattling of the political actors. And the current issue one again shows the power and strength of still pictures.

In October 2002 the lifestyle magazine LIVING AT HOME celebrated its second birthday and the beginning of operations in the black. Further advertising growth of 19 percent even in the bad year of 2002, combined with a stable circulation of 225,000 copies, is impressive proof of the fact that innovative concepts are successful even in difficult times. The editorial leadership of Lars Nielsen in the magazine group headed by Angelika Jahr-Stilcken, has set new standards for living and lifestyle magazines. The fact that our classic ESSEN & TRINKEN and SCHÖNER WOHNEN have not suffered either, strengthens our belief that there is no need to be afraid of competition from within the company – and certainly not from outside it. On the contrary: it has a stimulating effect, because it promotes quality-oriented competition!

Special recognition is due to the unique success of FINANCIAL TIMES DEUTSCHLAND. After all, no medium has suffered so much from the economic crisis as the newspaper. Which makes the success of FTD, as the only German newspaper to increase its paid circulation by more than 14 percent to nearly 90,000 copies, all the more impressive! My sincere thanks therefore go to editors-in-chief Christoph Keese and Wolfgang Münchau. While decisions like the recommendation for the German federal elections in 2002 are the subject of heated discussion by its readers, they are generally very well received. That is the particular attraction of FTD.

Chart: “WOMAN – newcomer of the year 2002”

Let me now turn briefly to another publishing highlight of 2002 – the launch of our new women’s title WOMAN. In October 2002 we put WOMAN on the market in Germany. In Austria, WOMAN had moved into fourth place in the rankings of all magazines in all segments after only one and a half years with a paid circulation of over 200,000 copies. We received a good deal of recognition from you for our courage in swimming against the tide, even if this was sometimes linked with the question of whether we really knew what we were doing. I can answer this question with a clear “yes”. First of all, our readers and advertising clients have confirmed the correctness of our decision. The latest survey of buyers of WOMAN shows how well the concept matches the target group: 79 percent of buyers rate the magazine good or very good. With an average age of 34 they are young, and 73 percent of them are working women with a good education. The quality of our readers is the basis for our success. With an average paid circulation of over 300,000 copies, 60,000 subscriptions and 265 advertising pages in its first five issues, WOMAN can justifiably claim to be Germany’s newcomer of the year 2002.

Chart: “France – Prisma Presse better than the advertising market in 2002”

Unlike the German market, France – the second most important pillar of our business – displayed a comparatively stable development. Gruner + Jahr’s Prisma Presse took second place on the French market on the basis of circulation and advertising sales. After the French advertising market in the general-interest magazine sector recorded a slight increase in 2001, advertising revenue stagnated in 2002, and in absolute terms is still around the level of the year 2000. In France too – as in Germany – we performed better than the market as a whole. For many years Prisma Presse has been the most profitable of the French magazine publishers, and last year it once again showed a slight improvement in result over the year before. This was due primarily to rigorous cost management and successful relaunches of existing titles.

Chart: “Highlights in the core market France”

Here are some of the highlights from Paris: the relaunch of FEMME ACTUELLE, Gruner + Jahr’s biggest-selling title in France with a paid circulation of 1.4 million copies, was rewarded by our advertising clients with a six percent increase in advertising sales against the trend of a stagnating market.

On the generally shrinking French circulation market, the people magazine GALA was one of the big winners with a plus of ten percent. Its sister magazine VOICI showed renewed growth on the advertising front last year.

In March 2002 the relaunch of the business magazine MANAGEMENT – the French equivalent of IMPULSE – was rewarded by the reader with an eight percent increase in circulation.

