

Press Release

Bertelsmann Boosts First-Half Operating Result by 8.1 Percent

- Operating EBIT rises to €644 million
- Considerable results improvement at Random House, Gruner + Jahr and Arvato
- RTL Group stable at record levels
- Slight organic revenue growth
- Return on sales increased to 8.1 percent
- Growth in revenue and result still planned for fiscal year 2005
- Number of employees increases to 78,122 worldwide

Gütersloh, September 7, 2005 – Bertelsmann posted a positive business performance for the first six months of 2005, having grown its operating result by 8.1 percent to €644 million (previous year: €596 million). Nearly all divisions contributed to the improved performance. Random House book publishing, the magazine publisher Gruner + Jahr and the media services provider Arvato posted significantly higher earnings. Performance by the television, radio and TV production company RTL Group remained stable at last year's record levels. Direct Group's club businesses improved slightly. The BMG music division was on target, but did not match last year's first-half performance, which was characterized by extraordinary successes.

Revenues for what is traditionally the weaker half of the fiscal year amounted to €8.0 billion (previous year: €8.1 billion). Adjusted for currency and portfolio effects, Bertelsmann showed slight growth of 1.2 percent. First-half ROS improved year-on-year to 8.1 percent (previous year: 7.3 percent). Key projects are not yet reflected in the first-half business figures, as their consolidation did not become effective until July 1, 2005. They include the Prinovis gravure joint venture between Arvato, Gruner + Jahr and Axel Springer AG, Gruner + Jahr's acquisition of the majority of the shares in Motor-Presse Stuttgart, and the merger among the Arvato subsidiaries AZ Direct and BFS Finance and the Infoscore group into a leading company for data, information and receivables management. Direct Group, negotiated two important acquisitions during the first six months of the year: the takeover of Columbia House, the largest specialized retailer of DVDs in the U.S., and the purchase of the Privat bookselling chain in France.

Bertelsmann AG Chairman & CEO Gunter Thielen stated: *“During the first half of the year, Bertelsmann established the foundations for continued future growth with the setting of major strategic targets, while enhancing its market position in important segments. I am very pleased at our improved return on sales of 8.1 percent at mid-year. We are well on our way to achieving our target of 10 percent by 2007.”*

First-half net income amounted to €349 million (previous year: €550 million). The year-on-year decline is mainly a result of changes in special items. In the previous year, positive special items such as capital gains from the sale of the Bertelsmann Building in New York had enhanced first-half net income by €247 million. Meanwhile, during the first six months of 2005, special items impacted net income by minus €80 million, in particular restructuring costs at Sony BMG Music Entertainment and Direct Group.

Siegfried Luther, Bertelsmann’s Vice Chairman of the Executive Board and Chief Financial Officer, emphasized: *“Following a phase of consolidation and internal strengthening, Bertelsmann has fortified itself with a series of transactions, so the second half of the year will see a significant expansion of revenues. We still expect to increase our operating result in 2005.”*

Other Key Facts and Figures:

Investments during the period under review totaled €765 million (previous year: €446 million), reflecting Bertelsmann’s stepped-up investment activities.

Economic debt at June 30, 2005 came to €3.3 billion (December 31, 2004: €2.6 billion).

The number of employees rose to 78,122 worldwide. At the end of 2004, the figure was 76,266.

Divisions:

RTL Group (Revenues: €2.4 billion; Operating EBIT: €371 million) made a good showing in a market environment that was reserved on the whole. While revenues declined marginally, operating result remained on a par with the previous year’s record level. High results at M6 in France, Antena 3 in Spain and Five in the U.K. compensated for the effects of difficult market conditions in Germany – where both revenue and results were down – thus demonstrating the benefits of having an internationally diversified portfolio. Fremantle Media continued to enjoy format successes around the world especially with telenovelas, drama and entertainment. RTL Group continued its strategy of expanding regionally and building “families” or clusters of channels. RTL Group signed agreements to acquire a stake in Russia’s Ren TV, as well as the remaining shares in Five in the U.K., for a complete takeover of the channel.

Random House (Revenues: €799 million; Operating EBIT: €48 million) delivered a significant increase in its worldwide profits for the first half of 2005 compared to the previous year, receiving its largest gains from its London-based company as well as from a strong publishing performance in the U.S. and Canada. The slight decline in reported revenues from the prior year is entirely due to a euro exchange rate unfavorable to the U.S. dollar. In North America, Random House benefited from the million-copy success of “French Women Don't Get Fat” by Mireille Guiliano, John Grisham's two-million-copy “The Broker,” and additional printings of 1.2 million copies of “The Da Vinci Code” by Dan Brown. The Random House U.K. Group published all the top-six British “Bookseller” magazine national bestsellers of the half year. Verlagsgruppe Random House in Germany posted notable improvements in sales of its adult hardcover frontlist and children's books.

