



our media
your life

Bertelsmann Financial Highlights

Key Figures (IFRS)	2007	2006	2005	2004	2003
in € millions					
Business Development					
Consolidated revenues	18,758	19,297	17,890	17,016	16,801
Operating EBIT	1,811	1,867	1,610	1,429	1,026
Operating EBITDA	2,467	2,548	2,274	2,112	1,866
Return on sales in percent ¹⁾	9.7	9.7	9.0	8.4	6.7
Bertelsmann Value Added (BVA ²⁾)	133	101	28	3	-
Net income	405	2,424	1,041	1,217	208
Investments	1,032	1,092	2,565	930	761
Consolidated Balance Sheet					
Equity	6,124	6,429	9,170	8,846	7,631
Equity ratio in percent	28.1	28.6	40.0	42.2	37.9
Total assets	21,776	22,498	22,932	20,970	20,164
Economic debt ³⁾	6,330	6,760	3,931	2,632	3,227
Economic debt new ⁴⁾	7,720	8,450	-	-	-
Leverage factor ⁵⁾	2.6	2.8	2.2	1.6	1.9
Leverage factor new	3.1	3.4	-	-	-
Employees (in absolute numbers)					
Germany	36,832	34,336	32,570	27,350	27,064
Other countries	65,565	62,796	58,989	48,916	46,157
Total	102,397	97,132	91,559	76,266	73,221
Dividends to shareholders of Bertelsmann AG	120	120	287	324	220
Profit participation payments	76	77	76	76	76
Employee profit sharing	82	73	48	29	29

This overview shows the figures reported in the Annual Reports of preceding years.

¹⁾ Based on Operating EBIT

²⁾ Bertelsmann uses the BVA as a controlling instrument to assess the profitability of its operations and its return on capital.

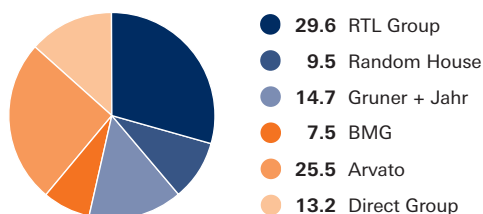
³⁾ Net financial debt plus provisions for pensions and profit participation capital

⁴⁾ From 2008 extended definition: Net financial debt plus provisions for pensions (taking into account IAS 19.93A), profit participation capital and net present value of operating leases.

⁵⁾ Economic debt/Operating EBITDA (after modifications)

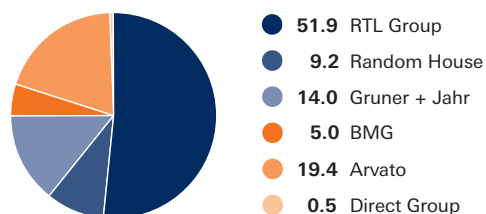
Total Revenues by Division

in percent*



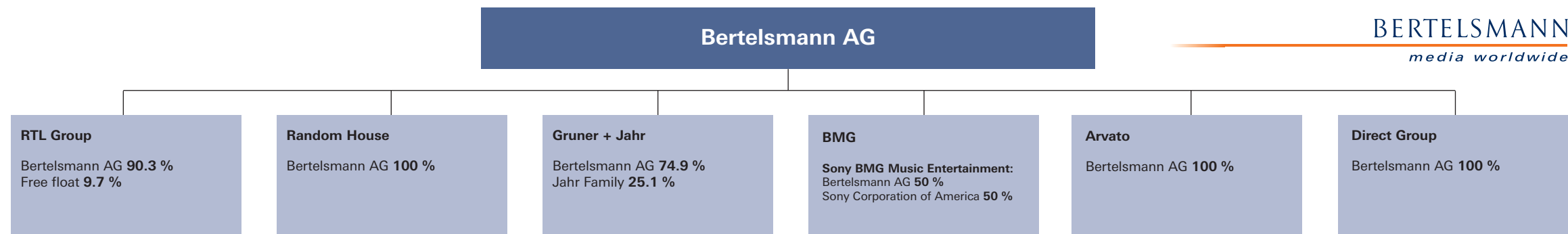
Operating EBIT by Division

in percent*



* Based on total from divisions not including Corporate/Consolidation

Corporate Divisions at a Glance



BERTELSMANN
media worldwide



RTL Group is Europe's leading entertainment group with holdings in 42 TV channels and 32 radio stations in ten countries, and in production companies around the world. Bertelsmann owns approx. 90 percent of RTL Group, making it the principal shareholder of this Luxembourg-based listed company. www.rtl-group.com

RTL Group	2007	2006	2005	2004	2003
in € millions					
Revenues	5,707	5,640	5,112	4,878	4,452
Operating EBIT ¹⁾	978	835	756	668	503
Employees (in absolute numbers)	11,392	11,307	8,970	8,117	7,254



Random House is the world's largest trade book publishing group. Its portfolio comprises more than 120 editorially independent imprints, which publish some 11,000 new books each year. Random House sells more than 500 million books annually. The group is a wholly owned division of Bertelsmann. www.randomhouse.com

Random House	2007	2006	2005	2004	2003
in € millions					
Revenues	1,837	1,947	1,828	1,791	1,776
Operating EBIT ¹⁾	173	182	166	140	115
Employees (in absolute numbers)	5,764	5,804	5,395	5,383	5,525



The Gruner + Jahr media company is Europe's biggest magazine publisher. It publishes over 300 magazines, newspapers and Web sites in more than 20 countries. 74.9 percent of the Hamburg-based company is owned by Bertelsmann; the Jahr publishing family owns 25.1 percent. www.guj.de

Gruner + Jahr	2007	2006	2005	2004	2003
in € millions					
Revenues	2,831	2,861	2,624	2,439	2,481
Operating EBIT ¹⁾	264	277	250	210	233
Employees (in absolute numbers)	14,448	14,529	13,981	11,671	11,352



The BMG division is mainly comprised of Sony BMG Music Entertainment, a joint venture between Bertelsmann and the Sony Corporation of America. The music major's repertoire spectrum ranges from hip-hop to country, from classical to gospel, and from pop to rock. www.bmg.com, www.sonybmg.com

BMG	2007	2006	2005	2004	2003
in € millions					
Revenues	1,456	2,017	2,128	2,547	2,712
Operating EBIT ¹⁾	93	173	177	162	54
Employees (in absolute numbers)	2,851	3,009	3,597	4,259	4,880



With around 270 subsidiaries in 37 countries, Arvato AG is one of the world's largest internationally networked media and communication services providers. Its operations include printing plants, call and service centers, logistics services and optical storage media production. Arvato is a wholly owned division of Bertelsmann AG. www.arvato.de

Arvato	2007	2006	2005	2004	2003
in € millions					
Revenues	4,917	4,782	4,365	3,756	3,639
Operating EBIT ¹⁾	366	367	341	310	261
Employees (in absolute numbers)	51,846	46,584	42,155	33,813	31,405



Direct Group Bertelsmann operates media clubs, bookstores, internet businesses and publishers in 21 countries. It has a comprehensive network of outlets comprising over 800 club centers and bookstores. Direct Group is wholly owned by Bertelsmann. www.directgroup.de

Direct Group	2007	2006	2005	2004	2003
in € millions					
Revenues	2,555	2,665	2,384	2,175	2,286
Operating EBIT ¹⁾	10	110	53	32	4
Employees (in absolute numbers)	15,109	14,996	13,493	12,116	11,893

This overview shows the figures reported in the Annual Reports of preceding years.
¹⁾ With effect from January 1, 2004, Bertelsmann has used Operating EBIT to measure income from operating activity. The figure for the 2003 fiscal year was adjusted for the sake of comparability.

Annual Report 2007

Company Information

02 The Management

- 02 Interview CEO
- 08 Executive Board

10 The Group

- 10 Bertelsmann Essentials
- 12 Corporate Responsibility
- 14 Customer Focus

16 Divisions

- 16 RTL Group
- 22 Random House
- 28 Gruner + Jahr
- 34 BMG
- 40 Arvato
- 46 Direct Group

Financial Information

53 Detailed Index

54 Group Management Report

78 Consolidated Financial Statements

- 78 Consolidated Income Statement
- 79 Consolidated Balance Sheet
- 80 Consolidated Cash Flow Statement
- 81 Consolidated Statement of Recognized
Income and Expense
- 82 Segment Reporting
- 84 Notes

144 Corporate Governance

146 Report of the Supervisory Board

148 Boards/Mandates

- 148 Supervisory Board
- 150 Executive Board

151 Additional Information

- 151 Auditor's report
- 152 Responsibility Statement
- 153 Selected Terms at a Glance
- 154 Financial Calendar/Contact
- 155 Production Credits



HARTMUT OSTROWSKI

Chairman and CEO, Bertelsmann AG

On the rooftop terrace of Bertelsmann's Berlin premises "Bertelsmann Unter den Linden 1"

»Creating Value through Growth«

2007 was a significant year for Bertelsmann. The group's operating profit stabilized at the previous year's record level, and Bertelsmann cleared a number of consequential business risks. The year was also characterized by change at the top of the group: Hartmut Ostrowski became the new Chairman & CEO of Bertelsmann AG at the beginning of January 2008. In an interview, he elaborates on his plans to sustainably strengthen Bertelsmann's powers of growth.

Question: Mr. Ostrowski, you've been Chairman & CEO of Bertelsmann AG since the beginning of the year. Have you a precise idea yet as to where the whole group is headed in the years ahead?

Hartmut Ostrowski: I've spent the past year preparing for this position and during this time I kept telling myself: if you take on this assignment, you need to know exactly what you want. Bertelsmann today is a conglomerate with over 100,000 employees in more than 50 countries. Our businesses range from television, music, books and magazines to service businesses and printing. Many of our markets are in transition. I have a very clear idea of how Bertelsmann will be structured and organized two or three years from now, what businesses will play what role and which industries we will be focusing on. No one can, or should, be allowed to undertake such an assignment unless they have undergone thorough strategic preparation.

Question: Can you sum up your strategy in one sentence?

Hartmut Ostrowski: I don't even need a sentence. One word says it all: growth.

Question: Why is growth such a priority for you? Bertelsmann is already one of the world's biggest media groups, and its private ownership structure shields it from hostile takeovers and the like.

Hartmut Ostrowski: There's an old saying that goes »If you're not growing, you're shrinking.« I believe that applies to present-day companies. Ongoing technological progress has put companies in a situation much like that of a person running up a "down" escalator. To merely stay where you are, you have to be at least as fast as the escalator. To get ahead, you have to be faster. And we definitely want to be faster. In other words, growth is the only way for

»Growth is the basis of everything.«



us to secure and to enhance our leading market positions for the long term and thereby increase profits. It is the only way to create value that will result in long-term, positive developments for the company. Or put differently: Growth is the basis of everything.

Question: What will Bertelsmann look like in the future?

Hartmut Ostrowski: Though no one can predict the future, in the year 2015 Bertelsmann will most likely be a big media, communications and services company. Our company will be a global player with a presence in all relevant growth markets around

the world. Provided political and global economic conditions remain somewhat stable, Bertelsmann will generate revenues and operating results that are considerably higher than today. Annual growth will be at four percent, and return on the capital invested should be eight percent or more.

Question: The focus of Bertelsmann's businesses is currently on Europe and North America. Can this remain so in the future?

Hartmut Ostrowski: Bertelsmann is still the world's most international media company. We generate roughly two thirds of our revenue outside Germany. Nonetheless, of course we regularly review the re-

gional focuses of our activities and ask ourselves whether we want to continue relying primarily on mature markets, such as those in Europe, or whether we want to shift our focus more to the high-growth markets of the future. I believe our strategy must be to tap the most important growth markets for us – Russia, India and China – without neglecting our core markets in Europe and North America. Though the Asian media markets, and especially China, are growing rapidly, we mustn't forget that reputable studies indicate that several years from now, the U.S. media market alone will still be about four or five times the size of the Chinese media market. In the long term, North America is still the world's biggest and most important media market.

Question: How would you rate the 2007 business year?

Hartmut Ostrowski: Bertelsmann's operations are doing well overall, and the group is in an excellent position for us to bring it forward together. Big risks like the legal dispute concerning the Napster music file-sharing platform, our debt spike following the share buyback, and the Sony BMG approval procedure have been eliminated. Compared with five years ago, the group has considerably strengthened its operations and finances – an achievement for which my predecessor Gunter Thielen deserves the greatest appreciation and recognition. After the necessary growth in profitability over the past five years, the time has now come for sustainable, primarily organic corporate growth.

Question: Where will this growth come from? Large portions of the media sector are regarded as mature and saturated.

Hartmut Ostrowski: That is indeed a great challenge. We have carefully analyzed the various markets in which we do business. Some of them we expect to continue growing steadily, while other markets are hardly growing any more, or are even shrinking. The projected average growth across all markets is 1.1 percent – clearly too small for a company like Bertelsmann, especially since this figure already includes the burgeoning market for services. In plain language: I believe the time has come for Bertelsmann to make some fundamental, long-term changes in some areas and issues. We

»We have to pick up the pace of innovation.«

have to pick up the pace of innovation. In the past twelve months, we have thought specifically about how to systematically develop new ideas and rapidly take them to market readiness at Bertelsmann.

Question: What sort of changes are you referring to?

Hartmut Ostrowski: We need to develop new businesses in existing markets while also tapping entirely new ones such as the emerging education sector. The services businesses will become more important for Bertelsmann and become more and more established alongside the media businesses. We are in an excellent starting position and are dealing

with a market that is growing by 8 percent a year. By the same token, this means that we need to review our involvement in markets that are shrinking by the year – and take action with all the inevitable, sometimes ostensibly tough consequences.

Question: Are you planning to turn Bertelsmann into a services group in the long term?

Hartmut Ostrowski: To preclude any misunderstandings, I'll say it again very clearly: Bertelsmann will continue to be a media company, in the near and long term. Not just because we make good money with television, books, magazines, music and the Internet, but also because we are proud to have authors, journalists, actors, artists and many other creative minds around the world working with Bertelsmann. Bertelsmann puts great faith in creative people: They are the ones who made

have limited financial leeway, as we don't want to go into debt beyond our internal debt targets – and as a non-listed company, we can't just sell off a few shares to add resources with a cash injection from the stock market. In other words, any money for investments needs to be generated as profits first. However, this doesn't mean that we aren't in a position to manage larger acquisitions if we feel it makes sense. We enjoy an excellent reputation on the capital market.

Question: How much does Bertelsmann plan to invest in the next few years?

Hartmut Ostrowski: In the next five years, we will be able to earmark between five and seven billion euros for investments. Our great advantage is that we are completely free of any stock-market demands and are under no pressure to make big investments.

Question: Do you think that will be enough to continue playing in the global league of media groups in the long run?

Hartmut Ostrowski: If we concentrate more than ever on our own strengths and powers, I am convinced that Bertelsmann has the best possible chances of brilliantly mastering the structural change in the media industry. However, this also means that we must be very resolute about implementing Bertelsmann's management philosophy. We must find and train the best executives for Bertelsmann and ensure we retain them. We need women and men who appreciate the concept of being an entrepreneur in a greater corporate enterprise, and are willing to live it; who set ambitious personal goals, and achieve them in partnership with their

»Bertelsmann will continue to be a media company, in the near and long term.«

the company big and they deliver the content that creates long-term value in a media industry that is changing ever more quickly. Our strategy involves working with them in advancing the media business, while we also expand the services business.

Question: What does that mean for your investment policy?

Hartmut Ostrowski: Bertelsmann has to focus its investments on growth areas with a future. We

»We must find and train the best executives for Bertelsmann and ensure we retain them.«



employees, the guarantors of success. Unlike many other companies, we give a relatively large number of young employees the chance to prove themselves in positions of responsibility. We seek out budding entrepreneurial talent with targeted recruiting campaigns at universities.

Question: The Annual Report 2007 centers on customers. What role does customer focus play for you?

Hartmut Ostrowski: I spent many years of my professional life in the services business, so customer focus has practically become part of my DNA. The digitization of media – and I'm not referring just to the Internet and Web 2.0 – creates entirely new possibilities of extending more individual-

ized media offers to customers than ever before. We at Bertelsmann will systematically seize this opportunity. However, this also includes seeing things from our customers' viewpoint even more than in the past. We have to know and cater to their needs – after all, they are the ones who ultimately pay our salaries. If content is king, customers must be our emperor.

The Executive Board of Bertelsmann AG



1

HARTMUT OSTROWSKI [1]

Member of the Bertelsmann AG Executive Board since September 1, 2002, Chairman and Chief Executive Officer of Bertelsmann AG since January 1, 2008, Gütersloh. Born February 25, 1958 in Bielefeld (Germany).



2

DR. THOMAS RABE [2]

Member of the Bertelsmann AG Executive Board since January 1, 2006, Chief Financial Officer and Head of the Bertelsmann AG Corporate Center, Gütersloh. Head of Bertelsmann Music Group (BMG) since February 10, 2006. Born August 6, 1965 in Luxembourg.



3



4



5



6

GERHARD ZEILER [3]

Member of the Bertelsmann AG Executive Board since October 1, 2005, Chief Executive Officer of RTL Group, Luxembourg. Born July 20, 1955 in Vienna (Austria).

DR. BERND KUNDRUN [5]

Member of the Bertelsmann AG Executive Board and Chairman of the Gruner + Jahr AG Executive Board since November 1, 2000, Hamburg. Born November 8, 1957 in Wuppertal (Germany).

PETER OLSON J.D./MBA [4]

Member of the Bertelsmann AG Executive Board since April 1, 2001, Chairman and Chief Executive Officer of Random House, New York. Born May 1, 1950 in Chicago (U.S.).

ROLF BUCH [6]

Member of the Bertelsmann AG Executive Board since January 1, 2008, Chairman of the Arvato AG Executive Board, Gütersloh. Born April 2, 1965, in Weidenau/Siegen (Germany).

»A company that wants peak performance has to be able

Here, the corporate culture Reinhard Mohn established at

partnership, entrepreneurship,

and which has set Bertelsmann apart and

to rely on its strengths and fully unfold its powers.

Bertelsmann serves as our guide: a culture which builds on

creativity and **citizenship**–

ensured its success for decades.«

HARTMUT OSTROWSKI, Chairman and CEO



ANDREA SCHMIDT
Program Planner, Vox, Germany

»Creativity means that my colleagues and I put together the best program for our viewers, every day. It's the most exciting job I can imagine!«



JAMES PERRY
Business Manager, Random House Children's Books, USA

»For me, entrepreneurial spirit means having the freedom to make decisions and using this freedom responsibly. It is terrific for workplace morale, as well as a great motivator for productive performance and growth.«



GIUSEPPE PICCIONE
Machine Operator, Eurogravure, Italy

»At our company, we trust, respect and support each other – no matter what level you work on. That's what partnership means, isn't it? My voice is heard, and that's very important to me.«



LENA MIDTVEIT
Managing Director, Sony BMG, Norway

»I'm very conscious of my social responsibility. I get involved and try to give back to the community as much as I can, and I expect the same thing from the company I work for.«

Bertelsmann Essentials

The Bertelsmann Essentials convey the goals and basic values of our company's employees, executives and shareholders and are based on the Corporate Constitution. It is the responsibility of our executives to spread and exemplify these values and to serve as role models. The Bertelsmann Essentials reflect the current status of consensus and are subject to constant review, revision and improvement.

Our Mission

Bertelsmann is an international media corporation. We provide information, entertainment and media services to inspire people's daily lives. We aspire to make a valuable contribution to society. We strive to be leaders in our markets and to achieve returns on capital that guarantee the growth and continuity

of our corporation. Our joint efforts focus on creative content and customer relations. We seek to provide working conditions that are equitable and motivating for our employees. We commit ourselves to the continuity and ongoing progress of our corporation.

Our Core Values

Partnership

Our corporate culture is based on a mutually beneficial partnership between our employees and the company. Motivated individuals who identify with our values are the driving force behind quality, efficiency, innovation and growth within our corporation. The hallmarks of our participatory leadership approach are mutual trust and respect as well as the principle of delegation of responsibility. Our employees enjoy autonomy to the greatest extent possible. They receive comprehensive information and participate in decision-making as well as in the financial success of the company. We are committed to the professional development of our employees and seek to provide long-term employment.