Chart: “USA – Gruner + Jahr better than the positive advertising market in 2002”

But undoubtedly the most important turn-around we achieved last year was in the USA. In 2002 the USA was the only country among the three Gruner + Jahr core markets to show a revitalisation of the advertising market for magazines with a growth of around five percent. With a six percent increase in advertising pages and more than a 13 percent increase in advertising sales, G+J USA grew two and a half times faster than the US market to outstrip the top three US magazine publishers by a considerable margin. G+J USA achieved unusually strong expansion in all segments in which the company is represented. This means that in 2002 G+J USA reaped what it had sown with the relaunches of all major titles in the financial year 2001/2002, and thus strengthened its strong position on the world’s biggest magazine market.

Chart: “Highlights in the core market USA”

To illustrate the exceptional development of our US titles, let me just mention three examples.

FITNESS stepped up its advertising sales by 66 percent. In parallel, its share of the advertising market in the fitness and wellness magazine segment rose by 33 percent.

Advertising sales by YM increased by 48 percent, and as a result its market share in the “teen” magazine segment rose by 39 percent.

And CHILD reported not only advertising growth of over 22 percent in 2002, but also a 14 percent increase in market share. The title also won three prizes in the prestigious Folio Awards, including a gold medal for “Editorial Design”.

So you can see that in 2002 we succeeded in being better than the market in all important markets. Of course, Gruner + Jahr was not able to detach itself from the trend of the markets in other countries as successfully as in the USA. But even in Germany and France we are in an excellent starting position ready to take off as soon as the markets regain momentum. But I will return to this aspect briefly at the end of my remarks.

Before I turn to the principal figures from our annual accounts, I would like to review with you the events of the past financial year from the point of view of our company.

Chart: “G+J milestones 2002”

January saw the launch of FUMU/PARENTS as our second title in the growth market China. FUMU/PARENTS is a classic example of the fact that we are one of the few magazine publishers in the world with international media brands of our own and can transfer these successfully to other countries, indeed to other cultural circles. In China FUMU stands for international advisory competence in the parenting and family sector. For both readers and advertising clients the title stands out positively from its local competitors.

At the same time we were forced to discontinue the business magazine BIZZ in Germany and the living title HOMESTYLE in the USA for lack of publishing and financial prospects.

In February 2002, after more than two successful decades, Norbert Hinze handed over as editor-in-chief of ELTERN and ELTERN FOR FAMILY to Andrea Ketterer and Marie-Luise Lewicki. This was the first of a number of baton changes and generation changes at the head of major Gruner + Jahr titles. In the course of the year Hans Eggert took over the SÄCHSISCHE ZEITUNG, Andreas Lebert BRIGITTE and BRIGITTE WOMAN, Kai Stepp CAPITAL and Karin Schlautmann FRAU IM SPIEGEL.

In March the new rotogravure machine in Dresden went into service, one of the biggest of its kind in Europe with a printing width of 3.62 metres. The Printing Division thus underlined once again its leading technological position in Germany and Europe and its strength in the keenly fought printing business.

In April Volker Petersen took over at the head of the Printing Division. He will introduce himself when we come to the question-and-answer session.

In the same month the German Internet magazine ONLINE TODAY was discontinued – unfortunately another victim of the Internet bubble.

BRIGITTE underlined the fact that Gruner + Jahr is continuing to discharge its social and cultural responsibilities: in May it became the first women’s magazine in Germany that is also available for blind people. For many years our company has also been producing an exemplary blind people’s edition of STERN in conjunction with “Die Zeit”. The company also plays an active part in many social and charitable initiatives, like STERN in “Civic courage against right wing violence” or GEO in

“Protecting biodiversity”. And many of you visited the numerous exhibitions in the foyer of our Baumwoll Press Building last year.

