Press Release

Bertelsmann's €900 Million Cost-Saving Program Impacts First-Half-Results

- Group revenues of €7.2 billion in the first half of the year
- Operating EBIT of €475 million
- Special items lead to Group net loss of €-333 million

Gütersloh, August 31, 2009 – The international media company Bertelsmann has softened the impact of the global economic crisis with a Group-wide cost and efficiency program. As expected, the downturn in the advertising markets and consumer spending slowdown in many countries caused a decline in the Group's revenues and operating EBIT during the first half of 2009. However, the measures initiated to stabilize the core businesses have begun to show positive effects across all divisions. The full effect on results will be reflected during the second half of the year. Some positive signs have been seen in the services sector, which reports a rise in demand for outsourcing because of the increased pressure among many companies to streamline.

First-half consolidated revenues for continuing operations reached €7.2 billion, against €7.7 billion in a strong equivalent period the previous year. Operating EBIT fell to €475 million (H1 2008: €685 million.) However, a high number of one-time costs resulted in an overall net loss of €-333 million (H1 2008: €372 million). Bertelsmann has taken into account all identifiable risks for the full year in the half-year balance sheet, and has carried out non-cash effective write-downs in some divisions.

“Our strict cost discipline is beginning to have a significant positive financial impact. Every division, including Group headquarters has systematically reviewed all costs and structures. The packages of measures that were put together as part of this program are extremely wideranging and varied and will save us over €900 million this year alone,” said Bertelsmann CEO Hartmut Ostrowski. ”We are resolutely countering the decline in advertising-related revenues. The top priority at this point is to stabilize Bertelsmann’s existing businesses, preserve liquidity, and safeguard the operating result. In this way, we will continue to develop our company and create the conditions for future growth.”

Thanks to the many measures undertaken, the advertising crisis had less of an effect on Bertelsmann’s key indicators in the second quarter than in the first. Accordingly, return on sales rose strongly from 3.3 percent in the first quarter to 9.8 percent in the second.

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The half-year average was 6.6 percent. This development is underpinned by high cash flows from operations. “The second half of the year will still see cost cuts, but at present we expect that the programs we introduced will be sufficient to steer Bertelsmann safely and successfully through this difficult economy,” said Ostrowski.

Bertelsmann CFO Thomas Rabe added: “Financially, Bertelsmann is on safe ground. Our solid financial management has paid off in the first half: we have good liquidity and adequate credit lines available to us. For the full year, Bertelsmann continues to forecast a decline in revenues and operating profit. The extent of year-on-year change will be determined by the severity and duration of the cyclical downturn.”

As of 30 June 2009, Bertelsmann had 103,452 employees worldwide (December 31, 2008: 107,154).

Corporate Divisions:

RTL Group
Highlights
- *Growing viewer market shares for RTL Group’s families of channels in key markets*
- *Newly acquired Alpha TV in Greece reports continuously rising viewer figures thanks to new program policy*
- *More than 470 million videos downloaded from all of RTL Group’s online platforms: professional TV content on the Internet is a hit*

The leading European entertainment network posted significantly lower revenues in the first half of the year in the face of double-digit declines in the television advertising markets. Operating EBIT also fell. RTL Group responded early to substantial declines in advertising income by placing a clear focus on cost-cutting activities since the end of 2008. This approach already had significantly positive results in the first half of the year. However, RTL Group managed to strengthen its dominant viewer ratings: In the first half year, the families of channels in Germany, France, the Netherlands, and Belgium increased their viewer market shares, in some cases substantially, compared to the same period last year. RTL Group made targeted investments in forward-looking operations – for example, by acquiring the U.S. production company Original Productions and expanding the popular Catch-Up TV platforms in several markets. Diversification operations were further stepped up. Valuation allowances were applied at the British broadcasting group Five and the Greek Alpha Media Group.

Random House
Highlights
- *Random House enjoys strong presence on bestseller lists in its core markets*
- *Three Random House titles honored with Pulitzer Prize; author Jens Petersen receives Ingeborg Bachmann Prize*
- *E-book key-market leadership growing*

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The world's largest trade book publishing group registered a decline in first-half revenues and operating results due to the continued distressed economic environment and the reduction in inventory levels by major bookstores in the U.S. An extensive, international cost-saving initiative and the restructuring of the U.S. publishing groups put in place last year partially offset this development. Random House placed 140 titles on the "New York Times" bestseller lists in the first six months of the year, and in the U.K. accounted for one quarter of all bestsellers listed in the "Sunday Times." In the German-speaking regions, the Verlagsgruppe Random House publishing group had another strong first half year, dominating the national nonfiction bestseller lists. Random House acquired the highly regarded California publishing house Ten Speed Press. The book group significantly expanded its digital-publishing leadership, recording strong increases in sales of its e-books in the U.S., U.K., and Germany. Random House formed new film and TV production companies for children's and family entertainment in the U.S. and U.K.