Entrepreneurship

The principle of decentralization is at the heart of Bertelsmann's management philosophy. It enables our employees to act with flexibility, responsibility, efficiency and entrepreneurial freedom. Our operating businesses are run by managers who act as entrepreneurs: They enjoy considerable independence and bear full responsibility for the performance of their companies. Our executives act not only in the best interests of their individual businesses, but are also obligated to the interests of the group as a whole.

Creativity

We provide a home for artists, authors and creative talents in all of our fields of business, promoting their creative development as well as their commercial success. We strive for the protection of intellectual property on a worldwide basis. We promote artistic freedom and freedom of thought, the protection of democracy and human rights, and the respect of traditions and cultural values. Consequently, the content we provide reflects a wide range of viewpoints and opinions. Continuous innovation and improvement, guided by customer needs and interests, are the cornerstones of our success, both in media services and in content businesses.

Citizenship

The continuity and development of Bertelsmann as an independent entity is ensured by the Bertelsmann Verwaltungsgesellschaft's control of the majority of voting rights. In the view of our shareholders, the possession of property creates an obligation to the community. They are committed to the idea that in a market economy a corporation derives its legitimacy by making a valuable contribution to society. The work done by the Bertelsmann Stiftung – to which the majority of Bertelsmann shares has been contributed – is also guided by this principle. Our businesses are managed in accordance with the spirit and the letter of the law. They maintain high standards of ethical conduct and act responsibly toward society and the environment.

Our Commitment

We expect everyone at Bertelsmann to adhere to this mission and these core values.



EDYTA PUDŁOWSKA
Publishing Director, NAJ, Poland

»The basic values set out in the Essentials don't just define what's expected of me, but also what I can count on as an employee. It's important to have a dependable foundation, especially in a company this large and decentralized.«



IMMANUEL HERMRECK
Executive Vice President Human Resources, Bertelsmann AG

»The Essentials are Bertelsmann's DNA: They are the foundation underlying our attitude of partnership and entrepreneurial actions.«



ERICH RUPPIK
Corporate Works Council, Bertelsmann AG

»The short-term benchmarks imposed by the stock market are irreconcilable with the values that guide Bertelsmann. The Essentials put this company on a different path and place a responsibility on it – to employees and to society.«



GUDRUN KEITEL
Shop Manager, Der Club Bertelsmann, Germany

»The Essentials are alive and well here, and that has an effect on the atmosphere in our shop: if our whole team radiates motivation, ultimately our customers will feel it, too.«

Corporate Responsibility at Bertelsmann

Social responsibility is firmly anchored in our corporate culture as one of the four Bertelsmann Essentials: Citizenship. Pursuing growth in a responsible manner wherever our corporate action intersects with the expectations of our stakeholders is part of our business strategy. We practice purposeful, decentralized social engagement on the ground, thematically related to our business environment, and along our value chain.

Economic Responsibility – The Underpinning

By definition a business must pursue economic interests and goals. Self-evident as this sounds, it is just as self-evident that this engenders a responsibility to ensure the ongoing development of the business. Our financial performance safeguards jobs and creates new ones. In this way, we contribute to the prosperity of the countries and cities where we do business. Our actions follow the principles of good corporate management and are guided by ethical values.

Responsibility to Employees

The idea of partnership between a company and its employees shapes our thoughts and actions, for the benefit of everyone involved. Our shareholders, management and employee representatives understand that treating each other as partners not only promotes everyone's satisfaction and identification with the company and their personal role in it, but also represents an important condition for succeeding in business. Therefore, measures for employees have always been a special focus of corporate responsibility at Bertelsmann.

Responsibility to Society

The media play an important role in society. For us, this results in a special responsibility to contribute to the diversity of media with a wealth of creative offerings. At the same time, we see it as part of our responsibility to be a good citizen of the communities we work in. Together with our employees, we actively work to support a livable environment and against social injustice wherever we do business.

Responsibility to the Environment

To continue being successful with creative media products and services in the future means we have to care for the environment today. It is part of our corporate social responsibility to handle natural resources responsibly across our value chain. Our efforts for the environment are as multifaceted as our business operations. For instance, in companies that use paper as a raw material in the production of books and magazines, this resource is the focus of environmental management.

Our Corporate Responsibility Portal presents selected highlights and recent news



Examples of Corporate Responsibility at Bertelsmann
World Book Day

Reading is the key to education, knowledge and social participation. In 1995, UNESCO created “World Book Day.” Since then, April 23 has been a day of books and reading around the world. Several Bertelsmann AG divisions and companies have participated in World Book Day for years, to encourage reading in general and especially among children. Promotions range from book vouchers for a million children in Germany to voting for one’s favorite writer in China.

Long-term relief for flood victims in Southeast Asia

Following the Southeast Asian tsunami disaster in December 2004, Bertelsmann and its employees donated a total €1.4 million to SOS Children’s Villages. The money is being used to provide 250 children with homes, clothing, medical care and education for at least ten years. One of six new SOS Children’s Villages opened in Pondicherry, India in January 2008. Other villages in Indonesia, India and Thailand will follow soon.

Du bist Deutschland – a campaign for more child-friendliness

On Bertelsmann AG’s initiative, more than 25 leading German media companies in December 2007 re-launched the successful social marketing campaign “Du bist Deutschland” with the aim of improving attitudes toward children in Germany. The companies are donating advertising space and airtime worth over €35 million to the cause. Participating companies include co-initiator Gruner + Jahr as well as Mediengruppe RTL Deutschland’s channels and several Arvato companies.

Fit for the future

Bertelsmann also did much to promote its employees’ well-being in 2007: health check-ups for employees aged 45 and over, an expanded company sports and health program, and various dietary and nutritional improvements at all staff canteens in Germany. For this, our health management department won the “Unternehmenspreis Gesundheit” awarded by the BKK Bundesverband.

Content is King, but the Customer is Our Emperor!

There's a question that's as old as business itself: what does the customer want and how do we meet his needs? Since the question was first asked, it has been answered many times, in many different ways. Because there is no one universal answer, just as there isn't just one single customer, but many.

What do customers want? That is a question we are constantly seeking to answer properly, together with our customers. It is a quest that will never end, because the correct answer is: Customers want the best service, the right product, the entertainment that best suits their taste, at the right place and time.

Given the many millions of customers Bertelsmann serves each day, the task seems all but unsolvable, doesn't it? Not quite. Digitization is giving rise to new technologies and platforms that bring media closer to the customer and vice versa, by allowing unprecedented personalization. Media content and diversified services follow this development, and a vast, near-overwhelming diversity is the result: niche and special-interest content and entertainment anytime, anywhere, on mobiles and on laptops.

At Bertelsmann, more than 100,000 employees around the world are working to ensure that millions of customers get the answers they want to their questions. The right answer for each one. An individual answer. Content is king – but the customer is our emperor. He is at the heart of everything that drives us.

We could make it easy on ourselves. One might say that the customers' growing demands should be fulfilled by the customers themselves. That is sometimes what is meant by Web 2.0. This, people say, would be a revolution, something entirely new! Who should know better than the customer what he wants? This appears logical at first. But on closer scrutiny, one might ask: what kind of an emperor has to create everything of relevance in his world by himself?

Would that be a revolution? Hardly. As long ago as 1876, Mark Twain described the process in his masterpiece "The Adventures of Tom Sawyer." Aunt Polly orders Tom Sawyer to paint a fence instead of hanging out with his friends. But Tom has a better idea: he manages to convince his friends there is nothing that could possibly be more fun on this fine day than painting a fence. And they actually believe him, some even paying to have a go. At the end of the day, Tom has collected a number of presents, done no work, and the fence is beautifully whitewashed.

Let's imagine for a moment that Bertelsmann's decentralized companies were to take their cue from Tom Sawyer. Let's briefly imagine that Arvato's customers would not only have to supply a complete solution themselves, but also everything that feeds into it: expertise, resources, technology. Would this ultimately deliver the unique quality and scope of Arvato's services and products? Certainly not.

What would customers say if Random House were to simply deliver a pencil and notepad to its readers instead of high-quality fiction and award-winning nonfiction? Write your own bestsellers, why don't you?

And, while we're at it, Sony BMG could take the same approach: a blank sheet with lines on it – all you need for a do-it-yourself hit.

Creativity isn't that simple – and neither are customers. And more importantly, our customers all over the world know this. Successful creative processes aren't a one-way street, and never have been. New technologies are useful, but they are open to misinterpretation. Fifty years ago, when copying machines first hit the market, some thought it meant the end of the printing business. Now everybody can replicate everything themselves, they said. Today the Web is firing imaginations, but do customers really want to do everything themselves? And will the fence-painting trick work forever? No.

As customers, even people who upload their own texts or videos on the Web demand professionally produced, top-quality content.

Today's media customers are more demanding than ever before. They rightly expect us to do everything in our power to combine creativity and the latest technology into the most compelling services and best possible products.

The spirit to create defines the way we think about Bertelsmann – regardless of whether the end result is a bestseller, a hit or an optimal service for business customers. New technologies enhance

this relationship, but they don't eliminate the demand for quality and professionalism; they open up additional possibilities. The Web helps us to offer even better integrative services and products. Vibrant communities are born, inspired by books, texts, songs.

The Web also drives our creative spirit, wherever we use its technology options to ensure that King Content is delivered to Emperor Customer. Bertelsmann employees use criticism and feedback to become even better. The customer becomes part of a creative whole. Creativity is the key to commercial success in the 21st century. For Bertelsmann, creativity means working imaginatively, in constant dialogue with the customers; on creating ever-better content and products – new output that is an improvement on the old.

Creativity and quality are inseparable.

Great content has never been a mass-produced product in the classic sense of the term, even if it is produced using industrial means. A story, a movie, or a song evokes something of a different response in every person, something very personal. It can create entire worlds. That is why we work to provide a multitude of answers. That is our "Spirit to Create."

So what do customers want? They want our best – the best content, the ideal solution. How to deliver it is something we find out anew each day, for our emperor: the customer.

RTL Group
Random House
Gruner + Jahr
BMG
Arvato
Direct Group

thrilled

The successful formula behind RTL Television's long-standing hit show "Good Times, Bad Times" is simple: it gets under your skin.

Life's road isn't always straightforward. While it may offer beautiful views, it can also contain the occasional hairpin bend or pothole that can throw you off the road. Life can easily become a roller-coaster, especially when feelings like love, jealousy and friendship are involved.

Sandra (Maike von Bremen) has made a big mistake. She started an affair just before her wedding to Marc (Arne Stephan). She's racked with guilt, but doesn't want to cancel the wedding. Her wedding day arrives. Will Sandra let Marc become part of her lie? Will she herself be able to live with the lie? Standing at the altar, she can't face lying any more. In a panic, she runs from the church, abandoning Marc. Broken-hearted, Marc collapses ...

... Christina Harwig* is riveted to the TV screen when her phone rings, tearing her away from the story. "Who would call me right NOW?" she groans, and waits for her answering machine to pick up the call. Anyone who knows Christina, knows she should

only be called in an emergency between 7:40 and 8:15 on Monday to Friday evenings. That's when "Good Times, Bad Times" is on. Affectionately known by its German acronym GZSZ, this Grundy UFA-produced soap has been the most popular early evening series on German TV for the past 15 years.

Christina is in her early thirties and has been on board pretty much since the beginning. She only missed some very early episodes as a teenager. "Nowadays, in the unlikely event that I can't make it for some reason, I watch the episode the next day on RTLnow.de on my computer. For not even two euros, I can watch the episodes I've missed and even the next episode before it's shown on TV." Christina owns dozens of CDs with hits from GZSZ, many of them by guest stars such as Rosenstolz, Tic Tac Toe and Caught in the Act, whose career began with a guest appearance on GZSZ in 1994.

Some say GZSZ is a soap opera. But for its fans, GZSZ is almost a cult. Their "other life", as it were. The stories of people in Berlin and their daily lives, their ups and downs, really move viewers.

Episode 3906 is about to enter one of those hairpin bends: Jo Gerner (Wolfgang Bahro) is fighting for custody of his daughter who recently had a liver transplant. While she's in hospital recovering from surgery, outside her parents do battle for her love.

RTL Group
Random House
Gruner + Jahr
BMG
Arvato
Direct Group

**GUTE
ZEITEN
SCHLECHTE
ZEITEN**

The most successful pre-prime-time serial in Germany since 15 years

Do not disturb!

An average episode of GZSZ is 24 minutes long. Countless fans like Christina have seen almost every single one. Add the episodes together, and you get 65 days of your life. Quite a lot. But for Christina, GZSZ is both excitement and relaxation: “Sometimes when I get home from the office in the evening, I’m completely bushed. Often on the way home, I’ll already be looking forward to my half hour on the sofa in front of GZSZ. Once I’ve had that, the evening can begin.”

A large photograph hangs on the wall in Christina’s apartment. On it is written “Thanks for everything, Christina! Keep watching! Love, Jo,” signed, Wolfgang Bahro. He’s been on the show from the beginning, as have Hans Christiani (A. R. Daniel), Lisa Riecken (Elisabeth Meinhart) and Frank Thomas Mende, who plays Clemens Richter.

GZSZ is like a production line for German stars. And not just TV stars. Jeanette Biedermann and Yvonne Catterfeld have become bona fide pop stars. The list goes on. “See you again sometime,” laughs Christina when an actor leaves the series. And the regular GZSZ cast aren’t the only household names on the show. Showbiz stars, musicians and politicians have all made appearances. When Germany’s former chancellor Gerhard Schröder

confirmed his acting skills in 1998 – just before the Bundestag elections – well over six million viewers tuned in to watch. To this day, the soap draws an average daily audience of four million. Nothing and nobody on German TV can compete with these ratings.

Why? Christina’s explanation: “Of course I don’t confuse it with real life,” says Christina. “But the soap’s makers have always managed to create stories that captivate me and my age group. Stories that might have actually been real.” Christina herself has both feet firmly on the ground: she works as a sales director for an IT company in Berlin. Not a job for dreamers. And that’s precisely why she sees GZSZ as “a perfect dose of entertainment, excitement and relaxation in one. I think it’s rubbish when they say soaps are for people who want to escape from reality. I don’t know anyone who wants that, but I do know a lot of fans who look forward to 7.40 p.m. every day.” For faces old and new, through good times and bad, fans like Christina can’t wait to find out what’s going to happen to Sandra and Marc, how they’ll manage the next sharp corner. Or go round the bend instead. Christina is impatient to know. “See you tomorrow,” she says.

Life goes on. Exciting as ever.

The All-Rounder among TV Formats

Daily soaps make it very easy for viewers to get involved. How will the story of love, friendship, betrayal go on? The cliffhanger at the end of each episode is a fixed part of any daily soap, as is a brief preview of the next episode. Initial curiosity quickly turns viewers into repeat viewers and eventually into loyal fans of the series and the channel. This concept makes daily soaps one of the most important mainstays of a successful program policy: Day after day, they score high market shares in attractive, lucrative target audiences. As strong brands, they give the channel a face. They offer a platform for young talent and numerous possibilities for new business models, from merchandising products to online communities. In a word: Whether it’s reach, brand charisma or audience flow you want, daily soaps are a true all-rounder among TV formats.



€5,707 million revenues

€978 million operating EBIT

11,392 employees worldwide

RTL Group is the leading European entertainment network. The TV portfolio of Europe's largest broadcaster includes 42 channels in Germany, France, U.K., Netherlands, Belgium, Luxembourg, Croatia, Hungary, Russia and Spain. RTL Group's flagship radio is RTL in France; overall, it owns or has interests in 32 stations in Europe. The Group's worldwide content production arm, Fremantle Media, is one of the largest international producers outside the U.S.

Each day, over 200 million viewers all over Europe watch RTL Group's television channels.

»Audiences want top-notch programs and strong brands. The basic human need to lean back, relax and be entertained remains unchanged. That is what television does so well, and that is precisely what our customers expect and appreciate.«

GERHARD ZEILER
CEO, RTL Group

Highlights

1 "Got Talent" – Fremantle Media's new global hit

2007 was definitely a year for talent. "Got Talent," a collaboration with Syco TV, was one of Fremantle Media's top traveling formats in 2007, selling to 17 territories to date. Particularly successful in the U.K., it was the top entertainment show on ITV last year – only to be overtaken by Fremantle Media's own "X Factor." At the same time, it became an online hit in its own right. One YouTube clip of winner Paul Potts had more than 20 million views.



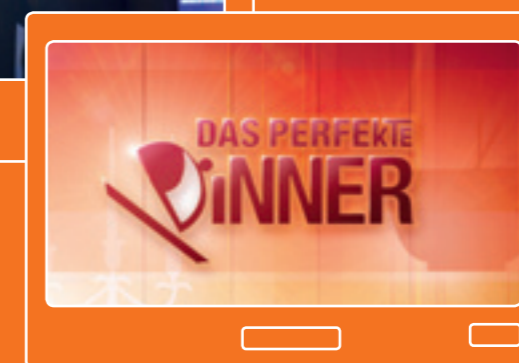
3

3 M6 leads the way in diversification

Just two years after its establishment, M6 Mobile by Orange continues to forge ahead. By the end of 2007, 1.17 million customers had signed up to the mobile virtual network package, showing just how popular it is with 15- to 25-year-olds. Today, M6 Mobile customers have the choice of four flat-rate tariffs offering unlimited calls, and one prepaid package offering exclusive content, such as music, TV and celebrity news. A new website with even more multimedia content is on its way.



1



2



4

4 RTL Radio France takes top spot

RTL Radio is currently smashing all records. The latest Médiamétrie survey (November – December 2007) confirms the station's considerable lead over the competition in all categories. In terms of accumulated audience, RTL is the clear market leader, maintaining a gap of 704,000 over the second-placed competitor. It also was tops in market share (13.1%) and daily listening time, averaging 2 hours 32 minutes. On top of this, the family of RTL stations – RTL, RTL 2 and Fun Radio – achieved a combined audience share of 19.5%.



5

2 Vox goes from strength to strength

The German channel Vox ended the year with its best result ever. Its share in the 14- to 49-year-old target group increased massively to 7.9 percent, establishing Vox in the premier league of German TV broadcasters. This strong performance can be attributed to a highly successful weekday access primetime line-up, double-digit ratings in a number of timeslots, and innovative formats, such as the reality show "Das perfekte Dinner," which have become instant audience favorites.

5 "Idol Gives Back" wins award

The "American Idol" fundraising campaign received a prestigious Emmy award for its "Idol Gives Back" specials. The two shows, which aired in April 2007, raised \$75 million for poor children in the U.S. and Africa. "We are so proud to have been able to leverage the power of Idol, with our viewers' support, to raise so much money and awareness for such worthwhile charitable organizations," said Simon Fuller, "Idol Gives Back" creator who worked with Fremantle Media North America to produce the show.

RTL Group
 Random House
 Gruner + Jahr
 BMG
 Arvato
 Direct Group

Curious

Without curiosity we all would be less knowledgeable. But curiosity is empowered and satisfied by good tools, such as Random House's new digital book search and browsing service.

It is 6:30 p.m. and Frank* is under pressure. Three months ago, the 45-year-old architect was hired as an assistant to Eric Mannerhoff*, long regarded as one of the great creative minds in his field. Mannerhoff is a genius at designing great, tall buildings to be both highly functional and a home to those who occupy them. For Frank, this job is the proverbial dream-come-true. "I so greatly admire Mannerhoff," he says. "It is an honor to work with him and for him." But today is no time for small talk. He has something truly important to accomplish for his boss by 1 p.m. tomorrow.

