

Press Release: Embargoed until Sept. 8, 9 am. CET

Bertelsmann Significantly Improves Results In First Six Months Of FY '04

- Operating EBIT increases strongly to € 596 million
- Organic revenue growth of 4 percent
- BMG and RTL Group contribute significantly to rise in profits
- Net income for the first six months increases to € 550 million
- No. of employees rises to more than 74,600 worldwide

Gütersloh, September 8, 2004 – Bertelsmann significantly improved its year-on-year financial results for the first half of 2004. Operating EBIT increased to € 596 million (previous year: € 186 million). The BMG music division's recorded music triumphs and RTL Group's excellent business performance made an essential contribution to this rise in earnings. Arvato and Random House strongly increased their operating results. Direct Group held its position in a difficult market environment and was able to maintain its operating result. At Gruner + Jahr, the launch of new magazines resulted in a slight earnings decline. In reviewing the first half year results, it is important to be aware that some Bertelsmann divisions customarily achieve the majority of their earnings in the second half of the year.

Revenues rose by 3.2 percent to € 8.1 billion (previous year: € 7.9 billion). Adjusted for portfolio and currency effects, organic revenue growth was slightly higher, at 4.0 percent. This revenue increase is attributable to a positive overall business development during the period under review.

Net income before minority interests improved considerably, to € 550 million for the first six months (previous year: € 142 million). Special items totaled € 247 million (previous year: € 538 million), largely from the sale of the Bertelsmann Building in New York (€ 177 million). Since January 1, 2004, Bertelsmann has applied IFRS 3. As a result of this, regular amortization of goodwill no longer applies.

Bertelsmann AG Chairman & CEO Gunter Thielen commented: *"In the past two years, Bertelsmann has increased its operating profitability considerably. Our recent consolidation efforts are paying off, and we are back on a growth track. Bertelsmann is steadily increasing its scope for investments to strengthen our core businesses and expand in new growth markets. We will pursue appropriate opportunities when they become available."*

Deputy Chairman and Chief Financial Officer Siegfried Luther declared: *“Our business performance during the first half of 2004 was very encouraging. We remain confident for the full fiscal year 2004 and continue to expect a year-on-year improvement in operating results.”*

Additional Disclosures

Investments for the period under review totaled € 446 million (previous year: € 342 million).

Net financial debt decreased by € 228 million and amounted to € 592 million at June 30, 2004. The sale of the Bertelsmann Building in New York and the reduction of holdings in the sports rights trader Sportfive contributed to this reduction.

The number of employees rose to 74,602, up from 73,221 at the end of 2003.

Divisions

RTL Group (Revenues: € 2.5 billion; Operating EBIT: € 373 million) significantly increased both its revenues and Operating EBIT. RTL Group was able to maintain its positive business development of the previous year, with the full consolidation effect of M6 adding earnings of € 60 million. All profit centers had positive operating results, with significant improvements in the operations in Spain, Holland and at M6 in France. The German family of channels continues to be the greatest mainstay of revenues and profits despite the slight decline in advertising income. Five in the UK continues to grow both audience and advertising market share and Fremantle Media made a significant contribution to earnings growth following the continued worldwide success of the Idols format and growth in its US business.

Random House (Revenues: € 818 million; Operating EBIT: € 31 million) reported significant revenue growth and improved operating results year on year in all its major markets from sales; the euro-denominated sales and operating results overcame the impact of the weak US dollar exchange rate. In the US, Random House's operating performance benefited from numerous stand-out publishing achievements, such as the publication of “My Life” by former President Bill Clinton, which sold more than one million hardcovers in its first week, and the continuing success of the biggest-selling adult fiction hardcover ever, Dan Brown's “The Da Vinci Code”, with half-year printings totaling 2.7 million additional copies. With especially strong sales and profits in the UK and Australia, the Random House UK Group posted a very impressive increase in its operating results over the same span last year. In Germany, Verlagsgruppe Random House sales were up considerably year on year with operating results somewhat impacted by restructuring costs from the integration of the Heyne publishing businesses. Random House's start-up joint ventures in Asia got off to an excellent start, especially in Korea.

Gruner + Jahr (Revenues: € 1.2 billion; Operating EBIT: € 96 million) showed a slight year-on-year decline in revenues for the first half of 2004, due to the sale of the Eastern European newspaper business. Adjusted for currency effects and portfolio changes, Gruner + Jahr registered solid organic growth. Nearly all businesses generated operating results above previous year, in particular the German magazine and printing businesses. The launch of new innovative products, especially in the French TV guide segment with the new titles “TV Grandes Chaines” and “Télé 2 Semaines,” resulted in an overall slight decline in earnings.