Gruner + Jahr

Highlights

- *G+J continues to push innovation in publishing: several new launches*
- *Further internationalization of "Geo" brand with licensing in Brazil and website launch in eight European countries*
- *G+J co-initiates "European Charter for Freedom of the Press" and "Hamburg Declaration" for protection of intellectual property in the age of digitization*

Europe's largest magazine publisher felt the effects of the recession in the first half of the year, posting a significant decline in revenues and operating EBIT. Counter-measures introduced early on were able to partially soften the effects of ongoing sluggishness in the advertising business. Sales revenues were comparatively stable in the first half year. Gruner + Jahr launched an international restructuring and cost-reduction program. In Germany, Gruner + Jahr merged the editorial offices of its business titles and also introduced a new magazine, the parenting title "Nido." In France, Prisma Presse significantly expanded its Corporate Media operations. Gruner + Jahr launched the men's magazine "Leon" on the Chinese market, which continues to grow. The performance of the Prinovis gravure printing joint venture was characterized by lower print volumes in Germany; a valuation allowance was applied at Prinovis. There was a change of leadership at Gruner + Jahr during the period under review: Bernd Buchholz took over as Executive Board Chairman at the beginning of January.

Arvato

Highlights

- *New logistics center enhances position as leading services provider to European games industry*
- *Arvato Services enjoys sustained growth in China: first-half revenues up by 84 percent*
- *Arvato Digital Services now handles digital media archiving for Universal Music Group International*

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Despite the economic crisis and some significant deterioration in the customers' situation, the media and communications service provider recorded half-yearly revenues and operating EBIT on par with last year's levels. This was possible due to consistent cost management and targeted process optimization. In the services area, new orders and an expansion in services largely compensated for the reduction in order volumes placed by existing customers. Increasing pressure among customers to streamline produced greater demand for outsourcing services. The printing business was burdened by downturns in the advertising market and a resulting reduction in volume. The individual companies were able to substantially neutralize this effect by intensifying their sales efforts and boosting efficiency. The performance of the Prinovis gravure printing joint venture was characterized by lower print volumes in Germany; a valuation allowance was applied at Prinovis. Arvato Digital Services gained market share both in the market for physical recorded media and in DVDs and games, and was able to expand its operations in China considerably. Growth was driven primarily by existing business and the acquisition of new customers in the cosmetics and FMCG sectors.

Direct Group

Highlights

- *French bookstore chain merged with online bookseller "Chapitre.com"*
- *Online share of media club revenues increased*
- *Progress in restructuring of club operations in Southern Europe*

Direct Group's Club and retail book operations posted lower revenues and higher operating losses in the first half year due to a decline in membership numbers and the global recession. While operations in the French-speaking countries remained largely stable, the German Club suffered from shrinking membership levels and a decline in direct marketing activities. Membership numbers fell perceptibly in Southern Europe, which has been especially hard hit by the economic crisis. In France the club businesses were restructured, and structural changes were moved forward in Spain and Austria. A comprehensive cost-cutting program launched at the end of last year to complement the strategic initiatives began showing positive results. Direct Group opened a flagship store in Barcelona for its retail book chain Bertrand. In France, Direct Group acquired 100 percent ownership of the online bookseller "Chapitre.com." Club operations in Great Britain and the Netherlands/Belgium were sold effective January 1, 2009.

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Overview of key figures (€ million, continuing operations)

	January 1, 2009 – June 30, 2009	**January 1, 2008 – June 30, 2008**
Consolidated revenues	**7,198**	**7,720**
Operating EBIT of divisions	521	737
Corporate/Consolidation	(46)	(52)
Operating EBIT	**475**	**685**
Special items	(474)	(44)
EBIT (Earnings before interest and taxes)	**1**	**641**
Financial result	**(205)**	**(201)**
Earnings before taxes from continuing operations	**(204)**	**440**
Income taxes	(129)	4
Earnings after taxes from continuing operations	**(333)**	**444**
Earnings after taxes from discontinued operations	**-**	**(72)**
Group profit or loss	**(333)**	**372**
attributable to: Share of profit of Bertelsmann shareholders	(368)	284
attributable to: Minority interest	35	88

Investments	381	430

	Balance as of June 30, 2009	**Balance as of December 31, 2008**
Economic debt*	6,834	6,627
Employees	103,452	107,154

The corresponding figures for the previous period have been adjusted.

*Net financial debt plus provisions for pensions, profit participation capital and present value of operating leases (continuing operations).

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Division*	**Revenues**		**Operating EBIT**	
	January 1 – June 30, 2009	**January 1 – June 30, 2008**	**January 1 – June 30, 2009**	**January 1 – June 30, 2008**
RTL Group	2,588	2,864	353	494
Random House	734	766	20	31
Gruner + Jahr	1,217	1,361	55	117
Arvato	2,243	2,270	103	102
Direct Group	581	660	(10)	(7)
Total Divisions	**7,363**	**7,921**	**521**	**737**
Corporate/Consolidation	(165)	(201)	(46)	(52)
Total Group	**7,198**	**7,720**	**475**	**685**

*Continuing operations

About Bertelsmann AG
Bertelsmann is an international media company encompassing television (RTL Group), book publishing (Random House), magazine publishing (Gruner + Jahr), media services (Arvato), and media clubs (Direct Group) in more than 50 countries. Bertelsmann's claim is to inspire people around the world with first-class media and communications offerings – entertainment, information and services – and occupy leading positions in its respective markets. The foundation of Bertelsmann's success is a corporate culture based on partnership, entrepreneurial spirit, creativity, and corporate responsibility. The company strives to bring creative new ideas to market and create value.

For further questions, please contact:

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