Mannerhoff has been commissioned to design a large administrative building in Des Moines. The project is to be presented to the developers in one week. Timing is tight – very, very tight. The Mannerhoff inner circle, which includes Frank, has no time to spare. Frank is one of Eric's key advisors and his specialty is architectural history and the

social implications of large buildings for cities. These are buildings that citizens will have to live with as a permanent fixture on their municipal landscape for many generations. A project as large as the one in Des Moines requires many compelling arguments from the architect to become a reality. Developers no longer focus just on cost. It is not enough to build something monumental or one-of-a-kind. It has to "work," as Frank puts it, "to be beneficial even for people who don't work in the building."

Frank's assignment is to compile the social-relevance research and organize it into the presentation. And so Frank is up against a pressing deadline. He has until tomorrow to put together a solid list of resources to discuss with Eric. He soon will turn to a newly created digital book search and browse service from Random House to try to beat the clock and meet his boss's expectations.

At 7 p.m., Frank powers up his laptop, opening his browser to the website of his favorite bookstore. Frank knows that the material he needs for his presentation – the building blocks of his building knowledge – can be found in books. He quickly locates "Visual Shock: A History of Art Controversies in American Culture" by Michael Kammen, a Knopf hardcover reprinted in paperback by Vintage, in which the author explores the question of how artists and architects delight us while provoking us.



RANDOM HOUSE

BERTELSMANN

Frank's Questions

A click on the "See Inside" logo on the book opens a small preview application, known as the "widget," on his screen. Random House "Search Inside" individual-title widgets are an invaluable tool for people who require an immediate sampling of more than 10,000 new and backlist books from the company's U.S. publishing houses and imprints. Although no book's content is available online in its entirety, the extensive reading samples and the complete table of contents are more than sufficient for Frank to determine whether it will be useful to him in his task or not.

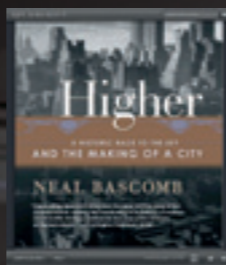
The Random House Widget also allows Frank to quickly search the text for terms that he needs to make a decision. He takes notes as he reads about monumental buildings that were an object of public controversy long before they were built. The Random House service is a godsend for him. "In the past, without it this would have meant an extra week or more of work," he says. "Combing through libraries, looking for the right books in bookstores costs a great deal of time. Now I just review the books with the Random House Widget – browse them briefly, search for other useful links, and I can come up with an in-depth list of references in a matter of hours. I then place a purchase order for those books that helped me the most, and pick them up from the local bookstore the next day."

About Insight, Random House's Book Search Service

Insight, Random House, Inc.'s own online book content search and browsing service, significantly increases potential awareness and sales for its U.S. books and audios. Insight makes available to both individuals and business partners quickly-accessed text and aural samples for more than 10,000 new and backlist titles from Random House publishers. A "widget" application created in-house easily allows anyone to add the sample material to a blog, social network, or personal or retailer website, potentially enhancing the latter's online sell-through of Random House titles. Random House of Canada and Germany's Verlagsgruppe Random House have also launched their own book content search initiatives.

He next uses the widget to browse Alain De Botton's "The Architecture of Happiness," published by Pantheon and Vintage, and finds useful facts and discussions pertaining to the central issue in his assignment: How do I build something big without compromising its beauty and its human scale? How do a city's residents react to a new building that is so striking? How important is it to bring them on board at the outset? A few more mouse clicks, and he's looking at Neal Bascomb's "Higher," a Doubleday hardcover and Broadway paperback, the story of architects William Van Alen and Craig Severance, the two men who made skyscrapers the new standard in 1920s New York. From the beginning, their buildings were known as the cathedrals of the 20th century. Frank is impressed and grateful. He will soon add the Random House Widget to the architecture firm's Intranet, so that all of his colleagues can access the useful tool as well.

It's now 1.30 a.m. Frank has browsed a dozen books with the Random House Search Inside widget, taken notes, and ordered eight books, which he will pick up in the morning. Tomorrow, on schedule, he will be able to give Eric definitive information, backed up with solid sources, which will be invaluable for the developers' presentation. He can sleep well. And he is optimistic about what Eric will say tomorrow after he's listened to his report: "Good work. Let's build it."



The Random House Widget offers fast online access to more than 10,000 books





RANDOM HOUSE

BERTELSMANN

€1,837 million revenues

€173 million operating EBIT

5,764 employees worldwide

Random House is the world's trade-book market leader, a commercial and cultural powerhouse publishing more than 11,000 new hardcovers and paperbacks annually in the local languages of 16 countries, and selling more than 500 million books a year. Home to many of the world's most popular and critically admired adult and children's authors, it is a company of people who love books and who are passionate supporters of their authors and readers.

Random House sold more than 500 million books worldwide in 2007.

»Our most important priority with all our business partners – authors and their agents, publishing associates, booksellers, and book buyers – is working with them to achieve the largest possible long-term sale and readership for every one of our books.«

PETER OLSON
Chairman and CEO, Random House

RTL Group
Random House
Gruner + Jahr
BMG
Arvato
Direct Group

Highlights

1 Record-Setting Sales for Final "Harry Potter" Audiobook

The "Harry Potter and the Deathly Hallows" audiobook, published in July by Random House Audio in the U.S. and Canada, mirrored the spectacular commercial and critical success of the print edition. The seventh and final volume of J. K. Rowling's classic storytelling was the fastest-selling children's audiobook in history. Random House has sold more than six million record-breaking copies of its "Potter" series, for which Grammy-award-winning narrator Jim Dale created over 200 character voices.



2 Random House U.K. Acquires Majority Share of Virgin Books

In March 2007, the Random House Group U.K. acquired a majority stake in Virgin Books, obtaining the global rights to the use of the popular Virgin brand in the fields of book, audio, and associated digital publishing. Virgin Books publishes a wide range of commercial nonfiction including health and lifestyle, biography, travel, sport, music, humor, film, and TV tie-ins and reference books. Under a separate agreement, Virgin founder Sir Richard Branson, a hugely successful author, will write five new books for Virgin Books.

3 New Random House U.S. & U.K. Bestseller Milestones

Random House established new benchmarks for the U.S. and U.K. book-publishing industry with its 2007 bestseller performance. Random House, Inc. placed 231 hardcovers and paperbacks on the "New York Times" national adult and children's bestseller lists, an all-time company high. They include "Playing for Pizza" and "The Innocent Man" by John Grisham and "Giving" by Bill Clinton. Random House Group U.K. books accounted for nearly one-third of the overall weekly lists of the "Sunday Times of London." Nigella Lawson's "Nigella Express" has sold more than one million hardcovers.

4 Nobel, Pulitzer, and Man Booker Prizes for Random House Authors

The literary preeminence of Random House and its authors was enhanced in 2007 through winning three of the world's most prestigious cultural prizes. Doris Lessing, published by Random House imprints in Germany, Spain, and Latin America, and Al Gore, in Japan, Korea, and Spain, were awarded Nobel Prizes, bringing the company's total Nobel laureates to over fifty. In the U.S., four Pulitzer Prizes – the most for any company's authors in a single year – were bestowed upon Random House, Inc. titles, including "The Road" by Cormac McCarthy and "The Looming Tower" by Lawrence Wright. Anne Enright's "The Gathering" won the U.K.'s Man Booker Award.

5 U.S. Senator Obama's Million-Copy 2007

U.S. Senator Barack Obama's quest for the Presidency also created an enormous yearlong demand for his two bestselling books, making him one of 2007's bestselling nonfiction authors. Random House, Inc.'s Crown imprint shipped almost one million additional hardcover and trade paperbacks of "The Audacity of Hope" and "Dreams from my Father" in the year, bringing their cumulative total in print to over three million copies for "one of the best writers to enter modern politics" (Newsweek).

RTL Group
Random House
Gruner + Jahr
BMG
Arvato
Direct Group

Surprised

Food and drink keep body and soul together – and the “essen-und-trinken.de” website makes sure your meals taste divine.

Three guys, one kitchen and a ticking clock: Uwe, Boris and Max* have promised their wives they'll have dinner ready by 7 p.m. sharp. “A proper dinner. No frozen pizza, nothing microwaved,” says Uwe. The men have been peeling and chopping vegetables in his kitchen since early afternoon.

Good food, the kind you get in an upmarket restaurant, is a lot of work to prepare right, the three are coming to realize. They've chosen to go with a classic regional specialty: green asparagus soup as an appetizer, followed by “Boeuf à la mode” (or “Böfflamött” in Bavarian) as the main course.

This particular meal takes a lot of advance planning: the meat is marinated in white wine and spices for two days before being roasted. Uwe looked up the recipe in the latest issue of “Essen & Trinken” magazine a few days ago. Then, because anything you've watched someone else do first is bound to turn out even better, he twice

watched the cooking video for the dish online at www.essen-und-trinken.de twice.

Uwe and his two friends can rest assured that they won't go wrong with this recipe – one of over 10,000 in the Essen & Trinken database. The recipes aren't just dreamed up at the kitchen table, they are tested – and this is unique in German culinary publishing – in the publisher's own kitchens. Professional chefs undertake a recipe twice before handing it over to an amateur for a third go. Only recipes that successfully pass all three rounds are entered in the database.

Max has found a version on the Internet where the sauce is refined by caramelizing it. “Great idea,” says Uwe, who is busy chopping herbs. “Caramelize?” Boris repeats, his face one big question mark. Max wipes his wet hands and claps them together: “Gimme a second. I'll go and look it up.” And off he goes to fetch his laptop. “Here's the forum,” he mumbles, entering the word.

Caramelize! The user forum has a ready answer. The necessary elements are all here, a saucepan, stove and sugar, of course. “No witchcraft required,” says Uwe, after scanning entries by other amateur chefs.



essen & trinken



Gruner + Jahr's new food community on the Internet

A Recipe for Success

It's now almost four o'clock. In the kitchen, preparations are running at full speed. Time is of the essence, since the meat needs to slow-roast at low heat for three-and-a-half hours.

To be on the safe side, the three guys quickly watch the video clip on "www.essen-und-trinken.de" one more time, meticulously noting every move by the pro, who explains precisely what he's doing. Well begun is half done. And just as importantly, it is great to know about the little shortcuts, the tricks, the right tools to make the meal properly. Our three home-cooking heroes learned that approach at a live demo by celebrity chef Tim Mälzer at the "Eat'n Style" trade fair in Hamburg a few weeks ago. Uwe, lord of the manor, retrieves a bottle of red wine. "This ought to pair well with the food," he says. Max takes the bottle and reads out loud: "Château Pierrail Bordeaux Superieur 2005." He nods approvingly: "I didn't know you were a wine connoisseur." Uwe, ever the sophisticate: "I joined the "Essen&Trinken" wine club. They deliver the right wines for the season." Boris is ready and starts uncorking the bottle. "We should open the second one now, too," he says. "The wine needs to breathe." A glance at the clock. "Get moving!" Uwe exclaims. "Let's get the meat in the oven!"

The beef needs to be seared before proceeding to slow-roast at 160°C (320°F). Boris volunteers: "I'll do it!" He falls silent, mustering all his concentration for the tricky task at hand: the vegetables, finely chopped, are added to the crackling contents of the pan. Mission accomplished.

Now it's Max's turn with the caramelized sauce. A tablespoon of powdered sugar is added to the pan used a minute ago to sear the meat. After a few seconds of careful stirring, the white powder has been transformed into a golden-brown, slightly viscous mass. Caramel! This is the crucial bit. Add some tomato concentrate. Deglaze it all with a small glass of cognac. And stir. The sauce bubbles away deliciously. Max adds the vegetables. And a little bit of the bouillon. Uwe is already standing by: very carefully, he lifts the meat from the cutting board, where it was enjoying a brief respite after the searing, to put it back into the pan. And off it goes into the oven. Roast for three-and-a-half hours.

Phew. With everything under control, it's time to relax. Is the ball game on TV yet? They've still got nearly two hours before the women arrive. Suddenly Boris pipes up: "What about dessert?" Oh. Forgot about that. Now there's really no time to spare.

Max rushes out to the local supermarket. A few minutes later, he finds himself standing in front of its well-stocked shelves – without a shopping list. He can practically see "tiramisu" in his mind's eye. But what goes into it? Keeping his cool, Max reaches for his mobile, smiling as he uses it to access the recipe and list of ingredients on "essen-und-trinken.de." "I had it all right here in my head," he'll tell the others later, when he returns with eggs, mascarpone and ladyfingers to make the dish that completes a perfectly prepared meal for three highly impressed wives and their culinary heroes.

"Expand Your Brand" in the food and lifestyle sectors

"Essen-und-trinken.de" and the biggest German-language food-website "Chefkoch.de," acquired in 2007, together make up Gruner + Jahr's newly created online food community. As part of G+J's "Expand Your Brand" initiative, the strong magazine brands "Essen & Trinken," "Essen & Trinken für jeden Tag" and "Viva!" were bundled to better serve their readers – and now users – as advisors and companions in daily life. The "Eat'n Style" trade fair organized by G+J and its food and lifestyle brands carries this theme forward. In 2007, almost 43,000 visitors thronged to the connoisseurs' tradeshow in Hamburg and Cologne, to visit the booths of some 330 exhibitors.



€2,831 million revenues

€264 million operating EBIT

14,448 employees worldwide

Gruner + Jahr is Europe's biggest magazine publisher. Its 14,500 employees produce more than 500 magazines and electronic offerings, reaching readers and users in 30 countries. G+J also holds a 37.45 percent stake in Prinovis, Europe's biggest gravure group, and owns Brown Printing, one of the biggest offset printers in the U.S. 74.9 percent of G+J belongs to Bertelsmann AG, 25.1 percent are owned by the Jahr publishing family in Hamburg.

People in 30 countries around the world are regulary using Gruner + Jahr's 500 print and online offerings.

»Our readers and users have a very close relationship with our media brands. We strengthen these ties by turning our brands into an experience on a number of media platforms and intensifying our dialog with users.«

BERND KUNDRUN
Chairman and CEO, Gruner + Jahr AG

Highlights

1 "Geo" Web Features

In October, "Geo" launched its Webreportage site in France: six big sections on largely international topics, in which "Geo" presents multimedia feature reports. Each week, the offering is enhanced with a new four-minute film that takes a closer look at a certain aspect of the topic currently featured. Another section containing interviews, photos and videos provides extra background information, compiled by the journalists during their research.



2 Acquisition of "xx-well.com"

In July, G+J Germany acquired a majority holding in "xx-well.com." The website centers on health-oriented coaching services for nutrition/diet, fitness, quitting smoking and reducing stress. In the B2B sector, the "xx-well.com" offering is integrated as an application on the websites of health insurance companies and consumer goods manufacturers among others. In B2C, "xx-well.com" has content partnerships with leading German Internet sites, including a very successful collaboration on the "Brigitte.de" diet coach since 2005.



3 "First"

The News publishing group in Austria launched "First," an upscale monthly glossy, in September. The title presents a mix of in-depth personal interviews and portraits, high-end fashion and beauty spreads, and an extensive lifestyle section. The event coverage centers on Austrian celebrities as well as international stars. For G+J's Austrian subsidiary, the debut of "First" marks its entry into the most lucrative segment of the ad sales market.



4 "Ebay" Magazine

May saw the launch, in Germany, of the quarterly "Ebay-Magazin." The new general-interest magazine published by "Stern" for the Ebay community is the first popular magazine ever to link an editorially autonomous print magazine and an Internet brand. It caters to Ebay users' needs and interests in sections entitled "Community," "Buying & Winning," "Selling & Earning" and "Service & Information." The idea is to provide useful journalism that is both competent and entertaining.



5 "Gala"

In September, G+J introduced a Dutch edition of "Gala" magazine. The Netherlands are the seventh market – after France, Germany, Poland, Russia, Serbia and Croatia – where the popular people magazine has been launched since it was established in 1994. Dutch "Gala" differs from the others in size, look and content – but like the German edition, its coverage emphasizes a well-balanced mix of national and Hollywood stars.

RTL Group
Random House
Gruner + Jahr
BMG
Arvato
Direct Group

excited

For Amy, the Sean Kingston concert is the highlight of her summer. For Sony BMG, the concert is essential to a “360-degree” partnership that is helping the company transform its business model.

The stage is pitch-black when a roar of cheering and applause suddenly goes up to Amy’s* right. Though there’s nothing to see yet, Amy’s arms rise of their own accord and she begins to clap. “Sean” a voice thunders from the speakers. All at once, hundreds of spotlights bathe the stage in a glowing red light. “Kingston,” a thousand throats bellow back from the auditorium. Amy still can’t believe it. Shivers run down her spine. Everything is exactly the way she and her friends pictured it, time and again. Only much more exciting, because the guy in jeans, coming directly towards her now on the stage, is actually HIM. Sean Kingston, the singer whose songs she listens to every day and whose every lyric she knows by heart.

Amy’s been crazy about his music for months. She and her friends have been waiting in front of the Cox Arena in San Diego with other fans since the afternoon, determined to secure one of the best

spaces, right by the stage. And they scored! They were some of the first fans inside the auditorium and are now directly in front of the stage.

Sean Kingston, who recently turned 18, was born in Miami and raised in Jamaica, plays a mix of reggae, rap, pop and doo-wop that’s all the rage among teens. “Sean,” he shouts into the mike one more time – to make sure that every last one of the people in the auditorium knows who’s going to be in charge for the next two hours. “Kingston,” Amy and her two friends yell back at the musician.

It took four days of begging and persuasion before her mother gave her permission to drive the three hours to San Diego for the concert. To earn the money, she had to put in some extra shifts baby-sitting. All that is forgotten now. The next two hours belong to Amy, the music, and the coolest live act she can imagine.

And while Sean Kingston pushes the audience to fever pitch and gets everyone clapping their hands, the keyboard player sends the first few sounds out into the hall. Amy gets it immediately: “Take you there,” she mouths to her friend, who nods her head enthusiastically – it’s one of their favorite tunes.

**“We can go to the tropics
Sip piña coladas
Shorty I could take you there...”**

RTL Group
Random House
Gruner + Jahr
BMG
Arvato
Direct Group

"I can take you there"



Sean Kingston: One of Sony BMG's hottest "360 degree" acts

Many of the lyrics on this insightful rapper's self-titled debut album, released through Sony BMG in 2007, are neither trivial nor do they glorify violence. "I write my own songs and lyrics. And I think it's important not to use negative language – language that offends people," says the artist. Kingston's lyrics tell stories about the worries and fears of teenagers, their doubts and constantly shifting insecurities.

They took him to the top of the charts in the U.S. and U.K. Kingston's success is no accident. Sean's grandfather is the late Jack Ruby, a Jamaican music legend. He was the producer who shaped Jamaica's typical hit-making sound, and to this day every child on the island knows who he is. Sony BMG signed the young artist and gave him professional support. Hit-spinner J.R. Rotem, who has worked with the likes of Rihanna, 50 Cent and Britney Spears, produced Sean's first album. "I've worked with some of the best in our business – and Sean has what it takes to be one of them. His talent has no limits," says Rotem. Kingston is one of many rising stars Sony BMG has signed a "360-degree" partnership with. Besides the music, CD distribution and digital downloads, Sony BMG also shares the artist's income from concerts, TV appearances, merchandise, etc.

Amy loves to share her thoughts and ideas about his music and concerts with other fans, and to watch the latest videos on Internet fansites.

At San Diego's Cox Arena, Sean Kingston has the audience swaying and sweating with his No.1 hit "Beautiful Girl." Amy and her friends are singing along and dancing to the beat. After the concert, Amy is all smiles despite her exhaustion. One thing she and her friends are already sure about is that the concert was the event of the summer. For some special souvenirs, they stop by the merchandise booth on the way out and pick out several stylish Sean Kingston T-shirts. This was THEIR concert. **And this is exactly the kind of experience that Sony BMG creates for fans when it produces unforgettable concerts. It is also another example of the company's "360-degree" deal evolution.**

Immediately after the concert, Amy and her friends are still too excited to put their feelings about the night into words, but in the days and weeks ahead, they will talk endlessly about the show. They will listen to Sean's music together. They will wear their new favorite T-shirts on the same days, and they will chat online and share their experience with other fans. Sony BMG is sharing in this experience too – using its comprehensive partnership with Sean to deliver a wide range of exciting products to his fans, while at the same time building the worldwide audience for his music and identity, in the process creating a truly global star.

