

By BERTRAND BENOIT, LUTZ MEIER and ASHLING O'CONNOR.

Bertelsmann yesterday looked unlikely to achieve a smooth buy-out of RTL, the pan-European broadcaster, after several institutional investors said they would not accept the privately-held German group's proposed offer.

Alain Georges, chairman of Luxembourg-based BGL Investment Partners (BIP), a minority investor, said the price of Euros 44 per share agreed last month by Pearson, the media group that owns the Financial Times, for its 22 per cent stake in RTL was "unacceptable".

Bertelsmann will next month put the same offer to RTL's minority shareholders, whose collective interest is 11 per cent of the enlarged share capital.

"We will not accept this offer and we will make life as difficult as possible for Bertelsmann," said Mr Georges. "We can be an important irritation if it wants to get 100 per cent of the company."

He said he was confident he could rally opposition from shareholders representing about 5 per cent of the free float. BIP and Audiolux, another Luxembourg shareholder, would pursue legal action to prevent the transaction, he said.

A rebuttal by the minority shareholders would be a setback to Bertelsmann's plans to take full control of RTL and delist it from the London, Brussels and Luxembourg stock exchanges ahead of its own initial public offering in 2003 or 2004.

The RTL board is getting independent advice from UBS Warburg, the investment bank, about Bertelsmann's offer and will have about three weeks to decide whether or not to recommend it.

Public shareholders in RTL have been critical of Bertelsmann's gradual takeover of the company since it acquired a 30 per cent stake from Groupe Bruxelles Lambert in February last year. Bertelsmann paid a hefty premium for the controlling stake in Europe's largest free-to-air television group.

Francois Tesch, chairman of Audiolux, said he believed the deal valued RTL shares at as much as Euros 200.

One London-based institutional investor said: "I appreciate that the multiples have come down, but I am not selling at the bottom of the cycle. I have been in the stock for a long time and can stay for a lot longer."

Investors said they had been misled after RTL's biggest shareholders pledged, during the group's initial public offering in April 2000, to gradually raise the size of its free float, which never happened.

Mr Tesch said: "The prospectus clearly stated they would increase the liquidity to 15 per cent to be part of the FTSE 100. Many shareholders only became shareholders because this made it more attractive. What has happened is the opposite."

Earlier statements by RTL's biggest shareholders are understood to be a key preoccupation of RTL's independent directors. "This is an important point. Some of these commitments were more solemn than others," a person close to RTL said.

Bertelsmann has made it clear it was unlikely to raise its price. If it did, it would be forced to increase the £1.5bn (\$2.16bn) paid to Pearson.

It could simply leave the minority position unchanged. Under Luxembourg law, the group is not obliged to make a bid for the entire company.

However, Bertelsmann has stated it wishes to clear up all minority interests ahead of its planned flotation. Additional reporting by Lutz Meier in Berlin.