It is part of the corporate tradition of Gruner + Jahr to give help where help is most urgently needed. In August, when the disastrous floods drowned whole regions, villages and cities in many parts of Europe, Gruner + Jahr provided rapid and unbureaucratic assistance. Gruner + Jahr and RTL spontaneously made 200,000 euro available for immediate aid. STERN reported with special issues and its “flood chronicle”, the STERN CHRONIK “FLUT”. One euro per copy from the sales of STERN and NEWS, and WOMAN in Austria, went to the flood victims. Although the publishing building of the SÄCHSISCHE ZEITUNG and the MORGENPOST SACHSEN was under water and had to be evacuated, emergency editions of the SÄCHSISCHE ZEITUNG kept appearing without interruption. Although they themselves were affected, the employees still found the strength to organise help for their fellow citizens through the “Lichtblick” (“Ray of Light”) association supported by the SÄCHSISCHE ZEITUNG. In the end, more than eight million euro was distributed to victims of the flood disaster.

But let me jump back a couple of months:

In June CAPITAL was the first in a series of anniversaries of many of our big titles in Germany and Europe that continued for the rest of the year. CAPITAL, with an average of 1.3 million readers per issue, is Germany’s most widely read business magazine, and in Berlin it celebrated its 40th birthday in the presence of German Federal Chancellor Gerhard Schröder and 1,000 other guests.

Also in June, we sold our Berlin newspaper activities to the Holtzbrinck publishing group. The aim was to focus our existing resources more closely on our core business. A decision which was confirmed as correct by the development of the German newspaper industry as the year went on.

In July, four weeks before the disastrous floods, the River Elbe showed itself at its best. More than 100,000 people followed a call by Gruner + Jahr and the environmental group Deutsche Umwelthilfe to celebrate the “First International Elbe Bathing Day”. As a publishing company on the Elbe with facilities in Prague, Dresden and Hamburg, we have for several years been committed to sustainable protection of the Elbe through our support for the “Living Elbe” project.

August saw the first issue of STERN BIOGRAFIE as a new member of the STERN family. The first title, marking the 25

anniversary of Elvis Presley's death on August 16, 2002, sold more than 120,000 copies. A very satisfying success!

In September GEO ADO appeared in France. The German sister magazine – GEOLINO – passed the threshold of 200,000 copies during 2002, and now has more subscribers than the great youth classic "Mickey Mouse". Once again it became clear that quality journalism pays – in every segment! In Poland NATIONAL GEOGRAPHIC was elected the magazine of the year. And that was not all: only two and three years after their launch, NG Netherlands and NG Germany are operating in the black. We also decided that the launches of INC and FITNESS in China are to be the next steps in the further development of the Chinese magazine market. This means that – including CAR & MOTOR and FUMU/PARENTS – we are represented with a total of four titles in China in cooperation with our Chinese partner CLIP.

In October a new fortnightly women's magazine – WOMAN – appeared on the keenly fought German magazine market. Its concept – "Variety, Topicality and Service" – has been well received by its readers. ESSEN & TRINKEN, Germany's leading gourmet magazine, celebrated its 30th birthday. The anniversary edition of the magazine, which had been relaunched in March, seems to have been very much to the taste of its readers: they bought nearly 290,000 copies.

In November three of our titles had birthdays to celebrate. VSD in France was 25. VOICI and BÖRSE ONLINE were 15 years old. The FTD again won several prizes in the EUROPEAN NEWSPAPER AWARD. In the course of the year, together with its parent title "Financial Times", it was the most widely quoted business medium in Germany.

Further important decisions were taken in December. We decided to launch the women's magazine GLAMOUR in Poland. The aim was to further expand and safeguard the number one position on the Polish women's magazine market that we took over early in the year. We also decided to launch a Russian GEOLINO – called GEOLENOK. The US women's title ROSIE was discontinued in view of unbridgeable differences with the editor Rosie O'Donnell. The popular science magazine FOCUS, surprisingly enough Italy's biggest monthly magazine, celebrated its 10th anniversary, and at the turn of the year the new production concept for STERN successfully coped with its first major challenge. By setting its editorial closing date nearly a day later, Germany's biggest-coverage weekly magazine can now respond even more quickly to current events.