"360-degree" – Sony BMG

"Encore!" "Encore!" Whether it's at a live show or on a premium album release, music fans always want more of their favorite artists. With Sony BMG's ongoing transformation into a full-fledged music entertainment company, fans are getting more of the music they love exactly the way they want it. Sony BMG's labels are presenting their artists' music in a variety of formats across multiple platforms. Sony BMG is also investing in music-related businesses such as television, merchandising, concert booking and promotion, and it is signing "360-degree" deals to ensure that the company forms true partnerships with artists and builds on the artist brands it creates. It's all part of Sony BMG's total transformation and the company's commitment to bring fans more.



€1,456 million revenues

€93 million operating EBIT

2,851 employees worldwide

Sony BMG Music Entertainment is a global recorded music joint venture with a roster of current artists that includes a broad array of both local artists and international superstars, as well as a vast catalog that comprises some of the most important recordings in history. Sony BMG Music Entertainment is 50 percent owned by Bertelsmann AG and 50 percent owned by Sony Corporation of America.

Sony BMG sold over 250 million online track downloads in markets around the world during 2007.

»People will always want music. They love classics as much as current hits. And they are getting more and more of it through innovative physical and digital products from Sony BMG. We give our fans the music they love whenever, wherever and however they want it.«

ROLF SCHMIDT-HOLTZ
CEO, Sony BMG

RTL Group
Random House
Gruner + Jahr
BMG
Arvato
Direct Group

Highlights

1 T-Pain – “Epiphany”

T-Pain’s ability to incorporate catchy hooks, lush instrumentation and classic pop melodies with the sounds of southern hip hop have made him an unstoppable hit maker and have earned him the title of the “Ringtone King.” T-Pain’s first two singles from his debut album, “Rappa Ternt Sanga,” sold a combined five million ringtones. The first and second singles from his follow-up album, “Epiphany,” went on to sell an additional three and a half million ringtones. That’s over eight million ringtones sold in two short years!



3

3 Alicia Keys

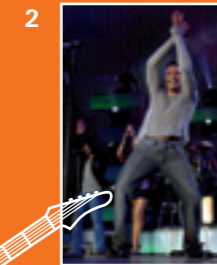
Since the 2001 release of Alicia Keys’ first album “Songs In A Minor,” she has built an unparalleled repertoire of hits and accomplishments with over 20 million albums sold worldwide. Alicia’s latest album, “As I Am,” was the biggest female R&B artist debut in Soundscan history and the biggest selling digital album by a female artist ever. It also marked Alicia’s fourth consecutive #1 debut on the Billboard 200 Album chart. With her singular chart history, 11 Grammy awards, and multiple platinum certifications, No One can compare to the fabulous Alicia Keys.

4 Leona Lewis – “Spirit”

Leona Lewis, a 22-year-old London native and winner of the hit TV show the “X Factor,” the British talent show, broke all-time sales records in the U.K. when “Spirit” entered the album chart at #1 and became Britain’s fastest-selling debut ever. But that was just the beginning. Overseen by Clive Davis and Simon Cowell in a first of its kind joint partnership, Leona’s album will be released in the U.S. on April 8th. In the meantime, Leona has been conquering the rest of the world with multiple #1’s and more than two million copies of “Spirit” scanned to date.



4



5

2 Concert Promotion

As part of Sony BMG’s evolving business model, many of the company’s regions and labels have entered into new businesses, including concert promotion. In just one example, Sony BMG Spain’s new division “Spot! Live” produced or promoted tours in Spain for artists such as Ricky Martin, Chayanne and The Fray. Spot! Live also organized one of the most popular events in Spain last year: The “Festival Viva America” in downtown Madrid attracted more than 200,000 people with its 35 folk groups from different countries.

5 Avril Lavigne – “The Best Damn Thing”

With worldwide sales of about five million, Avril Lavigne’s third studio album “The Best Damn Thing” was Sony BMG’s best seller for 2007. The album’s first single, “Girlfriend,” was the industry’s global top selling digital track for the year. The song still holds the #1 spot on YouTube as the most watched music video of all time, with close to 73 million views. As part of an innovative global marketing campaign, the company worked with management to create a manga series for print and mobile phones. “The Best Damn Thing” went on to become Japan’s #1 international album of the year.

RTL Group
Random House
Gruner + Jahr
BMG
Arvato
Direct Group

Confident

What makes a good service provider? The answer to this question is clear once you've completed a product launch.

Some Fridays never seem to end. Tom Hillanger* is 45 years old. For the past four years, he has served as product manager at an American technology corporation, a sometimes nerve-racking job. Very rarely are there Fridays like this one. It's 4:30 in the afternoon on a beautiful winter's day. There are no meetings, the phone is silent for a change, and there are hardly any unanswered e-mails in his inbox. A good way to end the week.

The sun slowly sets as Tom gazes contentedly out his office window. He has some time to reflect upon the 16 months that have passed since the launch of the company's new multimedia player – what went well, and what could have gone better. All in all, the launch was a huge success. Consumer demand is high. And, perhaps more importantly, a recent survey indicates that customers are happier with the service than with any previous product launch.

Tom knows that, given the tough competition in the consumer technology industry, factors like image-perception and service can mean success or failure for a new product.

Tom reaches for paper and pen to make a few notes for an upcoming meeting before he leaves for the weekend. On Monday, he will meet with his account manager at Arvato, the company to which he's outsourced all support for the multimedia player. It's a sensitive assignment. Young people are the player's most important target demographic. Young people are independent spirits – always experimenting, always pushing boundaries. That's good for them, but not necessarily for their multimedia players' manufacturer. Especially considering that his company's product is truly innovative: it can handle all the various digital formats and has a distinctive design. When this type of device goes on the blink, it requires expert First Aid. Phone support.

"We already knew from our previous dealings with the Arvato team that we can rely on them," says Tom. But the quality of this collaboration came as a surprise nonetheless.



BERTELSMANN

The Co-Entrepreneur

Any product professional knows that the market launch of a new product is a tough job. The first few weeks and months are riddled with problems no one can foresee. His project partners at Arvato weren't content to just provide first-class call-center service. "The Arvato team told me in no uncertain terms that we needed to offer consumers a better solution."

It's when problems arise that customers – Tom's customers – form an unshakeable opinion about the quality of a manufacturer. Arvato's service people arranged for problematic players to be picked up from the customer, ensured that defective devices were repaired promptly and that customers received replacements. A clear signal to customers: We offer first-class service. We're there for you. We'll fix this, fast.

Nor does the service stop at devices in need of servicing. "Arvato showed us how to customize the players without increasing our costs. We now offer individual coverings and colors. Each customer can order their own individual player on a website set up by Arvato – including invoicing, logistics and all the trimmings," Tom beams. It's a relationship that saves money, time and nerves from fraying. "The Arvato people have an incredible range of services. They're masters of integrative processes. I get service, outstanding logistics, financial services and an organization that's focused on the end consumer. And I don't have to evaluate dozens of potential business partners to get all this accomplished. I spare myself a lot of experimentation and

bad experiences. And we can focus fully on what we do best," Tom says, listing the advantages. Better yet: "The creativity of the solutions doesn't suffer from all this integrative momentum. Arvato always thinks of something terrific," he says, laughing.

How would Tom best describe the relationship with his business partners? "Unusual," he grins. "Unusual in the best sense of the word. If they see that something's not working the way it should at the consumer end, or if there's something we could be doing better, they pick up the phone and call us – or an Arvato expert stops by." This is unusually enterprising, and at the same time reassuring: "We work with a team who are not only super-reliable, but who also think ahead on their own initiative." There were times, he admits, when he needed some convincing: "We once had a case where we didn't want to deliver a service at all, and the Arvato people told us: Okay, let's do it at our own risk. If it doesn't work, it won't be your problem." It worked.

They aren't your usual contractors, says Tom, "they're co-entrepreneurs" – ones that take their customer's business as seriously as their own. Because, after all, it is their own business. And from this, an important basis for better solutions grows – trust. And now Tom looks happy and relaxed. It's nearly five on Friday, and his work is done. On Monday, he'll do an interim stocktaking with Arvato. Tom has no intention of resting on his laurels. Instead, he's already looking forward to talking about future innovations with his "co-entrepreneurs."



Quality is a key service factor at Arvato

Our customers' success is Arvato's benchmark

Arvato offers companies in a number of industries integrated, custom solutions related to our specialties: data management, printing, IT, customer relationship management, replication of storage media, and supply chain management. On behalf of our customers, our employees service over 150 million end customers in over 20 languages; manage the warehousing and distribution of over 650 million consignments; develop, integrate, service and operate applications and IT systems; send out more than two billion mailings, and handle over 200 million phone calls globally. Arvato is Europe's biggest printing group and the world's second-largest manufacturer of storage media.



€4,917 million revenues

€366 million operating EBIT

51,846 employees worldwide

Arvato AG is one of the biggest internationally networked media and communication services providers. The division comprises arvato print (intaglio and offset printing) Arvato Services (e.g. financial services, data management, CRM services, supply chain management and direct distribution of knowledge media), Arvato Digital Services (e.g. replication, fulfillment, logistics, financial services and digital distribution) and Arvato Systems (integrated IT services).

On behalf of its customers, Arvato services over 150 million end customers in over 20 languages.

»Customer focus is central to our business strategy. Arvato can only be successful if we continue to manage to see things with our customers' eyes and hear with our customers' ears, and use the resulting insights to develop custom solutions for each customer.«

ROLF BUCH
Chairman, Arvato AG

Highlights

1 Services partnership with Würzburg

In Germany, the public-private partnership with the city of Würzburg is the first collaboration of its kind between public administration and a private-sector company. The key elements in the "Würzburg integriert!" project are the central handling of all administrative services and linking of previously stand-alone processes into an eGovernment platform. The aim is to improve service quality, simplify workflows, and speed up administrative processes.



1



2

2 Storage media business reorganized

In 2007, Arvato restructured its storage media operations. The former Arvato Storage Media group was merged with selected parts of the services business, resulting in an integrated full-service digital content provider: Arvato Digital Services. This systematic extension of its service spectrum is Arvato's response to the wish for integrated services packages expressed by international customers in the IT/high-tech, games, video and audio sectors.



3

3 Worldwide growth

Arvato has been growing nationally and internationally for many years. The number of employees in particular has increased steadily, and passed an impressive milestone in 2007: since the middle of last year, Arvato has had more than 50,000 employees. As part of a global competence network, they deliver high-quality service and production to customers around the world.

4 Solutions in the printing sector

In the U.S., the year 2007 saw a successful restructuring of the printing business: Arvato's American printers no longer do business as separate companies, but increasingly present themselves as one unified business, giving customers a one-stop source for comprehensive services and applications related to the company's core competence, printing. This allows Arvato Print to respond more swiftly and individually to customers' requirements and requests, by systematically drawing on the expertise of the respective companies as needed.



4



5

5 A stronger market position

Customer relationship management continues to be a very promising segment. By acquiring Vivento Customer Services in Germany and SFR in France, Arvato Services further strengthened its leading position in the European CRM market. The existing network of service centers was systematically expanded, and the longstanding customer relationships with both companies further deepened. The takeovers also created a basis for continued growth in this interesting market segment.

RTL Group
Random House
Gruner + Jahr
BMG
Arvato
Direct Group

fascinated

To read is to embark upon an adventure that never ends. Not even at bedtime.

It's already dark, a few minutes before nine. It's finally getting quieter in Barcelona's Les Corts district. Laura* snuggles up on her mother's lap and looks at an illustration of the Statue of Liberty in New York, a city that's very far away and yet because of the book in hand, seems so close. It's the city where Laura's literary heroine Valentina had one of her adventures. Valentina is six years old, just like Laura. In the story that Mama is reading to her now, Valentina is at the Statue of Liberty in New York.

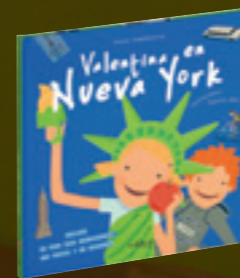
Mama has always read aloud to Laura. Or at least Laura can't remember a time when she didn't. Mama reads to Laura's little brother, too. Sometimes she reads to both of them at the same time, but of course only when both children find the same story interesting. Her Brother isn't so crazy about Valentina. He's more interested in stories about soccer or stories that explain how you get teeth. Oh well, boy stuff, thinks Laura.

Laura likes it a lot when Mama reads aloud to her, especially the stories about Katie Kazoo, a girl who can take care of herself and always accomplishes what she sets out to do. Yet Katie is always coming up against things that aren't so easy to deal with. For example, when her little baby brother screams and cries, like babies do sometimes, and just won't stop. But Katie Kazoo knows that her little baby brother won't cry anymore when she tells him a story. Or, in another exciting tale when Katie went to a soccer field where there were only boys. They thought that girls had no place there. Laura grinned, because Katie, of course, quickly managed to convince them that girls can play soccer just as well as boys – when they want to.

Laura really likes these stories – and she understands them very well, because similar things happen to her and her girlfriends. It's great when you also have friends like Valentina and Katie Kazoo, who have their problems with boys or with younger siblings as well. Laura notices that Mama smiles a lot when she reads aloud, as if she had somehow experienced the stories in real life too.

RTL Group
Random House
Gruner + Jahr
BMG
Arvato
Direct Group

Laura's Adventure



"Tu Círculo" offers the right selection of books for each age group

Mama is Maria Villa-Garcia*, who has been a member of the Spanish book club "Círculo de Lectores" for many years. "Thanks to the club, it's much easier for me to choose books that suit my children. I'm very busy at work, so there isn't always time to search for the right books," she says. For two years, Mrs. Villa-Garcia has used a service of the Spanish book club especially for children: "Tu Círculo," a kind of club-within-a-club, where experienced editors have selected books and games for various age groups. There's something for the very young, the under-fours, a selection just for ages five to eight – and, of course, for the "big kids" from nine to twelve as well. "No one has to tell me that reading is the most important skill to connect to the world and to the world of knowledge," explains Mrs. Villa-Garcia. **"But the folks at "Tu Círculo" know which books best stimulate and strengthen curiosity and interest in reading."**

"How can I be sure of that?" she asks with a smile and points her finger toward the door of Laura's room. "Well, because I believe Laura is certainly still thinking about the book that I read to her today: 'Valentina in New York'. That's a wonderful and truly exciting story. And she learns about foreign countries and different people," says Mrs. Villa-Garcia. When she and Laura sit and share books like these, it becomes more than just reading aloud.

"Tu Círculo": The club-within-a-club in Spain

Special offers for children and parents are a popular feature of many Direct Group clubs. The Spanish children's club "Tu Círculo" makes learning fun for children and helps parents get their children excited about books. In addition to publishing its own magazine, "Tu Círculo" makes special use of the Internet community to communicate with members. An active Internet community of children and parents has built up around "Tu Círculo." Here, they can evaluate books online, play educational games and publish their own stories, pictures and opinions. The Kid's Club "Tu Círculo" is a feature offered by Direct Group's Spanish Club "Círculo de Lectores" and benefits from the letter's extensive experience and reputation for quality.

"She is a very curious girl and is constantly grilling me with lots of questions: Why is the Statue of Liberty called the 'Statue of Liberty'? How do you get to New York, by train, bus, ship or plane?" she laughs. "She wants to know every detail."

Laura thinks about New York as the darkness deepens outside. She definitely wants to go there some day – as soon as possible. New York is even bigger than Barcelona, that's what her Mama said – and Mama knows things like that. She would like to see that city with her own eyes. Just to visit grandfather, who lives on the other side of town, she and Mama have to travel for almost an hour on the bus! How long must a person travel by bus in New York when they want to get to the other side of town?

And Paris? Is Paris that big, too? Laura knows that Paris isn't quite as far from Barcelona as New York is. And that there's a tower there made of iron that's really huge and over a hundred years old. The tower is the most important part of the story that Mama will read to her tomorrow from one of Valentina's new adventures. In this adventure, Laura's heroine is in Paris. Laura's head is already full of questions. Paris! Tomorrow night there will surely be another big adventure waiting for her ...

€2,555 million revenues

€10 million operating EBIT

15,109 employees worldwide

Direct Group today does business in 21 countries with its media clubs, bookstores, Internet activities and publishers, and has an extensive network of outlets spanning more than 800 club centers and bookstores. Its clubs include popular and historic brands such as Der Club in Germany, France Loisirs in France and Círculo de Lectores in Spain. Many clubs have earned themselves a reputation as cultural institutions in their respective countries.

Direct Group's clubs have 15 million members in 21 countries.

»Apart from embodying the traditional club model, our direct marketing expertise and our book know-how put us in a position to offer our customers and members attractive products and services. The discovery of new exciting books, our recommended reads and the possibility of reaching our customers in many different ways – through catalogs, bookstores and the Internet – are essential to our success.«

FERNANDO CARRO
 CEO, Direct Group

RTL Group
 Random House
 Gruner + Jahr
 BMG
 Arvato
 Direct Group

Highlights

1 Book retail in Spain

In Spain, Direct Group is building a chain of bookstores under the Bertrand trademark. The bookstores, which bear the historic name of Portugal's largest book-selling chain (also owned by Direct Group), will feature special club corners which give customers a chance to experience the benefits of club membership while also allowing them to buy books outside the club's range. By building the bookselling chain, Direct Group continues the strategy of dovetailing its club and book retail operations, which has proven so successful in France and Portugal.



2 "Chapitre.com" in France

Direct Group France has bought a 49.5 percent stake in the French Internet bookseller "Chapitre.com." With over a million customers, "Chapitre.com" is one of the major players in French online media retail. The company sells a vast and varied selection of over 20 million media products through its website. From mid-2008, more than 70 bookstores operated by Direct Group France will do business under the "Chapitre" name.



3 Cooperation in Germany

Der Club Bertelsmann draws on its direct-marketing expertise to build a customer offering that goes far beyond pure media products. In 2007, over 110,000 customers in Germany booked their holidays through Club Bertelsmann. Services such as travel, mobile calling plans and insurance have become fixtures in the club's range, which is continually expanded according to reflect the customers' wishes.



4 Publishing expertise

In several countries, Direct Group operates its own publishing companies, which very successfully complement the clubs' activities. For instance, in Portugal Direct Group is Dan Brown's publisher. In Poland, club editions published by the Polish club Swiat Ksiazki regularly appear on the country's bestseller lists, as was the case with "Perfume" by Patrick Süskind. Direct Group regularly publishes works by promising new authors across several countries in its "International Book of the Month" series, often helping them to achieve international breakthrough.



5 Wissen Media Verlag and Spiegel

In a joint venture with Spiegel.net GmbH, Wissen Media Verlag launched a new multimedia research portal on Feb 12, 2008. The "Spiegel Wissen" website draws on selected Bertelsmann encyclopedias and dictionaries and the content of "Der Spiegel" news magazine and its online counterpart, Spiegel Online. Search results are rounded off with entries from Wikipedia, the free online encyclopedia.

Financial Information

54	Group Management Report	144	Corporate Governance
54	Business and Economic Conditions	146	Report of the Supervisory Board
57	Research and Development	148	Boards and Mandates
58	Result of Operations	148	Supervisory Board
60	Net Assets and Financial Position	150	Executive Board
65	Corporate Divisions	151	Additional Information
72	Bertelsmann AG	151	Auditor's Report
72	Employees	152	Responsibility Statement
73	Corporate Responsibility	153	Selected Terms at a Glance
73	Additional Information	154	Financial Calendar/Contact
73	Events after the Balance Sheet Date	155	Production Credits
73	Risk Report		
76	Report on Expected Developments		
78	Consolidated Financial Statements		
78	Consolidated Income Statement		
79	Consolidated Balance Sheet		
80	Consolidated Cash Flow Statement		
81	Consolidated Statement of Recognized Income and Expense		
82	Segment Reporting		
84	Notes		

Group Management Report

In 2007, the international media company Bertelsmann stabilized its operating performance at a high level. Operating EBIT amounted to €1,811 million (previous year: €1,867 million), while revenues declined to €18.8 billion (previous year: €19.3 billion) on the back of the sale of the Group's music publishing operations and the weakness of the U.S. dollar. On a like-for-like basis, revenues and return on sales remained essentially unchanged as against the previous year. At €405 million, net income was down significantly year-on-year. The prior-period amount was positively affected by gains on disposal, whereas 2007 was impacted by a high level of negative special items. In 2007, Bertelsmann further reduced its financial debt on the back of a high operating free cash flow, and eliminated litigation risks.