The magazine publisher **Gruner + Jahr** (Revenues: €1.2 billion; Operating EBIT: €126 million) showed a slight decline in revenues, due to portfolio changes such as the sale of “TV Today” magazine and the US teen magazine “YM”. The operating result increased markedly. This improvement is attributable to effective cost management as well as successful developments as part of the innovation campaign launched last year. The positive performance of the biweekly TV guides in France, “Télé 2 Semaines” and “TV Grandes Chaînes,” played a major role. By taking over the majority of shares in Motor-Presse Stuttgart, the division strengthened its core business and laid further foundations for growth. Gruner + Jahr's U.S. magazine business was sold due to its inadequate market position. The formation of a gravure joint venture with Arvato and Axel Springer AG helped to improve and extend the competitive position of Gruner + Jahr's printing business and allows for its future growth.

The **BMG** music division (Revenues: €952 million; Operating EBIT: €48 million) made good progress. In recorded music, the process of integrating the joint venture Sony BMG, 50 percent of which belongs to BMG, is ahead of plan and will be largely concluded by the end of 2005. Sony BMG achieved chart successes with artists including Jennifer Lopez, the Backstreet Boys, System of a Down, and Shakira. In the music publishing business, BMG Music Publishing delivered a strong performance based on artists including Coldplay, R. Kelly and Backstreet Boys. In a market environment that continues to be difficult, BMG's overall business performance did not match the previous year's excellent first-half results. The revenue decline was primarily induced by a change in the reporting of the distribution business to account for the distribution margin instead of the wholesale price. The decline in results was fueled by the amortization of music rights which were revaluated according to IFRS during the course of the merger, and by a higher weighting of new releases on the second half-year.

The media services provider **Arvato** (Revenues: €1.9 billion; Operating EBIT: €100 million) grew its revenues and profit considerably during the first half of 2005. All of the division's business units contributed to this sustained positive performance. The revenue increase is due both to organic growth in core businesses and to acquisitions. In the rapidly growing services business, the company expanded its network of service centers. The anti

trust authorities also cleared the Infoscore joint venture, a company specializing in data, information and receivables management, which was finalized on July 1, 2005. Internationalization continued at the heart of the division's business activities. The merger of Arvato's existing German gravure operations with Gruner + Jahr and the Axel Springer AG (Prinovis) was successfully concluded. The new gravure plant in Italy is now operational.

Following its turnaround in 2004, **Direct Group** (Revenues: €1.0 billion; Operating EBIT: €-11 million) continued to make progress. The division posted a moderate revenue decline, attributable to factors including exchange rate effects. The operating result improved slightly, and the typical first-half seasonal loss was reduced as compared with the first six months of 2004. Cost management and systematic restructuring efforts in the German and British clubs also contributed to this. Direct Group has laid the foundation for future growth with innovative business models in existing clubs on the one hand, and acquisitions on the other. For instance, it recently acquired Columbia House, the largest specialized retailer of DVDs in the U.S. This transaction also gives Direct Group new significance within Bertelsmann. The recently acquired Family Leisure Club in the Ukraine delivered a very gratifying business performance and steep growth.

Figures at a Glance (in € millions)

	Jan 1, 2005 to Jun 30, 2005	Jan 1, 2004 to Jun 30, 2004
Revenues	7,988	8,136
Operating EBIT by divisions	682	638
Corporate/Consolidation	(38)	(42)
Operating EBIT	644	596
Special items	(80)	247
EBIT (Earnings before interest and taxes)	564	843
Net interest	(40)	(39)
Other financial expenses and income	(88)	(65)
Income taxes	(87)	(189)
Net income before minority interest	349	550
Minority interest	(125)	(104)
Net income after minority interest	224	446

Investments	765	446
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	At Jun 30, 2005	At Dec 31, 2004
Economic Debt	3,327	2,632
Employees	78,122	76,266

Definition of Operating EBIT: Operating EBIT refers to earnings before interest, taxes and special items.

Division	Revenues		Operating EBIT	
	1/1 – 6/30/05	1/1/ - 6/30/04	1/1/ - 6/30/05	1/1/ - 6/30/04
RTL Group	2,397	2,457	371	373
Random House	799	818	48	31
Gruner + Jahr	1,188	1,223	126	96
BMG	952	1,194	48	74
Arvato	1,874	1,695	100	80
Direct Group	1,016	1,052	(11)	(16)
Total Divisions	8,226	8,439	682	638
Corporate/Consolidation	(238)	(303)	(38)	(42)
Total Group	7,988	8,136	644	596

About Bertelsmann AG

The media company Bertelsmann commands globally leading positions in the major markets. Its core business is the creation of first-class media content. Bertelsmann includes RTL Group, Europe's No.1 in television and radio, as well as the world's biggest book-publishing group, Random House, with more than 100 publishing imprints (Alfred A. Knopf, Bantam, Goldmann). Gruner + Jahr, the European No.1 in magazine publishing (Stern, Geo, Capital) and the BMG music division – comprised of the Sony BMG joint venture (Anastacia, Alicia Keys, Beyoncé, Dido, Usher) and BMG Music Publishing – also stand for creativity and powerful brands. The Arvato division bundles the group's media services, which include the expanding units Arvato Logistics Services and Arvato Direct Services (distribution, service centers, customer relationship management), along with state-of-the-art printers, storage media production and comprehensive IT-services. Bertelsmann's direct-to-customer businesses are bundled in Direct Group: book and music clubs with more than 30 million members all over the world.

For further questions, please contact:

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