As you can see, we have an eventful year behind us, one that brought many positive, but also many negative impacts. But what impact have our decisions had in business terms?

Chart: “Agenda – Facts and Figures”

Before I start, there is one point I would like to draw your attention to. As a result of bringing our financial year into line with the calendar year, the second half of 2001 was a short financial year for us. To make it easier for you to compare our business figures, we have calculated figures for a *pro forma* financial year 2001 in the following charts. And: in line with our new accounting rules we have done this on the basis of the IAS. By contrast, the financial years up to and including 2000/2001 are based on the requirements of the German Commercial Code. There are therefore limits to the extent that these figures can be compared.

Chart: “Breakdown of sales by divisions”

Let me start with sales. Gruner + Jahr’s external sales, at 2,800 million euro, fell short of the figure of 2,973 million euro for the *pro forma* financial year 2001. The six percent drop in sales is largely due to the sale of the Berlin publishing company with effect from July 2002, other portfolio measures, the decline in advertising business in Germany, the downsizing of our multimedia activities, and exchange rate factors.

If we look at the structure of sales by individual divisions, we find that Magazines International has the largest share, followed by Magazines Germany, Printing, and Newspapers.

Chart: “Breakdown of sales by categories”

The breakdown of sales structure by categories – in other words Advertising, Circulation, Printing and Miscellaneous – clearly reflects the market situations already explained, with a drop in advertising revenue from 43 to 40 percent. The share due to circulation sales showed a slight increase from 30 to 31 percent. Printing sales remained steady at 20 percent.

Chart: “Breakdown of sales by regions”

Gruner + Jahr continues to be the world’s most international publishing company by far. Compared with the financial year 2000/2001, the international share of sales grew slightly to reach 63 percent. This puts Gruner + Jahr’s international share way above the average for the other major German publishers. This large international sales share not only puts us in a position – as already mentioned – to offset national fluctuations. It also enables us to invest where the local basic conditions are particularly promising, thus enabling us to achieve a particularly high return on investment.

Chart: “EBITA doubled despite fall in sales”

As already mentioned, not only the large international share, but also rigorous cost management made it possible to maintain Gruner + Jahr's earning power even in these times of economic problems. Simply as a result of our costs and effectiveness programme CAP (Costs and Processes) started in 2001, we made savings of around 70 million euro in the last financial year. Where the profitability of individual businesses was not assured in spite of cost reductions, we adjusted personnel numbers. As a last resort we discontinued titles without prospects.

As far as possible, solutions within the group were sought for the employees affected.

All in all, the various measures and disposals brought total cost savings of 289 million euro. And this was despite investment of 135 million euro (property, plant and equipment 95 million euro, development expenses 40 million euro), a large proportion of which was accounted for by the development expenses for our new titles, which inevitably had a negative impact on our result. The EBITA figure nevertheless increased from 117 million euro in the *pro forma* financial year 2001 to 234 million in 2002. This corresponds to an EBITA return on sales of 8.3 percent, which must be well above the figures achieved by other publishers during this period. But we are not content with this return on sales as a permanent situation: what we are aiming for in the medium term is over ten percent. After allowing for extraordinary income, such as the sale of the Berlin publishing company or of our Internet participation DAUM in Asia, the overall result works out at 406 million euro. In the same period the cash flow increased by 271 million euro, from 114 to 385 million euro.

Our profit after tax came to 116 million euro. Total personnel numbers at December 31, 2002 fell by 1,600 to 11,367; of this decrease, 920 are due to the sale of the Berlin activities alone.

Chart: "Agenda – Outlook"

Before I turn to our plans for the years ahead, I would first like to give you a brief overview of where we stand today.

Chart: "Restructuring as a basis for new growth –the V Concept"

The past 18 months have been a phase of consolidation for us. We have done more than merely "doing our homework". We have seriously restructured our publishing company to create the basis for new growth. We have made economies and we have ventured new things. We have done one without neglecting the other.