Business and Economic Conditions

Description of Business and Organizational Structure

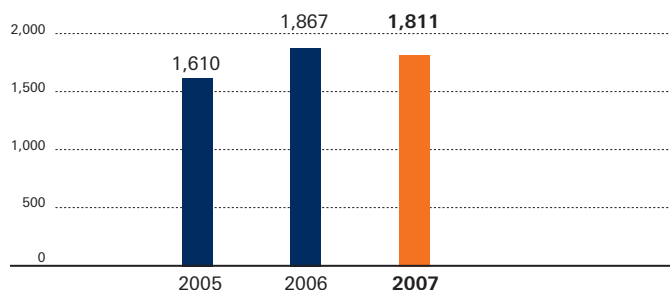
Bertelsmann AG is an unlisted stock corporation under German law with a two-tier system of management and governance. It controls the Group's business policy and strategic management in its capacity as an operational management holding company. The Executive Board is responsible for the entrepreneurial management of the Group. The Group is managed and controlled on the basis of Bertelsmann AG's Articles of Association and the decisions of the Executive Board, the Supervisory Board and the Annual General Meeting. This process incorporates the Group's strategic guidelines, objectives and corporate culture. Internal financial management and reporting are performed on the basis of the Group's organiza-

tional structure, which consists of the RTL Group, Random House, Gruner + Jahr, BMG, Arvato and Direct Group divisions.

RTL Group is active in the television and radio sector, as well as in TV production. With 42 TV channels and 32 radio stations in ten countries, RTL Group is Europe's leading entertainment company. Its television operations include the RTL Germany media group, M6 in France and the RTL channels in the Benelux region. In addition, RTL Group's production arm Fremantle Media makes it one of the world's largest independent producers of TV content. RTL Group is a listed stock corporation domiciled in Luxembourg.

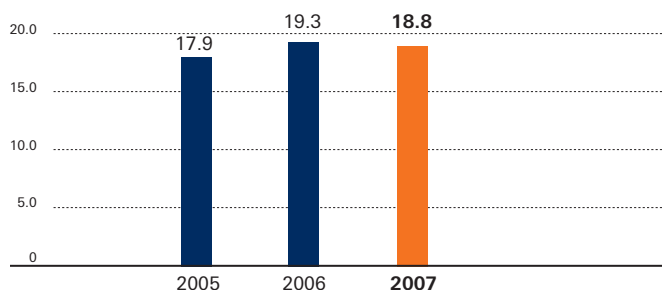
Operating EBIT

in € millions



Revenues

in € billions



New York-based Random House is a leading global publishing group with a portfolio of more than 120 editorially independent imprints, including Knopf and Doubleday in the U.S., Ebury and Transworld in the U.K., and Siedler and Goldmann in Germany. Random House publishes hardcover and paperback fiction and non-fiction books for adults and children in 19 countries in English, German, Spanish, Japanese and Korean.

Gruner + Jahr, headquartered in Hamburg, is Europe's leading magazine publisher, with approximately 300 magazines and newspapers in more than 20 countries around the world. Its most significant international participation is Prisma Presse, France's #2 magazine publisher. Other countries in which Gruner + Jahr is active include China, Italy, Poland, Russia and Spain. The company has bundled its gravure activities within the Prinovis joint venture, which it operates in conjunction with Arvato (each holding an interest of 37.45 percent) and Axel Springer AG (25.1 percent).

The BMG division primarily consists of the Sony BMG Music Entertainment joint venture. Sony BMG is a music-oriented entertainment company with domestic and international artists. The joint venture has a presence in more than 40 countries and includes major labels such as RCA, Arista, Columbia, Epic and Jive. Sony BMG is headquartered in New York and is owned in equal parts by Bertelsmann AG and the Sony Corporation of America.

The international media and communications service provider Arvato, which is based in Gütersloh, is present in more than 35 countries worldwide with its Arvato Services, Arvato Print, Arvato Digital Services and Arvato Systems units. Arvato is one of Europe's largest media and communications service providers. Its business activities include customer loyalty programs, logistics services, supply chain management, call and service center activities, gravure and offset printing plants, optical storage media production, IT services, address and database management, mobile and wireless services, and direct media sales.

Direct Group, which bundles most of Bertelsmann's global direct-to-customer business, is active in around 20 countries with its book, music and DVD clubs, bookstores and online shops. Direct Group is represented by France Loisirs in France and Der Club Bertelsmann in Germany. The Bertelsmann Direct North America unit operates music and DVD clubs in the U.S. and Canada, as well as the Bookspan book club. Direct Group is based in Gütersloh.

Strategy

In addition to the continued development of its existing divisions and the strengthening of its TV and service activities, Bertelsmann is aiming to enter into new growth segments, and hence is focusing its capital expenditure on these areas. The Group plans to further develop its media activities and service operations. Bertelsmann commands leading positions which it intends to maintain and enhance in the long run, expanding the focus of its existing activities to ensure a broader focus on new market opportunities.

Bertelsmann's portfolio is balanced in terms of revenue sources. The Group's revenues are generated from direct-to-customer businesses, media content, advertising and media services (including production revenues) in roughly equal amounts. At the same time, Bertelsmann's various divisions provide for a diversification of commercial and economic risks, with units that tend to follow a steady market growth pattern complemented by units that are subject to cyclical influences to a greater extent. Geographically, Bertelsmann's core markets are located in Western Europe, and in Germany, France, the United Kingdom and Spain in particular, as well as in the U.S. The Group will continue to focus its investments on these core geographical markets, which accounted for more than 90 percent of total revenues in 2007. Bertelsmann also intends to further develop the emerging markets of Russia, India and China.

The activities of the Executive Board focus on identifying of new growth areas and mechanisms and structures aimed at allowing innovations to be systematically advanced within the Group and to reach market maturity in a rapid manner. The Executive Board also focuses on the optimization, safeguarding and further development of the Group's core operations. Bertelsmann is intensively addressing the technological challenges in the media markets with a view to developing new business approaches for its core activities in a targeted manner. In the years ahead, developments in the global media industry will be shaped by the ongoing digitization of content and distribution channels.

Bertelsmann aims to continuously increase enterprise value by improving profitability while maintaining a return on sales of around 10 percent. Wherever possible, it strives to ensure 100 percent ownership of its business operations.

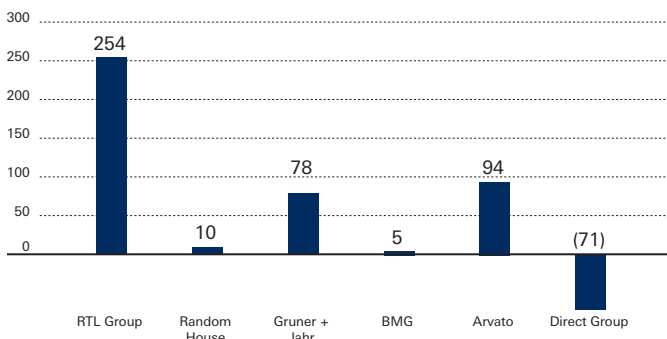
Management and Controlling Systems

The central performance indicator for assessing the profitability of the Group's operations and the return on invested capital is Bertelsmann Value Added (BVA). This focus on enterprise value is reflected both in the management of the Group's business operations and in the strategic management of its investments and portfolios, and is integrated within all of its entrepreneurial activities by being linked to the management compensation system.

BVA is calculated as the difference between net operating profit after tax (NOPAT) and the cost of capital. NOPAT is defined as operating EBIT adjusted for the uniform Group tax rate of 33 percent. Cost of capital is the product of the weighted average cost of capital and the level of capital invested. The uniform weighted average cost of capital after taxes is 8 percent. Capital invested is calculated on the basis of the Group's operating assets (including operating leases) less non-interest-bearing operating liabilities. In fiscal year 2007, BVA improved from €101 million to €133 million. BVA can be increased through profitable growth, an improvement in operational efficiency and the optimization of capital commitment.

BVA by Divisions 2007

in € millions



Operating leases have been included in divisions' capital invested since 2007.

Operating EBIT, which is another key performance indicator, is defined as the net operating profit that can be replicated under normal economic conditions. It is calculated before financial result and taxes and is adjusted for special items not relating to operations. This procedure yields a normalized performance indicator that helps to improve the predictability and comparability. Operating EBIT amounted to €1,811 million in the current year.

As well as BVA and operating EBIT, the Group focuses on the operating free cash flow, which is measured using the cash conversion rate. This is calculated as the ratio of operating free cash flow to operating EBIT, and serves as an indicator of the cash generated from the Group's activities. Accordingly, the operating free cash flow does not contain any interest, tax or dividend payments and is already adjusted for replacement and expansion investments. Operating EBIT and operating free cash flow do not contain any special items. The Group aims to achieve a cash conversion rate of around 100 percent. The cash conversion rate in fiscal year 2007 was 95 percent.

In addition to the elements outlined above, Bertelsmann's internal financial targets form part of its management and controlling system (further details can be found under "Net Assets and Financial Position" below).

Significant Events in the Fiscal Year

In January 2007, Bertelsmann announced that Hartmut Ostrowski would replace Gunter Thielen as CEO effective January 1, 2008.

Following an initial settlement with the Vivendi subsidiary Universal in 2006, an out-of-court settlement in the legal dispute concerning the former music file-sharing platform Napster was reached with Warner and EMI in the first half of 2007 and with the U.S. music publishers who had initiated a class action in September 2007. The settlement with the class plaintiffs was approved by the relevant court in February 2008. Prior to the end of 2007, a verbal agreement was also reached with Sony Music on the reconciliation of the latter's alleged claims by way of a settlement; however, this agreement has yet to be fixed in writing. The payment to Sony is due to be made in the first quarter of 2008. Corresponding provisions have been recognized.

In April, the Group acquired the remaining 50 percent of the shares of the U.S. book club Bookspan from Time Inc.

In May, the European Commission approved the sale of BMG Music Publishing to the Vivendi subsidiary Universal Music Group. A six-month antitrust investigation preceded the Commission's decision. The antitrust risk relating to the transaction was borne by Vivendi.

In September, Bertelsmann announced the reorganization of the direct-to-customer operations bundled within Direct Group. As the new CEO, Fernando Carro assumed operational responsibility for the activities in Europe in particular. The music and DVD clubs of BMG Columbia House now trade under the name Bertelsmann Direct North America and report to Peter Olson, CEO of Random House and a member of the Executive Board of Bertelsmann AG. The Chinese book club and the related bookstore chain were assigned to Arvato.

In October, the European Commission again approved the creation of the joint venture Sony BMG Music Entertainment. This decision confirmed the legitimacy under antitrust law of the formation of Sony BMG in 2004.

Macroeconomic Development

The global economy continued its expansion phase in 2007. According to the German Institute for Economic Research (DIW), aggregate global production grew by 3.4 percent in the current year. Economic momentum as measured in terms of Gross Domestic Product (GDP) declined as against 2006 in the euro zone, the U.S. and Japan, whereas the emerging economies of South-East Asia again recorded significant GDP increases, with China in particular enjoying an unbroken growth trend. Towards the end of the year, global economic development was adversely affected by the U.S. credit crisis.

According to the German Federal Statistical Office, GDP growth in Germany reached 2.5 percent in 2007, with the dampening effect of the VAT increase largely offset by strong fundamental development. According to the OECD, Germany's economic performance was primarily driven by exports, which increased by 8.4 percent as against the previous year; however, the high level of investment also helped to support the upswing. By contrast, private consumption stagnated in 2007 (-0.2 percent) following growth of 1.1 percent in the previous year.

Developments in Relevant Markets

On the whole, the European TV advertising markets developed moderately in 2007. Whereas the TV markets in Germany and the United Kingdom recorded slight year-on-year growth of just under 2 percent, the French market remained essentially unchanged with growth of less than 1 percent. By contrast, the TV advertising market in the Netherlands enjoyed substantial growth of around 4 percent.

The book markets in the U.S. and Germany stagnated in 2007, whereas the British market grew by 2 percent. The volume of the German and French magazine advertising markets remained unchanged compared to prior year, while the printing markets in Europe and the U.S. were stable with a slight downward trend. Increased competition due to overcapacity led to price reductions in certain European markets in particular. The global music markets again shrank significantly by 10 percent in 2007, with the continued strong growth in digital formats (40 percent) failing to offset the decline in CD sales (17 percent).

Regulatory Environment

Bertelsmann has television and radio operations in several European countries that are subject to regulatory provisions. Bertelsmann occupies leading market positions in many of its lines of business, which can lead to restrictions on its growth through acquisition under the terms of antitrust legislation. Because its profit participation certificates and bonds are publicly listed, Bertelsmann is required to comply in full with all applicable capital market regulations.

Research and Development

Research and development (R&D) activities are a vital factor in the development of marketable products and services, and form an integral part of Bertelsmann's business strategy. R&D efforts are primarily concentrated on the individual divisions and business units, as this is where the corresponding expertise on market conditions and customer requirements is concentrated.

Bertelsmann's commitment to R&D is reflected in various approaches. For RTL Group, the development of new, high-revenue TV formats and the identification of new technological and programming trends are extremely important. Random House focuses in particular on establishing new titles and formats, as well as author development and the expansion of its operations with a view to leveraging new platforms, such as e-books and digital downloads. Gruner + Jahr's R&D efforts are centered on the development of new titles and the expansion of its brands across a wide range of channels, particularly online (via the "Expand Your Brand" campaign). Research and development at BMG includes the discovery and development of new and existing artists (Artists & Repertoire) and the leveraging of new revenue sources in areas including merchandising, concert management and digital distribution, among other things. Arvato's R&D activities focus on developing and testing new business models, such as the integration of fully integrated service solutions for customers. The R&D measures implemented by Direct Group are concentrated on the further development of its traditional club activities with a view to

expanding into new growth areas. On account of the wide range of innovations throughout the Group, it is essentially impossible to differentiate research and development costs, so they are not quantified separately.

Innovative strength is increasingly becoming a key factor in achieving organic growth, and hence is growing in importance. In addition to market-driven R&D activities, a Group-wide innovation campaign will be launched with the aim of making it easier for the divisions and business units to further enhance their own innovative ability in future. This initiative will include the establishment of new further education and training formats, measures aimed at intensifying the exchange of knowledge and cooperation, and the creation of incentives for innovators within the Group.

Results of Operations

Revenues

Bertelsmann AG's consolidated revenues fell by 2.8 percent to €18.8 billion in fiscal year 2007 (previous year: €19.3 billion). Consolidated revenues were positively affected by organic growth of 0.4 percent (previous year: 2.9 percent) and impacted by portfolio and other effects totaling -1.4 percent (previous year: +5.0 percent) and exchange rate effects totaling -1.8 percent. There was only a minor

shift in the regional breakdown of revenues compared with 2006: the share of revenues generated in Germany increased slightly to 32.2 percent after 30.2 percent in the previous year, while the rest of Europe accounted for 44.3 percent of total revenues (previous year: 44.1 percent). At the same time, the share of revenues attributable to the U.S. fell from 20.1 percent to 18.1 percent, while the rest of the world accounted for 5.4 percent (previous year: 5.6 percent). This means that the proportion of total revenues attributable to countries other than Germany declined slightly from 69.8 percent to 67.8 percent. The revenue situation in the Group's four business categories – content, advertising, direct-to-customer, and media services including production revenues – remained essentially unchanged compared with the previous year, with each accounting for a largely equal share of consolidated revenues.

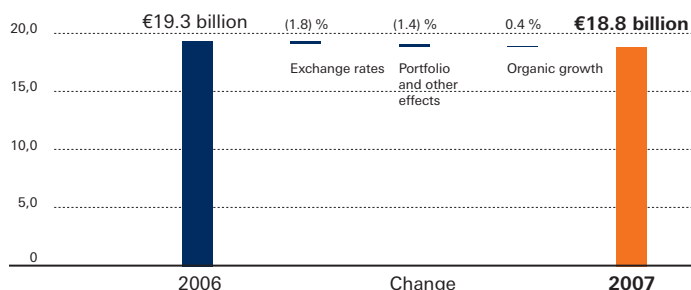
Operating EBIT and Operating EBITDA

In fiscal year 2007, Bertelsmann AG generated operating EBIT of €1,811 million (previous year: €1,867 million). Return on sales remained unchanged year on year at 9.7 percent. RTL Group reported a significant improvement in earnings, while Arvato's earnings remained at the same level as the previous year. Earnings at Random House declined largely as a result of exchange rate factors. Gruner + Jahr was unable to repeat its prior-year performance, primarily

Revenues by Division

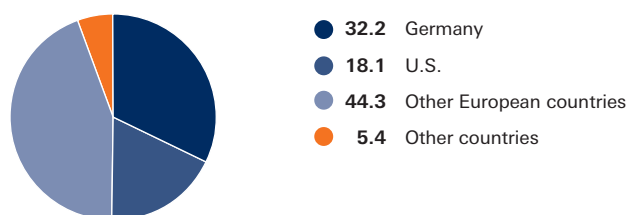
in € millions			2007			2006
	Germany	International	Total	Germany	International	Total
RTL Group	2,089	3,618	5,707	2,091	3,549	5,640
Random House	240	1,597	1,837	233	1,714	1,947
Gruner + Jahr	1,296	1,535	2,831	1,328	1,533	2,861
BMG	130	1,326	1,456	161	1,856	2,017
Arvato	2,278	2,639	4,917	2,046	2,736	4,782
Direct Group	292	2,263	2,555	307	2,358	2,665
Total revenues by division	6,325	12,978	19,303	6,166	13,746	19,912
Corporate/Consolidation	(288)	(257)	(545)	(329)	(286)	(615)
Consolidated revenues	6,037	12,721	18,758	5,837	13,460	19,297

Revenue Breakdown



Consolidated Revenues by Region

in percent



Results Breakdown

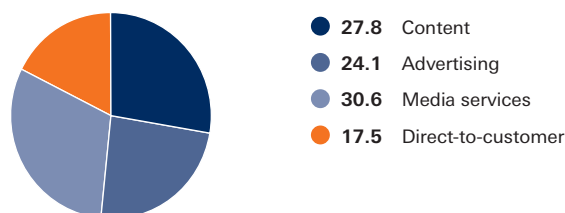
in € millions	2007	2006
Operating EBIT by division		
RTL Group	978	835
Random House	173	182
Gruner + Jahr	264	277
BMG	93	173
Arvato	366	367
Direct Group	10	110
Total Operating EBIT by division	1,884	1,944
Corporate/Consolidation	(73)	(77)
Group Operating EBIT	1,811	1,867
Special items	(854)	1,161
EBIT (earnings before interest and taxes)	957	3,028
Financial result	(479)	(389)
Income taxes	(73)	(180)
Net income	405	2,459
of which: Share of profit of Bertelsmann shareholders	216	2,136
of which: Minority interest	189	323

due to earnings developments in the printing sector. BMG's earnings fell significantly following the sale of BMG Music Publishing, and remained unchanged on a like-for-like basis. Direct Group closed 2007 with significantly lower earnings than in the previous year. This was due to the weak development of its U.S. operations, which suffered from lower sales of physical media and a slump in membership figures. The level of revenues per member also declined. Operating expenses in the Group developed largely in proportion to revenues.

At €2,467 million, operating EBITDA was down slightly on the previous year (€2,548 million).