BMG (Revenues: € 1.2 billion; Operating EBIT: € 74 million) dramatically increased its operating result against a backdrop of higher revenues and further cost-cutting measures. The division accelerated the momentum that began during the second half of 2003 by continuing to reinforce its creative focus and marketing edge. In fact, organic growth was in the double digits when adjusted for negative currency effects. Thus, BMG outperformed its competition in a market environment that continued to be difficult. BMG added market share in key markets around the world with creative and chart successes from acts like Usher, Avril Lavigne, Kenny Chesney, Outkast, Maroon 5, Velvet Revolver, Dido, Britney Spears, Kyo, and Will Young.

The media services provider **Arvato** (Revenues: € 1.7 billion; Operating EBIT: € 80 million) increased its revenues over previous year. High organic growth more than compensated for negative currency effects. Operating result grew considerably and more strongly than revenues. All business units contributed to this growth in revenues and steep rise in earnings. The biggest mainstays of growth were Arvato Direct Services, the Customer Relationship Management services provider, and Arvato Storage Media, which was able to grow in the stagnant CD market while also participating in the rapid growth of the DVD market. Arvato's results were impacted by restructuring measures at Arvato Print International, where a labor dispute in Spain that had been going on for over a year was concluded in spring.

Nearly half of **Direct Group's** (Revenues: € 1.1 billion; Operating EBIT: € -16 million) revenue decline is attributable to negative currency effects. Nevertheless, the division managed to maintain its operating result on par with the previous year, thanks among other things to cost-cutting measures and a continued focus on core business. France Loisirs delivered a balanced result. The US book club Bookspan improved its result year on year. The Club business in Spain again increased its return on sales. The US music club BMG Direct improved its earnings while maintaining its revenues, thereby increasing its return on sales. Meanwhile, a continuing overall consumer reluctance dampened business performance in Germany. The club business in the UK reduced its operating loss slightly. In China, the division is systematically investing in building a chain of shops for the club business.

Figures at a Glance (in € millions)

| | Jan 1, 2004 to Jun 30, 2004 | Jan 1, 2003 to Jun 30, 2003 (adjusted) |
|--|--------------------------------|--|
| Revenues | 8,136 | 7,883 |
| Operating EBIT by divisions | 638 | 275 |
| Corporate/Consolidation | (42) | (89) |
| Operating EBIT | 596 | 186 |
| Special items | 247 | 538 |
| EBIT (Earnings before interest and taxes) | 843 | 724 |
| Regular amortization of goodwill | – | (306) |
| Net interest | (39) | (52) |
| Other financial expense and income | (65) | (120) |
| Taxes on income | (189) | (104) |
| Net income before minority interests | 550 | 142 |
| Minority interests | (104) | (32) |
| Net income after minority interests | 446 | 110 |

| | | |
|-------------|-----|-----|
| Investments | 446 | 342 |
|-------------|-----|-----|

| | At Jun 30, 2004 | At Dec 31, 2003 |
|--------------------|-----------------|-----------------|
| Net financial debt | 592 | 820 |
| Employees | 74,602 | 73,221 |

Definition of Operating EBIT: Operating EBIT refers to earnings before financial result, taxes, amortizations of goodwill and special items. Under the new IFRS 3, regular amortization of goodwill no longer applies. Bertelsmann has adopted IFRS 3 as of January 1, 2004. Operating EBIT is comparable to the Operating EBITA index used in past reporting.

| Division | Revenues | | Operating EBIT | |
|------------------------|---------------|----------------|----------------|----------------|
| | 1/1 – 6/30/04 | 1/1/ - 6/30/03 | 1/1/ - 6/30/04 | 1/1/ - 6/30/03 |
| RTL Group | 2,457 | 2,212 | 373 | 250 |
| Random House | 818 | 747 | 31 | 12 |
| Gruner + Jahr | 1,223 | 1,240 | 96 | 111 |
| BMG | 1,194 | 1,086 | 74 | (135) |
| Arvato | 1,695 | 1,639 | 80 | 54 |
| Direct Group | 1,052 | 1,134 | (16) | (17) |
| Total Divisions | 8,439 | 8,058 | 638 | 275 |
| Corporate | 7 | 5 | (32) | (58) |
| Consolidation / Other | (310) | (180) | (10) | (31) |
| Total Group | 8,136 | 7,883 | 596 | 186 |

About Bertelsmann AG

Bertelsmann, a media company, 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 Sony BMG Music Entertainment with artists such as Anastacia, Alicia Keys, Beyoncé, Dido and Usher also stand for creativity and powerful brands. Bertelsmann's direct-to-customer businesses are bundled in Direct Group: book and music clubs with 32 million members all over the world. 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.

For further questions, please contact:

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