We have responded to the crisis faster than others and have taken a decisive line in paving the way for growth. By this I do not mean growth that derives entirely from the growth of the market as a whole and follows the market. What I am talking about is growth that enables Gruner + Jahr to demonstrate its innovative strength and creative publishing power – regardless of how the markets develop.

- We will keep our existing brands under permanent review, and thereby maintain and increase their value. The success of our relaunches in the USA, France and Germany confirms this strategy.
- In future we will make even better use of the potential that exists in media brands and concepts such as STERN, GEO, GALA, FITNESS, PARENTS, CAPITAL, P.M., FOCUS or LIVING AT HOME and other titles. STERN BIOGRAFIE and STERN CHRONIK, GEOLINO, GÉO ADO and GEOLENOK are examples of this.
- We will in future take a stronger and more systematic approach to internationalising existing titles and concepts, as we did in 2002 with FUMU/PARENTS in China or GEO ADÓ.
- And we will develop new titles and new concepts –like WOMAN – and acquire additional titles where these hold promise of success.

Chart: “G+J portfolio – over 120 titles in 14 countries in three continents”

The ground on which these plans will flourish is one of the strongest title portfolios in the world. Even today, Gruner + Jahr has more than 120 regular newspapers and magazines and associated online offerings in 14 countries spread over three continents. These are made up of more than 50 magazines in Germany and Austria, 16 in France and seven in the USA, and 50 others in the remaining ten countries.

Chart: “G+J – systematic quest for market leadership in all core segments”

Today we already occupy leading market positions in nearly all cases in those countries where we have one or more titles in our core segments.

In the first three months of this year we have already strengthened our position in various countries with more new titles. In China, for example: here INC. and FITNESS started appearing in March this year as a result of the decisions taken

during last financial year. Or in Belgium, where TÉLÉ LOISIRS has just reached the newsagents. In our neighbouring country, Poland: here GLAMOUR is making its debut today, at this very moment. In Russia: where GEOLENOK is in preparation and we are thus making a further step towards building up a new, international magazine brand for children and juveniles. In the USA, where market tests are already under way for a new women's title, and in France, where we are planning to hit the market with a new women's magazine.

On your way out you will find not only GLAMOUR from Poland, but also the new BRIGITTE KULTUR EXTRA, and in a few weeks time WELLNESS, the first special issue from LIVING AT HOME, will appear on the market. And we must not forget that in future there be will three issues a year of GEO SAISON FÜR GENIESSER.

In the coming week, 280 Gruner + Jahr executives from all over the world will be getting together in Hamburg for the "International Management Meeting 2003", where they will be designing and discussing new ideas and concepts for the future under the motto "Innovation Now!". And I am confident that the results of these discussions will enable us to fill some of the white patches on this chart in the years ahead! This is because, while others in our industry are still in the doldrums, we have already hoisted our sails.

Before I close, I should like to express my sincere thanks to all colleagues for their support over the past 18 months, which have not always been easy. This applies in particular to my fellow members of the executive board. We all work well as a team. Even in bad weather!

And finally my thanks also go to you as journalistic observers and companions of Gruner + Jahr and the publishing and media industries. Media journalism and business journalism have certainly not been made any easier by the continuing crisis in the industry. At such times fairness and objectivity are more important than ever.

Chart: "Summary"

So let me briefly sum up:

Gruner + Jahr has successfully weathered the storm thanks to its international character and thanks to taking appropriate and timely action.

In 2002, despite falling sales, Gruner + Jahr achieved an overall result of 406 million euro, doubled its EBITA to 234 million euro compared with 2001 tripled its cash flow and, at 8.3 percent, achieved a return on sales way above the current average for the industry.

Gruner + Jahr has laid the foundations for successful publishing growth, and will grow again in the years ahead as a result of new titles.

Thank you for your interest! My executive board colleagues and I are now available to answer your questions.