Revenues by Category

in percent*



* Based on total from divisions not including Corporate/Consolidation

Net Income

On the basis of operating EBIT and including special items in the amount of €-854 million, the Group's EBIT for fiscal year 2007 totaled €957 million (previous year: €3,028 million). Net financial result decreased year-on-year from €-389 million to €-479 million. Interest expense rose on the back of the increased financial debt resulting from the buyback of GBL's stake in Bertelsmann in 2006. Net financial result also includes distributions of €76 million (previous year: €77 million) on Bertelsmann AG's profit participation certificates. Income tax expense fell to €-73 million (previous year: €-180 million).

After net financial result and income taxes, the Group's net income fell significantly to €405 million, compared with €2,459 million in the previous year. This was due to the substantial gains on disposal recorded in the previous year in the amount of €1,410 million, as well as the effect of the settlements relating to Napster, the fine payable by RTL and the recognition of impairment losses (further details can be found under "Special items" below). Minority interests in the Group's net income returned to a normal level of €189 million (previous year: €323 million), while the proportion of net income attributable to the shareholders of Bertelsmann AG was €216 million (previous year: €2,136 million). Bertelsmann intends to distribute a dividend of €120 million for fiscal year 2007.

Special Items

Special items amounted to €-854 million in the current year, resulting in a lower level of EBIT than in the previous year. By contrast, special items had a significant positive impact on EBIT in 2006

(€1,161 million). The high level of special items in the previous year was primarily due to disposal gains totaling €1,410 million. At €250 million, disposal gains were substantially lower in 2007. Of this figure, €99 million related to the disposal of RTL Group's interests in Grupo Media Capital and Sportfive, while the newly formed joint venture between RTL Group and John de Mol in the Netherlands resulted in a share swap gain of €134 million. The effect of these transactions in the past fiscal year was offset by restructuring and integration expenses totaling €-214 million (previous year: €-68 million). These expenses were composed of €123 million for Direct Group, €30 million for BMG and €61 million for Prinovis, a gravure joint venture operated by Arvato, Gruner + Jahr and Axel Springer AG. Special items also included expenses for the out-of-court settlement of the legal proceedings initiated against Bertelsmann by EMI and various U.S. music publishers (by way of a class action) in the U.S. in spring 2003 due to Bertelsmann's financing of the music file-sharing platform Napster. Bertelsmann also succeeded in reaching a settlement with Warner Music, which had initiated out-of-court proceedings for alleged claims concerning Bertelsmann's financing of Napster. These settlements totaled €245 million. Special items also included expenses for the payment of a fine imposed on the advertising time marketing company and RTL Group subsidiary IP Deutschland by the German Federal Antitrust Office in the amount of €96 million. Impairment losses were also recognized by Direct Group for the Bertelsmann Direct North America Unit (€-291 million), as well as by RTL Group for Five in the U.K. (€-123 million), Prinovis (€-70 million) and Arvato (€-39 million).

Net Assets and Financial Position

Financial Guidelines

The financial guidelines adopted by the Bertelsmann Group are designed to ensure a balance between financial security, return on equity and growth. The Group's financing is based on the requirements of a "BBB+/Baa1" credit rating, which involves the application of corresponding qualitative and quantitative criteria. Credit ratings and transparency contribute to Bertelsmann's financial security and independence.

The Bertelsmann Group is centrally financed by Bertelsmann AG and its financing companies, Bertelsmann U.S. Finance, LLC and Bertelsmann Capital Corporation N.V. Bertelsmann AG assumes the obligation of providing Group companies with sufficient liquidity. At the same time, the granting of guarantees and letters of comfort on behalf of Group companies is managed by Bertelsmann AG. The Group acts as a single financial unit on the market, thereby optimizing its capital procurement and investment opportunities.

Bertelsmann has long practiced a system of financial control based on quantified financial targets using the Group's economic debt and, decreasingly, its capital structure. One key financial target is a dynamic leverage factor, which is calculated as the ratio of economic financial debt to operating EBITDA. In calculating the leverage factor, small modifications are made to the financial statements figures to better reflect the Group's actual financial strength from an economic perspective. The target leverage factor for the period up to and including 2007 was 2.3.

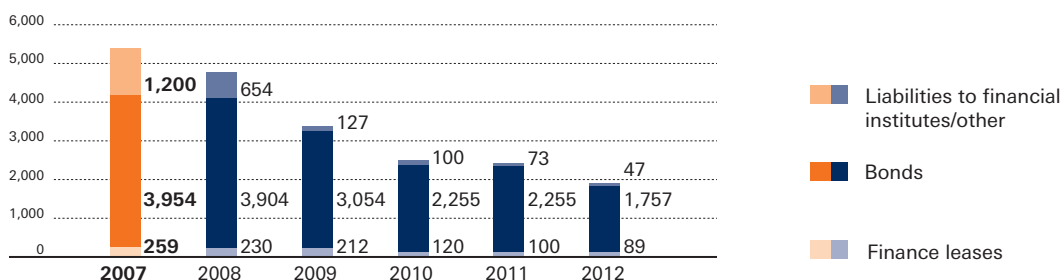
Financial Targets

	Target	2007	2006
Leverage factor: Economic debt/Operating EBITDA ¹⁾	< 2.3	2.6	2.8
Operating leases factor¹⁾	< 0.7	0.5	0.5
Coverage ratio: Operating EBITDA/Financial result ¹⁾	> 4.0	5.0	6.2
Equity ratio: Equity to total assets (in percent)	> 25.0	28.1	26.7

¹⁾ After modifications

Maturity Structure of Financial Debt

in € millions



Economic financial debt is calculated as net financial debt plus pension provisions and profit participation capital. At December 31, 2007, the Group had a leverage factor of 2.6 (December 31, 2006: 2.8). The largely negative impact of payments relating to the out-of-court settlements for Napster, the fine incurred by RTL and the operating performance of Direct Group meant that the target of 2.3 was not achieved in fiscal year 2007.

In the past fiscal year, the Group's economic financial debt amounted to €6,546 million, compared with €7,215 million in fiscal year 2006. These figures increased as a result of the application of IAS 19.93A (see page 84 of the notes to the consolidated financial statements). Excluding these effects, economic financial debt in fiscal year 2007 would have amounted to €6,330 million (previous year: €6,760 million).

In order to control operating leases, and hence off-balance sheet rental obligations, the present value of the Group's rental and lease obligations should not exceed 0.7x operating EBITDA. At December 31, 2007, this operating lease factor was unchanged year-on-year at 0.5.

External analysts generally treat operating leases as part of economic financial debt. From fiscal year 2008, the operating lease factor will be integrated into the leverage factor, thereby increasing the level of economic debt by the net present value of operating leases. The newly combined leverage factor has a maximum value of 3.0. This will increase the similarity between the Group's financial indicators and the perspective applied by the rating agencies, as well as better reflecting the substitution effect of economic financial debt and rental obligations. The combined leverage factor for fiscal year 2007 was 3.1 (previous year: 3.4).

These changes to the Group's financial targets are also reflected in the BVA, where the definition of invested capital has been expanded to include rental obligations in order to enable the improved management of such obligations.

A further key financial target is a coverage ratio of more than 4. The coverage ratio in the past fiscal year was 5.0 (previous year: 6.2). It is calculated as the ratio of operating EBITDA to the financial result. The Group's equity ratio increased from 26.7 percent in the previous year to 28.1 percent.

Financing Activities

In February 2007, Bertelsmann placed a two-year floating-rate note with a volume of €650 million on the capital markets. The bond has a coupon of 3M-EURIBOR + 10bp. The proceeds from the issue were used for the partial repayment of a bridge loan which is scheduled to expire in June 2009 and which had a remaining volume of €500 million as of December 31, 2007.

In 2007, Bertelsmann completed the planned early repayment of a promissory note loan extended by Bertelsmann Capital Corporation in the amount of €50 million. As of December 31, 2007, the Group had outstanding bonds, private placements and promissory note loans with a nominal volume of €3,990 million (previous year: €3,430 million). The total nominal volume of bonds admitted for public trading was €3.6 billion.

Rating

Issuer ratings serve to facilitate access to the international capital markets. With this in mind, the rating agencies Moody's and Standard & Poor's (S&P) have issued a rating for Bertelsmann since

Bonds, Promissory Notes, U.S. Private Placements

Nominal interest, Issuer, Due date	Type	Effective interest rate in %	Total amount in millions
4.40 % Bertelsmann Capital Corporation N.V.	03/08 Promissory note	4.56	EUR 50
3M-EURIBOR + 10 Bp. Bertelsmann AG	07/09 Floating Rate Note	n.a.	EUR 650
4.375 % Bertelsmann U.S. Finance LLC	99/09 Bond	4.53	EUR 200
4.69 % Bertelsmann U.S. Finance LLC	03/10 U.S. private placement	4.83	USD 100
4.625 % Bertelsmann U.S. Finance LLC	03/10 Bond	4.70	EUR 750
4.375 % Bertelsmann AG	06/12 Bond	4.47	EUR 500
5.23 % Bertelsmann U.S. Finance LLC	03/13 U.S. private placement	5.38	USD 200
5.33 % Bertelsmann U.S. Finance LLC	03/15 U.S. private placement	5.46	USD 200
3.625 % Bertelsmann AG	05/15 Bond	3.74	EUR 500
4.75 % Bertelsmann AG	06/16 Bond	4.89	EUR 1,000

Cash Flow Statement (Summary)

in € millions	2007	2006
Cash flow from operating activities	1,463	1,712
Cash flow from investing activities	(626)	459
Cash flow from financing activities	(654)	(2,198)
Change in cash and cash equivalents	183	(27)
Currency effects and other changes in cash and cash equivalents	(38)	(23)
Cash and cash equivalents at the beginning of the year	986	1,036
Cash and cash equivalents at the end of the year	1,131	986

2002. Since this date, Bertelsmann has been classified as “Baa1” by Moody’s and “BBB+” by Standard & Poor’s (S&P), meaning that both agencies consider it to be an investment-grade issuer.

As a result of the share buyback, Moody’s and S&P confirmed their ratings with a negative outlook in 2006. In September 2007, both rating agencies returned their outlook to stable. Bertelsmann’s short-term credit quality has been assessed by Moody’s at P 2 and by S&P at A 2.

Credit Lines

The Bertelsmann Group has access to floating-rate and fixed-interest credit lines based on various contractual agreements. A syndicated loan has also been available since October 2004. This can be utilized by Bertelsmann AG and its foreign financing companies to draw down up to €1.2 billion of revolving funds in euros, U.S. dollars and pounds sterling. Bertelsmann also has bilateral credit agreements with major international banks. All in all, these credit lines ensure that Bertelsmann has a financial reserve of around €1.6 billion which can be freely used for its business activities. At December 31, 2007, Bertelsmann had drawn down €198 million of its credit lines (previous year: €55 million).

Cash Flow Statement

In the current year Bertelsmann generated net cash from operating activities in the amount of €1,463 million (previous year: €1,712 million). This decline was largely due to the payments for the settlement of the legal disputes with music publishers. The Group’s sustainable operating free cash flow adjusted for non-recurring items amounted to €1,714 million (previous year: €1,587 million), resulting in a cash conversion rate of 95 percent compared with

85 percent in the previous year (for a definition, see under “Management and controlling systems” above).

The significantly lower level of proceeds from the disposal of investments compared with the previous year meant that the Group reported net cash used in investing activities of €-626 million (previous year: net cash from investing activities of €459 million). Proceeds from the disposal of investments, which totaled €285 million (previous year: €1,648 million), were offset by purchase price payments for consolidated investments (less acquired cash and cash equivalents) in the amount of €292 million (previous year: €405 million). Net cash used in financing activities totaled €-654 million in the current year (previous year: €-2,198 million). The prior-period amount was largely due to the buyback of GBL’s stake in Bertelsmann. Dividends were paid to the shareholders of Bertelsmann AG and minority shareholders of consolidated subsidiaries in the amount of €249 million (previous year: €385 million). In fiscal year 2005, Bertelsmann began to outsource funds to cover pension obligations in Germany under the terms of a Contractual Trust Arrangement (CTA). In 2007, cash in the amount of €25 million, which formed part of the additions to pension plans totaling €66 million, and a tax asset with an equivalent cash price of €97 million were transferred to Bertelsmann Pension Trust e.V. for this purpose. As of December 31, 2007, the Bertelsmann Group had cash and cash equivalents of €1.1 billion (previous year: €1.0 billion).

Off-Balance Sheet Liabilities

The volume of off-balance sheet liabilities decreased slightly compared with the previous year. Off-balance sheet liabilities include contingent liabilities and other financial commitments, almost all of which arise from the operating activities of the divisions.

Investments

in € millions	2007	2006
RTL Group	337	204
Random House	15	85
Gruner + Jahr	124	200
BMG	33	50
Arvato	298	422
Direct Group	142	110
Corporate/Others	83	21
Total	1,032	1,092

Investments

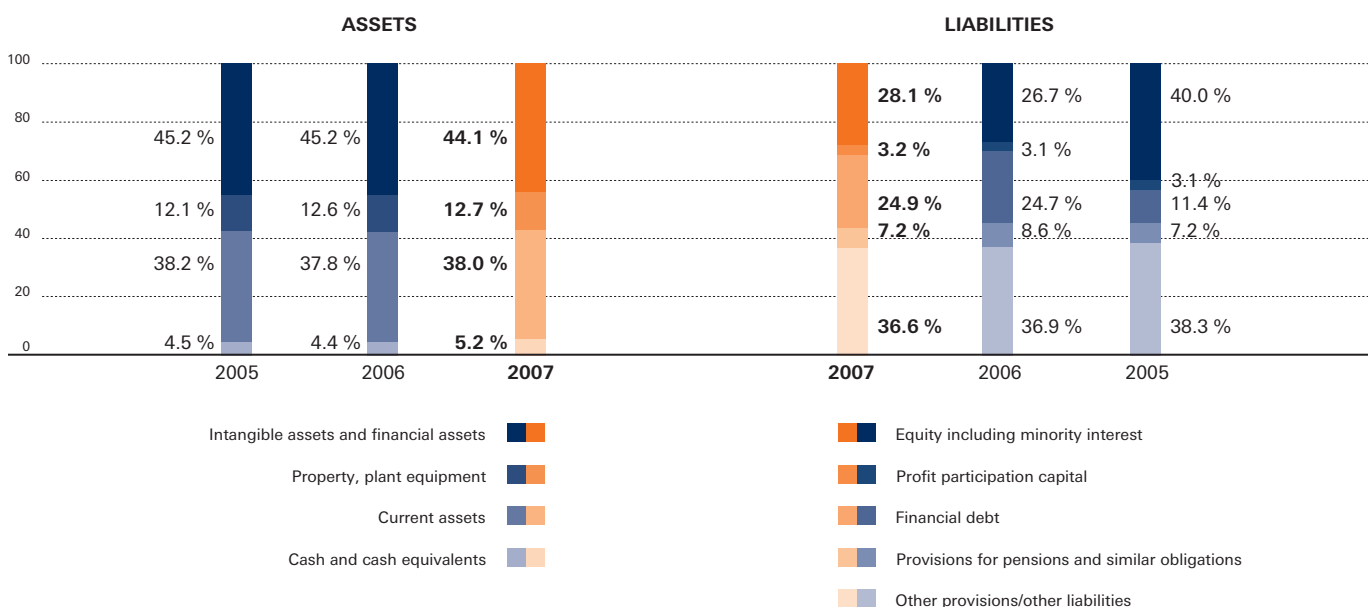
Investments in property, plant and equipment, intangible assets and financial assets, including purchase price payments, totaled €1,032 million in fiscal year 2007 (previous year: €1,092 million). Of this figure, €463 million (previous year: €502 million) related to property, plant and equipment, the majority of which was used at Arvato, while a total of €171 million (previous year: €154 million) was invested in intangible assets, primarily for RTL Group. Investments in financial assets in 2007 amounted to €106 million (previous year: €31 million). Purchase price payments for consolidated investments (less cash and cash equivalents) declined to €292

million (previous year: €405 million). They related to the increase in Direct Group's interest in the U.S. book club Bookspan from 50 percent to 100 percent (€87 million), as well as a range of smaller acquisitions across all of the divisions of the Bertelsmann Group. Fiscal year 2007 saw a relatively low level of acquisitions compared with the previous year.

Balance Sheet

Total assets fell by €0.7 billion year on year to €21.8 billion. The Group's asset structure remained essentially unchanged as against the previous year. Shareholders' equity increased slightly by €0.1 million to €6.1 billion, resulting in an equity ratio of 28.1 percent (previous year: 26.7 percent). The shareholders' equity attributable to the shareholders of Bertelsmann AG remained unchanged at €5.0 billion. Pension provisions decreased from €1,927 million to €1,558 million, with higher interest rates resulting in new actuarial gains that were taken directly to equity. Additions to plan assets, which related primarily to Bertelsmann AG's CTA, also contributed to the reduction in pension provisions. Economic debt declined by €0.7 billion year on year to €6.5 billion. The development of the U.S. dollar accounted for a €-0.7 billion decline in total assets in fiscal year 2007.

Balance Sheet



Profit Participation Capital

At December 31, 2007, the notional amount of the Group's profit participation capital remained unchanged at €516 million. Including the premium, the total volume of the profit participation capital was €706 million, as in the previous year. The 2001 profit participation certificates (ISIN DE0005229942) account for 97 percent of the notional profit participation capital, while the 1992 profit participation certificates (ISIN DE0005229900) account for the remaining 3 percent.

The 2001 profit participation certificates are admitted to official trading on the Frankfurt and Düsseldorf stock exchanges, with their price quoted as a percentage of their nominal value. In fiscal year 2007, the highest price in Frankfurt was 251.00 percent, while the lowest price was 212.50 percent. Under the terms and conditions of the profit participation certificates, the payout for each full fiscal year is 15 percent of the notional value, subject to the availability of consolidated net income and net income at the level of Bertelsmann AG. These conditions were met in the past fiscal year. Accordingly, a payout of 15 percent of the notional value of the 2001 profit participation certificates will be made for fiscal year 2007.

Due to their low volume, the 1992 profit participation certificates are only traded to a limited extent in Frankfurt. During fiscal year 2007, the price in Frankfurt peaked at 176.50 percent, while the lowest price was 136.00 percent. Payouts on the 1992 profit participation certificates are based on the Group's return on total assets, which is no longer used as an internal performance indicator. As the return on total assets for fiscal year 2007 was 4.45 percent (previous year: 11.69 percent), the payout on the 1992 profit participation certificates for fiscal year 2007 will be 5.45 percent of their notional value (previous year: 12.69 percent).

The payouts for both profit participation certificates are expected to be made on June 2, 2008, and will total around €76 million. Under the terms and conditions of the profit participation certificates, the auditors appointed by Bertelsmann AG are responsible for verifying whether the amounts to be distributed have been calculated correctly. Written confirmation from the auditors has been received for both profit participation certificates.

Corporate Divisions

RTL Group

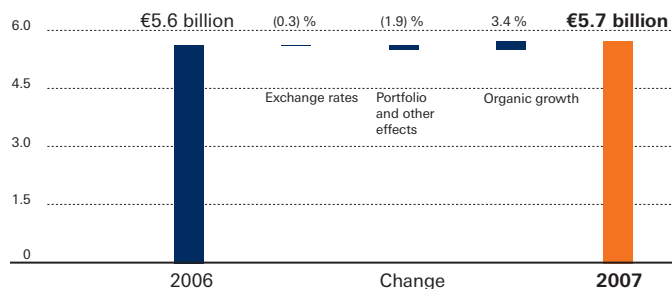
RTL Group, which is the leading European entertainment company, increased both revenues and operating profit in 2007. The return on sales increased significantly to 17.1 percent (previous year: 14.8 percent).

Revenues generated by the television and radio production group amounted to €5.7 billion, up 1.2 percent on the previous year (€5.6 billion) despite the sale of the interest in the French pay-TV channel TPS. This improvement is primarily due to the increase in advertising revenues in RTL Group's core European markets. RTL Group's operating EBIT increased by 17.1 percent to €978 million in 2007 (previous year: €835 million). The main earnings driver was the family of channels clustered around RTL Television, which was renamed Mediengruppe RTL Deutschland. The number of employees at year-end decreased slightly to 11,392 (December 31, 2006: 11,307).

In 2007, RTL Group continued to pursue its three-pillar strategy of expanding its channel families, further diversifying its revenue sources and expanding into high-growth regions. The RTL Group's channels systematically focused on using all available distribution methods and platforms: in addition to analog and a growing number of digital TV channels, this includes online services, video on demand (VoD), and Internet and mobile TV. New channels were launched in the Netherlands and Russia. At the same time, the growing number of distribution channels meant that there was greater demand for high-quality, wide-reaching TV formats and program contents, such as those produced by Fremantle Media. In late 2007, the production company announced the launch of a cinema production subsidiary in Germany ("Ufa Cinema").

In 2007, RTL Group disposed of its stake in the Portuguese company Media CapitalCapital for an amount of €209 million. In the Netherlands, it acquired the leading national radio channel, Radio 538, and TV sports broadcasting rights, shows and series from John de Mol's Talpa Media Holding, in exchange for which Talpa Media received a minority interest in RTL Nederland. RTL Group also entered the Russian cable and satellite TV market with the launch of a joint venture. In the interests of rapid settlement and to ensure planability, IP Deutschland accepted a fine of €96 million that was imposed as part of an investigation by the Germany's Federal Antitrust Office into the leading German marketing companies for TV advertising time.

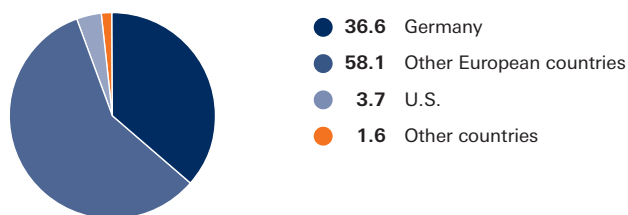
Revenue Breakdown



Mediengruppe RTL Deutschland recorded significant earnings growth in 2007, with RTL Television and Vox enjoying increased market share among their 14- to 49-year-old target group in particular, thereby expanding their lead over the competition. In France, the M6 channel family lost viewer share as a result of the growing fragmentation of the market, but increased its revenues and operating profit on a like-for-like basis, with digital and mobile offerings enjoying particularly dynamic growth. In the United Kingdom, significant impairment losses were recognized for Five in the current period under review, but the television broadcaster succeeded in improving its market position on the back of strict cost management and the strong performance of its new digital channels. RTL Group's radio family in France regained its market leadership with growth in listenership across all channels.

Revenues by Region

in percent*



* Without intercompany revenues

Random House

The leading global publishing group Random House recorded lower revenues and operating profit in 2007 than in the previous year. The return on sales improved to 9.4 percent (previous year: 9.3 percent).

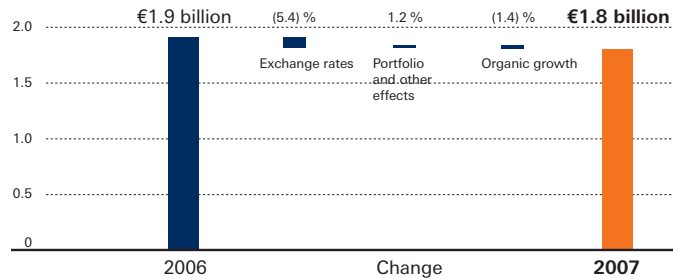
The weak U.S. dollar and a slowdown in consumer spending in North America adversely affected revenues, which amounted to €1.8 billion, down 5.6 percent on the previous year (€1.9 billion). Due to the weak dollar, operating EBIT declined by 4.9 percent to €173 million (previous year: €182 million). The number of employees decreased slightly to 5,764 at year-end (December 31, 2006: 5,804).

Random House again recorded a number of publishing successes in 2007. In the U.S., Random House published a record 230 New York Times bestsellers, including “Playing for Pizza” by John Grisham; “On Chesil Beach” by Ian McEwan; “Clapton” by Eric Clapton; “Giving” by Bill Clinton; and the movie tie-in editions of Robert Ludlum’s “The Bourne Ultimatum”; “The Golden Compass” by Philip Pullman; “No Country for Old Men” by Cormac McCarthy; and Ian McEwan’s “Atonement.” The audio edition of “Harry Potter and the Deathly Hallows” by J. K. Rowling became the fastest-selling audiobook of all time.

In the U.K., Random House Group U.K. outperformed all other publishers in the Sunday Times bestseller lists, accounting for nearly one-third of the year’s overall rankings. “Nigella Express” by Nigella Lawson has sold over one million copies in its hardcover edition. The Group acquired a majority stake in Virgin Books and established several new publishing ventures, such as Transworld Ireland, which is dedicated to Irish authors.

In Germany, Verlagsgruppe Random House recorded significant growth in revenues and earnings, which were driven by the success of bestsellers by authors such as Leonie Swann, Dieter Hildebrandt and Eva-Maria Zurhorst, as well as its paperback range and self-help and religious publications. In Spain, “La Catedral del Mar” by Ildefonso Falcones, published by Random House Mondadori, continued to enjoy excellent sales.

Revenue Breakdown

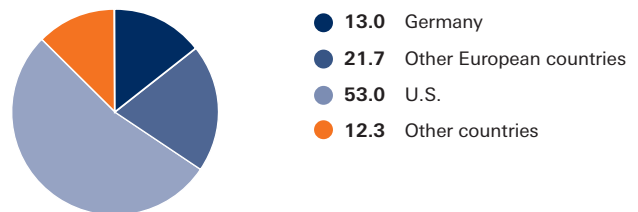


Random House expanded its digital marketing capabilities in 2007, launching online platforms with book-content search and browsing capabilities in the U.S., Canada, and Germany.

Random House authors won many prestigious awards around the world in 2007: Doris Lessing, published by Random House in Germany and Spain, won the Nobel Prize for Literature, and Al Gore, who publishes with Random House in Germany, Japan, and Korea, received the Nobel Peace Prize. Four Random House, Inc. titles won Pulitzer Prizes, a record for a single year.

Revenues by Region

in percent*



* Without intercompany revenues

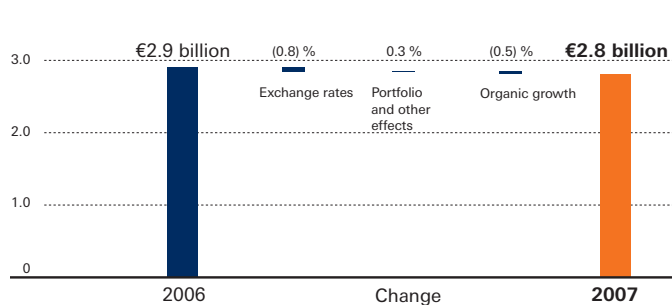
Gruner + Jahr

The leading European magazine publisher Gruner + Jahr recorded a slight year-on-year decline in revenues in 2007, with operating EBIT also falling slightly. The return on sales amounted to 9.3 percent (previous year: 9.7 percent).

Revenues in the current year totaled €2.8 billion, down 1.0 percent on the previous year (€2.9 billion), while the division's operating profit amounted to €264 million, 4.7 percent lower than in 2006 (€277 million). Gruner + Jahr's branding and magazine activities were particularly successful in the past fiscal year, with G+J Germany and G+J International generating record results and G+J France also enjoying a strong earnings performance. By contrast, the proportionate consolidated earnings of the gravure joint venture Prinovis, which was affected by start-up losses and margin erosion as a result of overcapacity had a negative impact. G+J also increased its publishing investments, which increasingly focused on projects forming part of the "Expand your brand" strategic initiative that was launched in 2006. The aim of this campaign is to encourage innovations relating to G+J's established media brands and their expansion into various media channels. Due to portfolio adjustments, the number of employees at year-end fell marginally to 14,448 (December 31, 2006: 14,529).

In the current year, Gruner + Jahr focused on the further development of its "Expand Your Brand" activities and the reinforcement of its market position in its core business areas. Multimedia activities in particular were stepped up, with "Stern.de," "Brigitte.de" and "Gala.de" in Germany expanding their reach as a result of improved content and the integration of new services, such as audio and full-video features. The women's magazine "Brigitte" successfully launched a new series of the "Starke Stimmen" (Strong Voices) audiobook, this time read by famous men. "Geo" launched its own travel community and an encyclopedia of articles and dossiers, while the range of locations covered expanded internationally to include Bulgaria, among others. The launch of "Essen-und-trinken.de," which boasts a comprehensive recipe database, restaurant tips and cookery videos, quickly attracted a large number of interested visitors. With the acquisition of "Chefkoch.de" and the interactive diet coach "xx-well.com," G+J intensified its focus on the hot topics of food and cookery. In France, G+J acquired the travel portal "Mon-voyageur.com," while "Mywoman.at" was launched in Austria. An innovative magazine format was introduced to the German market in 2007 in the shape of the quarterly "Ebay-Magazin."

Revenue Breakdown

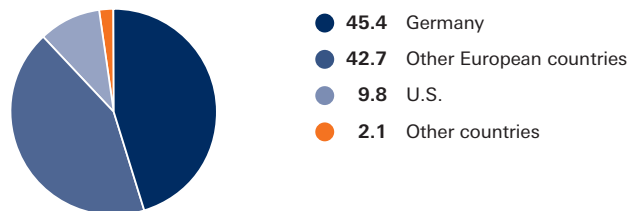


In France, the G+J subsidiary Prisma Presse recorded stable business development at a high level in 2007, with magazines such as "Femme Actuelle" and "Gala" helping it to defend its market leadership successfully. The French TV magazines also developed positively. The women's magazine "Jasmin" – which was jointly launched in 2006 by G+J and the publisher Axel Ganz – was discontinued, while in Germany, "Woman" magazine was taken from the market. In Greece, Gruner + Jahr wound up the Daphne Communications joint venture that was formed in 2005 in cooperation with Antenna Group.

The division increased its operating profit in Spain on the back of the intensified cooperation with Motor Presse, among other things. The News publishing group in Austria also recorded higher profits. In China, the performance of the equity interest in Boda, the country's second-largest magazine publisher, exceeded expectations.

Revenues by Region

in percent*



* Without intercompany revenues

BMG

The BMG division, which largely consists of the 50 percent interest in the Sony BMG Music Entertainment joint venture following the sale of its music publishing operations in late 2006, recorded lower revenues and operating profit in 2007 than in the previous year. However, earnings increased slightly on a like-for-like basis. The return on sales amounted to 6.4 percent (previous year: 8.6 percent).

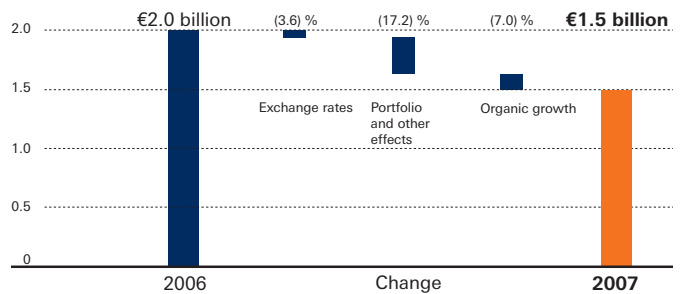
In the current year, revenues declined by 27.8 percent to €1.5 billion (previous year: €2.0 billion), primarily as a result of the sale of the BMG Music Publishing unit. Sony BMG's revenue development was dominated by the sharp decline in the market for physical media (-17 percent), which was only partially offset by growth in digital formats (+40 percent).

BMG's operating EBIT fell by 46.2 percent to €93 million (previous year: €173 million). Adjusted for the earnings attributable to BMG Music Publishing in the previous year (€83 million), however, BMG's earnings increased slightly, with lower product sales more than offset by cost reductions in the areas of marketing, sales and administration. The adjusted number of employees fell to 2,851 at year-end (December 31, 2006: 3,009).

Sony BMG systematically reorganized its activities in response to the accelerated decline in the market in fiscal year 2007, evolving into a music-based entertainment company through increased investments in related areas such as concert promotion, artist management, TV production, merchandising and artist marketing. In 2007, Sony BMG entered into a number of 360-degree agreements, which allow it to participate in all of the revenues generated by a successfully established artist above and beyond mere music sales.

Sony BMG also intensified its digital activities and set new trends with its innovative business models, enabling it to record growth of 35 percent in the current year. The rapid expansion of its digital offerings and the use of a wide range of additional digital distribution channels allowed the company to partially offset the decline in physical sales. Digital sales accounted for 17 percent of total revenues (previous year: 12 percent). In the area of physical for-

Revenue Breakdown

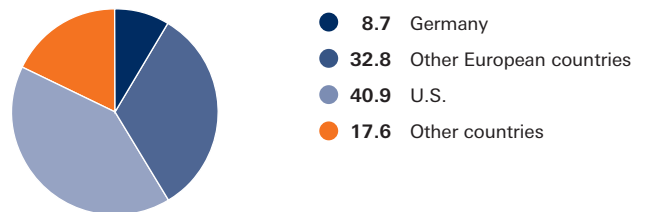


mat, Sony BMG leveraged new sales opportunities in the form of innovative pricing models and an expanded product range.

2007 was a successful year for Sony BMG artists. The albums “The Best Damn Thing” by Avril Lavigne and “As I Am” by Alicia Keys sold about five million copies globally, while British newcomer Leona Lewis sold more than one million copies of her debut album “Spirit” in the United Kingdom alone.

Revenues by Region

in percent*



* Without intercompany revenues

Arvato

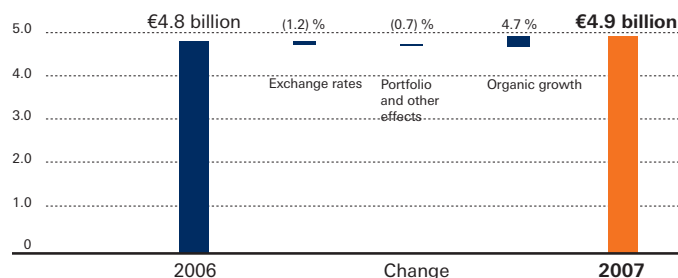
The global media and communications service provider Arvato increased its revenues in fiscal year 2007, while its operating profit remained stable at a high level. The return on sales amounted to 7.4 percent (previous year: 7.7 percent).

Revenues increased by 2.8 percent to €4.9 billion in the current year under review (previous year: €4.8 billion), primarily on the back of organic growth. Operating EBIT remained essentially unchanged year on year at €366 million (previous year: €367 million). The number of employees worldwide rose to 51,846 at year-end (December 31, 2006: 46,584).

The service activities bundled within Arvato Services enjoyed profitable growth. This was driven in particular by the ongoing trend towards outsourcing. Arvato Services strengthened its market position in Europe through the acquisition of service center locations from Deutsche Telekom and the French mobile communications company SFR, among other things. The “Würzburg integriert!” project in 2007 also saw the start of the first cooperation between Arvato and the public authorities in Germany. This pilot project is aimed at improving service quality and speeding up administrative processes. In the United Kingdom, the division entered the loyalty services market with the acquisition of the Moonriver Group. Arvato Infoscore (data, information and receivables management) increased its revenues and earnings in the current year.

The Arvato Print unit recorded slightly lower earnings in 2007 on the back of a high level of competitive pressure and largely stable revenues. The unit continued to expand its value chain and reinforce its market position. The Mohn Media Group, which is primarily active in the area of offset printing, sustainably expanded its activities in the past fiscal year with increased production capacities and a broader service range. At the gravure company Prinovis, which is operated by G+J and Axel Springer AG as a joint venture, earnings fell as a result of the start-up losses for the Liverpool site and the difficult market conditions throughout 2007. Earnings from the unit’s Spanish printing activities also declined.

Revenue Breakdown

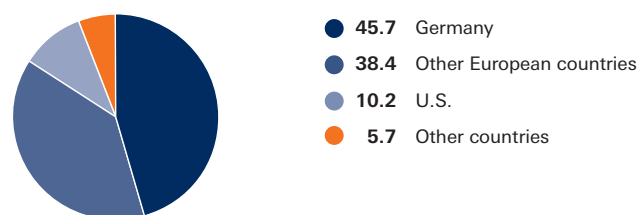


The division’s storage media operations were restructured and assigned to Arvato Digital Services. By bundling the former Arvato Storage Media Group and parts of the division’s service activities, an integrated full-service provider for digital content was created. All in all, storage media was able to maintain its position in a difficult market environment. DVD output again increased significantly, while CD production declined slightly; however, both segments outperformed the market as a whole.

The IT service provider Arvato Systems recorded revenue and earnings growth in its core business areas. Revenues fell at Arvato Mobile on the back of lower ringtone sales and portfolio streamlining measures. The direct sales company Inmediaone again reported record sales.

Revenues by Region

in percent*



* Without intercompany revenues

Direct Group

Direct Group, which operates book, DVD and music clubs, bookstores and online shops, reported lower revenues and a significant reduction in its operating profit in 2007 compared with the previous year. The return on sales amounted to 0.4 percent (previous year: 4.1 percent).

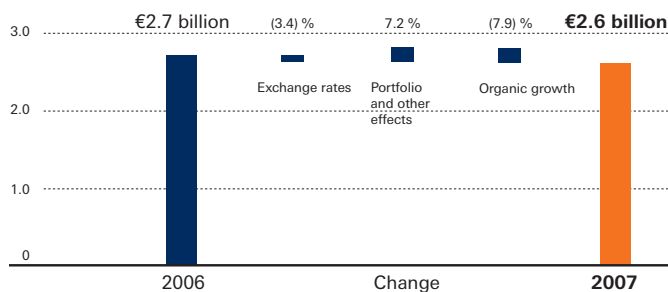
Revenues amounted to €2.6 billion, down 4.1 percent in the previous year (€2.7 billion). This development was due to the negative development of the U.S. dollar and a significant fall in sales of physical media and membership figures, particularly in the U.S. The acquisition of the remaining 50 percent of the shares of the U.S. book club Bookspan from the former joint venture partner Time Warner was not sufficient to offset these effects.

Operating EBIT fell by 90.9 percent to €10 million (previous year: €110 million). This, too, was primarily driven by the weak performance of the division's U.S. operations. Music, DVD and book club membership declined significantly, while the level of revenues per member also fell. Extensive write-downs were recognized at Bertelsmann Direct North America in the current year. Some clubs outside the U.S. and the bookstore chains also recorded lower profits in the current year under review. This was due to falling membership figures at the clubs and increased competition in the bookstore segment. Effects such as the postal strikes in the United Kingdom and the division's core French market and relocation costs at the British book club BCA had an additional impact on earnings. The number of employees rose to 15,109 at year-end (December 31, 2006: 14,996).

In Germany, Der Club again recorded a profit in 2007 thanks to its range of book and music products and increased cooperation with tour operators and other service providers. The club activities of France Loisirs and Circulo de Lectores in Spain also remained profitable.

Following the integration of the bookstore chain Bertrand, which was acquired in 2006, Direct Group now covers the entire value chain in Portugal, from publishing and distribution through to sales via book clubs, the Internet and stationary outlets. The establishment of a bookstore chain in Spain under the same name began in 2007. Club activities in Ukraine continued to enjoy dynamic growth.

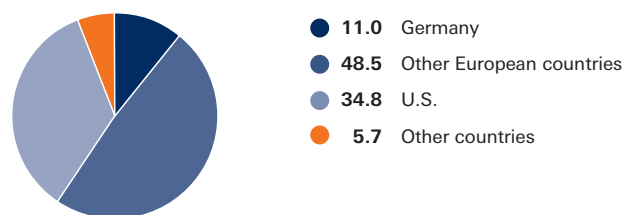
Revenue Breakdown



In late 2007, the Executive Board and Supervisory Board of Bertelsmann AG resolved to reorganize the direct-to-customer activities bundled within Direct Group. As the new CEO, Fernando Carro assumed operational responsibility for the activities in Europe in particular. The music and DVD clubs of BMG Columbia House and Bookspan, the book club which was fully acquired in the current year under review, have since reported directly to Peter Olson, CEO of Random House and a member of the Executive Board of Bertelsmann AG, under the name Bertelsmann Direct North America. The Chinese book club and the related bookstore chain were also reassigned to Arvato.

Revenues by Region

in percent*



* Without intercompany revenues

Corporate

The Corporate division, which includes the Bertelsmann Group's Corporate Center and corporate investments, reported a net loss of €85 million for 2007 (previous year: €77 million). The number of employees increased to 987 at year-end (December 31, 2006: 903).

The Corporate Center supports the Executive Board in controlling the Group and assists the divisions in managing their operating activities. This is achieved with the help of teams specializing in controlling and strategy, mergers and acquisitions, corporate development, technology, finance, financial statements, taxes, audit, personnel, legal, communications, and ethics and compliance.

The Corporate division is also responsible for managing three investment funds which are used to finance Bertelsmann's strategic investments with various objectives: the Bertelsmann Capital Investment (BCI) fund, formed in cooperation with co-investors, for large-volume acquisitions; the venture capital fund Bertelsmann Digital Media Investments (BDMI) with a volume of up to €50 million; and the Bertelsmann Asia Investment (BAI) fund, which has a total medium-term volume of \$100 million, for investments in Asia. The individual funds make investments on a case-by-case basis and are not subject to any funding obligations. No investments were made by the BCI equity fund in the current year. BDMI made a total of nine new and follow-up investments in 2007, one of which was in China, while two equity interests were sold. All in all, the investment fund held 12 equity interests at year-end.

For the Corporate division, the past fiscal year was dominated by risk reduction measures. A number of settlements were reached in the legal dispute concerning the former music file-sharing platform Napster: Following an initial settlement with the Vivendi subsidiary Universal in 2006, an out-of-court settlement was also reached with Warner, EMI and the U.S. music publishers who had initiated a class action in 2007. Prior to the end of 2007, a verbal agreement was reached with Sony Music on the reconciliation of the latter's alleged claims by way of a settlement; this agreement has yet to be fixed in writing. Provisions have been recognized for the corresponding payment to Sony, which is expected to be made in the first quarter of 2008.

In the current year, the European Commission in Brussels also approved the sale of BMG Music Publishing to Vivendi agreed in 2006 and re-approved the creation of the joint venture Sony BMG Music Entertainment. The latest examination of the Sony BMG transaction was necessary as, in 2006, the European Court of First Instance repealed the approval that had initially been granted by the European Commission two years previously.

A new "Education" function was established at the Corporate Center in 2007. This function falls within the responsibility of the CFO of Bertelsmann AG and will focus on business models in the education sector and potential investments.

Bertelsmann AG

Situation at Bertelsmann AG

Bertelsmann AG controls the Group's business policy and investment management in financing its capacity as an operational management holding company. Additional services are performed by individual Corporate Center functions (see page 71). Bertelsmann AG's primary sources of income are dividend payouts by subsidiaries and proceeds from the services provided to subsidiaries. At the end of fiscal year 2007, Bertelsmann AG's shareholder's equity amounted to €6.6 billion (previous year: €6.3 billion). Bertelsmann AG reported total assets of €12.9 billion (previous year: €13.9 billion), net income for the period of €466 million (previous year: €752 million), and net retained profits of €501 million (previous year: €765 million).

Shareholder Structure

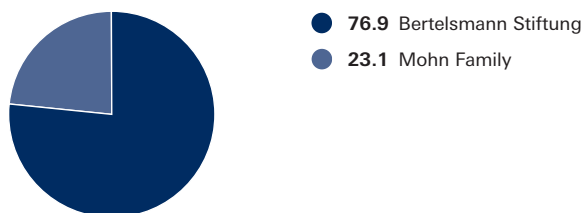
76.9 percent of the shares of Bertelsmann AG are held by the Bertelsmann Stiftung foundation, with the remaining 23.1 percent held indirectly by the Mohn family. Bertelsmann Verwaltungsgesellschaft (BVG) controls 100 percent of the voting rights at Bertelsmann AG's Annual General Meeting.

Employees

As in the past few years, Bertelsmann registered an increase in its workforce in 2007. At year-end, the Bertelsmann Group had a total of 102,397 employees worldwide (previous year: 97,132). This increase of 5,265 employees is attributable to organic growth, as well

Ownership Structure – Shares

in percent



as acquisitions and other factors. At the end of the fiscal year, the Company had 1,296 trainees in Germany (previous year: 1,293).

The Guidelines for Management, which were established in 1960 and last amended in 1993, were revised following the employee survey conducted in 2006. The Guidelines for Management are based on the constitution of Bertelsmann AG and provide more precise definitions of the partnership-oriented management approach set out in the Bertelsmann Essentials. A key element of the revision of the Guidelines for Management was the development and integration of new management competencies with the aim of concretizing Bertelsmann's core values for management practice.

In order to implement and ensure compliance with the Guidelines for Management, new management instruments were created and existing instruments updated. This means that Bertelsmann's management philosophy can now be incorporated into management assessments, succession planning and candidate selection as part of annual staff appraisal interviews in an even more systematic manner than was previously the case.

Bertelsmann University expanded its range of leadership programs and implemented additional events for the Preparing for Opportunities (PFO) program offered in conjunction with INSEAD and the Senior Management Program (SMP) held at the Leipzig Graduate School of Management.

In the area of promoting a healthy work-life balance, Bertelsmann carried out an analysis of the family-friendliness of its divisions in Germany in 2007. A wide range of related offers are available to employees.

Bertelsmann AG is a trailblazer in the field of employee profit-sharing, having first introduced such a scheme in Germany in 1970. In 2007, a total of 13,650 employees at Bertelsmann's German companies participated in the Company's profits for fiscal year 2006 to the tune of €9.7 million. RTL Group, Gruner + Jahr and numerous Bertelsmann companies outside Germany also operate their own profit-participation models.

Corporate Responsibility

As one of the four Bertelsmann Essentials, corporate responsibility has been deeply anchored in Bertelsmann's corporate culture for decades. Since 1974, Bertelsmann has published a Sozialbericht (Social Report) providing a regular account of its social engagement above and beyond economic performance indicators. In the past fiscal year, the printed report was supplemented by an online portal on the topic of Corporate Responsibility (www.bertelsmann.com/responsibility).

As an international media company, Bertelsmann feels a particular duty to promote culture and media skills. In Germany, Bertelsmann joined forces with a number of other media companies to relaunch the successful social marketing campaign "Du bist Deutschland," which aims to improve attitudes towards children.

Additional Information

Annual General Meetings

The Ordinary General Meeting of Bertelsmann AG on May 14, 2007 resolved the utilization of net retained profits, among other things. The agenda also included the election and reelection of the members of the Supervisory Board. An Extraordinary General Meeting on November 27, 2007 authorized the proposed amendments to the Articles of Association, among other things. The Extraordinary General Meeting of Bertelsmann AG held on December 12, 2007 also resolved the election of a new member of the Supervisory Board. Details of the changes to the composition of the Supervisory Board can be found in the Report by the Supervisory Board on page 146.

Events after the Balance Sheet Date

Hartmut Ostrowski was appointed as the CEO of Bertelsmann AG effective January 1, 2008. Rolf Buch, previously Chief Executive Officer of Arvato Direct Services, succeeded Mr. Ostrowski as CEO of the Arvato division and member of the Bertelsmann AG Executive Board with effect from February 6, 2008. The former CEO of Bertelsmann AG, Gunter Thielen, moved to the Supervisory Board of Bertelsmann AG, where he was appointed Chairman in January 2008. The changes to the composition of the Executive Board and the Supervisory Board were resolved at the meeting of the Supervisory Board on January 19, 2007.

In January 2008, Gruner + Jahr acquired the 50 percent stake in the "Financial Times Deutschland" (FTD) joint venture previously held by Pearson Plc., thereby becoming the sole shareholder of FTD. This acquisition is subject to approval by the antitrust authorities.

In February 2008, Bertelsmann AG assumed a 6-year promissory note loan with a volume of €250 million.

With effect from March 1, 2008, Arvato acquired a further five locations from Vivento Customer Services (VCS). This relates to the service centers in Stralsund, Schwerin, Göppingen, Freiburg i. Br. and Chemnitz.

Risk Report

Risk Early Warning System

The aim of the risk early warning system is to identify, at an early stage, risks that could endanger the continued existence of the Bertelsmann Group, in order to allow the initiation of appropriate countermeasures. For early warning purposes, Bertelsmann uses an integrated risk management system that has become established as a fixed part of the management and control structure. This system is subject to continual development and is integrated into the regular reporting process. It covers all of the Group's divisions and profit centers. The effectiveness of the risk early warning system was reviewed as part of the audit of the annual financial statements. The Group's auditor reported that the Executive Board has suitably implemented the measures required in accordance with section 91 (2) of the German Stock Corporation Act. The risk monitoring system is essentially suitable for the early identification of developments which could endanger the continued existence of the Group.

Risk Management Process

The risk management process complies with recognized national and international norms and is broken down into a number of subprocesses: identification, quantification, control and monitoring. One major element of risk identification is the risk inventory, which lists the significant strategic and operational risks on an annual basis from the profit center level upwards and aggregates them on a step-by-step basis at divisional and Group level. The most significant risks are also followed up at Group level on a half-yearly basis.

This bottom-up approach serves to ensure that risks are recorded in the same place as they take effect. The identified risks are then compared with the corresponding countermeasures in order to determine the net risk. An assessment period of three years is applied with the aim of enabling the initiation of risk management measures at an early stage. Risk monitoring is performed on an ongoing basis by the Group's management. The requirement to perform ad hoc reporting serves to ensure that significant changes in the risk situation in the course of year are brought to the attention of the Executive Board.

Significant Risks

The following significant risks for Bertelsmann AG were identified in the course of risk reporting:

Bertelsmann is exposed to a number of financial risks as a result of its international activities. In particular, these include interest rate and currency risks. These risks are largely controlled centrally by Corporate Treasury on the basis of guidelines established by the Executive Board. Derivative financial instruments are used solely for hedging purposes. Bertelsmann uses foreign currency derivatives (currency swaps, futures and forwards) to hedge on-balance-sheet and future transactions that are exposed to foreign currency risk in particular. Some firm commitments denominated in foreign currency are partially hedged when they are made, with the hedged amount increasing over time. A number of subsidiaries are based outside the euro zone. The resulting currency translation risks are managed on the basis of the ratio between economic financial debt and operating EBITDA, with a long-term view to the maximum leverage factor defined for the Group. Foreign currency translation risks arising from net investments in foreign entities are not hedged. Interest rate derivatives are used centrally for the balanced management of interest rate risk. The maturity structure of interest-bearing debt is controlled at two levels: firstly, by selecting appropriate fixed interest rate periods for the originated financial assets and liabilities affecting liquidity, and secondly, by using interest rate derivatives (for further details see page 126 of the notes to the consolidated financial statements).

The revenues of the television stations belonging to RTL Group are dependent to a large extent on advertising income, and hence the development of the TV advertising market and RTL Group's market share. RTL Group strives to maintain and expand its viewer market share through attractive programs and to reduce its reliance on the advertising markets by diversifying its revenue base. Fluctuations in the U.S. dollar exchange rate can also affect RTL Group's profitability, as international sports and movie rights are generally bought in U.S. dollars. The resulting risks are hedged using currency forwards.

Random House operates in mature, highly competitive book markets around the world. The nature of these markets means that Random House is exposed to an increased degree of pressure on its margins in the fight for market share. Negative economic development poses the greatest risk to Random House's profitability and cash flow. In the U.S. in particular, consumer sentiment is being adversely affected by rising oil prices, the slump in real estate prices and the subprime crisis. Random House is counteracting these risks through the establishment of new publishing houses and attractive publications, as well as active cost management.

The main risks at Gruner + Jahr relate to the loss of major customers at Prinovis, the concentration of the supplier market which could lead to rising procurement prices for printers, and the potential increase in paper prices. The risk of lower magazine sales and advertising revenue remains, but is considered to constitute less of a risk than in the previous year.

The physical music market is continuing its downward trend in most countries, with the growth in digital music sales only partially offsetting this development. Accordingly, Sony BMG is leveraging additional revenue sources by entering new business areas, such as concert promotion and booking, TV and film, artist management, sponsorship and branding, and fan articles.

The Arvato division has pursued a multi-dimensional growth strategy for a number of years with a focus on attracting new customers, developing new regional markets and, in particular, penetrating existing markets and expanding its product and service range. Arvato aims to achieve the desired growth in equal parts organically and through acquisitions. It seeks to counteract the risks arising from the loss of major customers and the integration of new businesses and acquisitions by maintaining a heterogeneous business mix and a flexible organizational structure. This also allows it to act successfully in a dynamic market environment with intense competitive pressure, and to cushion cyclical risks.

Due to the combination of strong competition and the threat of new technologies and products, particularly in the music industry, Direct Group's clubs are exposed to significant market and competitive challenges that primarily stem from the continued growth of new distribution channels: club-free (non-commitment) products are offered by large media chains, megastores, online retailers, newspapers, magazines, and even kiosks. Almost all of Direct Group's clubs are exposed to the risk of insufficient customer acquisition, activation and retention; this is due to the decline in the acceptance of club paradigms and changes in purchasing behavior for media products. Amendments to consumer legislation and the regulation of direct marketing and publishing could represent an additional burden for Direct Group.

Significant Changes Compared with the Previous Year

In 2007, the European Commission again approved the merger of Sony BMG as a joint venture between Sony Corporation of America and Bertelsmann. This decision confirmed the legitimacy under antitrust law of the formation of Sony BMG.

Following settlements with the music labels Universal, Warner and EMI, Bertelsmann also settled with the U.S. music publishers who had initiated a class action in the legal dispute concerning the former music file-sharing platform Napster. The final approval of this settlement by the relevant court was obtained in February 2008. Accordingly, the risk arising from the class action initiated by the U.S. music publishers has been resolved.

Overall Risk Situation

No substantial risks to the continued existence of Bertelsmann AG were identified in fiscal year 2007, nor are there currently any risks that could endanger the continued existence of the Group.

Opportunities

Bertelsmann continually examines the technological opportunities and channels in the media and service markets. The Company sees particular potential for future growth in the Asian and Eastern European markets. In the coming years, Bertelsmann plans to further enhance its position through strategic investments, especially in Asia. One component of its growth strategy for China is the creation of an investment fund with a volume of up to \$100 million that will focus on investments in Asia.

The following developments are some of the opportunities available to Bertelsmann's divisions. RTL Group's TV channels in Germany and France offer opportunities in the form of stronger market growth and the improved development of specialist channels in France in particular. At Random House, opportunities are presented by successful debut publications. At Gruner + Jahr, there is the possibility of higher advertising revenues and copy prices in individual markets, while BMG's opportunities relate to an upturn in the physical music market. At Arvato, additional opportunities are presented by the successful development of new business, particularly in the service sector. Direct Group has opportunities in the form of additional cooperations with other companies.

Report on Expected Developments

The U.S. real estate crisis began to have a negative impact on global economic performance towards the end of the previous year. This development continued into the first few months of 2008. The risks for global growth have increased in particular as a result of the uncertainties triggered by the U.S. credit crisis.

It seems likely that global economic growth will slow down slightly in 2008. This is the consensus reached by the German Council of Economic Experts and the German Institute for Economic Research (DIW). The DIW is forecasting economic growth in the euro zone of a good 2 percent in 2008, while the Council also expects the pace of expansion to decline. A significant downturn in growth in the United Kingdom is forecast, while the DIW expects to see a slowdown in economic performance in the U.S. in 2008 and 2009. Economic growth in Japan is also expected to decline, with domestic demand failing to offset losses in foreign trade. In China, the boom will continue at a slightly lower pace, with forecast growth rates of around 10 percent. Growth in the other Southeast Asian countries will average 5-6 percent per annum.

With a view to the economic situation in Germany, the DIW expects economic growth to slow down slightly following the sharp expansion of 2.9 percent in 2006 and 2.5 percent in 2007. The DIW is forecasting growth of 2.1 percent in 2008 and 1.7 percent in 2009. Economic development in this period will be driven by domestic demand and private consumption in particular, with the latter becoming the main pillar of economic performance in 2008. The OECD is forecasting growth in German private consumption of 1.8 percent in 2008 and 1.7 percent in 2009. Foreign trade, which remained one of the key growth drivers in the previous year (contribution to growth: 1.5 percentage points), will be slightly negative in 2008 (contribution to growth: -0.3 percentage points) and essentially neutral in 2009. In its 2007/08 annual report, the German Council of Economic Experts forecasts GDP growth in Germany of 1.9 percent in 2008. This growth rate, which is down slightly on 2007, is due in particular to the lower level of foreign trade. Domestic demand, and private consumption in particular, will be the main driver of economic development. For 2009, the OECD is projecting growth of 1.6 percent. The risk of a recession in the U.S. is the largest general risk factor for the German economy.

The slow-down in global economic performance in 2008 means that restrained growth is expected in the advertising markets that are relevant for Bertelsmann. Compared with the traditional media

markets, online advertising markets are again likely to register the steepest growth rates in 2008. Moderate growth is anticipated in Germany's TV advertising markets. The lifting of the ban on retail advertising on TV in France in 2007 promises to result in a shift in advertising budgets from other media (e.g. radio, magazines) to television. Expectations for the book and newspaper segments in Bertelsmann's core markets are muted. The global music markets are likely to continue to weaken in 2008; while significant increases in music downloads are expected, revenues from the sale of CDs and other physical media will continue to decline.

Over the coming years, developments in the global media industry will be shaped by the further digitalization of content and distribution channels. Compared with the traditional media markets, online advertising revenues are again likely to enjoy the highest growth rates in 2008.

If the Group's economic forecasts come to fruition – and developments in the first few months of the current fiscal year indicate that there is still a degree of uncertainty in this respect – Bertelsmann expects to record increases in revenues and earnings in 2008 and 2009 on the back of the projected organic growth in particular. Acquisitions are not expected to make a significant contribution to revenues. In the medium term, consolidated revenue growth of 5-8 percent composed of both organic and acquisition-based growth appears to be realistic. As in the previous year, the activities of the Executive Board in 2008 will again focus on the identification of potential new growth areas and the optimization, safeguarding and further development of the Group's core activities.

For 2008, RTL Group is forecasting low single-digit market growth, which it intends to leverage with a view to generating revenue growth. The book markets in the U.S., the U.K. and Germany are expected to enjoy stable development in 2008. On this basis, Random House is forecasting low single-digit revenue and earnings growth in 2008 and 2009. Gruner + Jahr expects both revenues and earnings to improve in 2008 and 2009, with magazine brand activities developing positively in the Germany, France and International

segments. Developments in the global music markets in 2008 are likely to be similar to the previous year, with a significant decline in the CD market accompanied by strong growth in demand for non physical digital formats. Accordingly, BMG is forecasting a decline in both revenues and sales in 2008 and 2009. The Arvato division expects to record mid-single-digit revenue and earnings growth in 2008 and 2009 on the back of a systematic expansion of its value chain across all areas of activity; however, growth in its service operations is expected to be greater than in the printing segment. The printing markets in Europe and the U.S. are expected to stabilize in the medium term. Direct Group is aiming to achieve stable revenue and earnings development in 2008 and 2009.

Bertelsmann AG expects to meet its financial targets once again by the end of 2008. The new leverage factor will be reduced to below the target level of 3.0.

These forecasts are based on Bertelsmann's current business strategy as outlined in the "Business and Economic Conditions" section. In general, the forecasts reflect a careful consideration of risks and opportunities and are based on operational planning and the medium-term outlook for the corporate divisions. All statements regarding potential future developments should be seen as estimates made on the basis of the information currently available. If the underlying assumptions do not materialize and/or further risks arise, actual results may deviate from expected results. Therefore, no guarantee is made for the information provided.

Consolidated Financial Statements

Consolidated Income Statement

in € millions	Notes	2007	2006 adjusted
Revenues	1	18,758	19,297
Other operating income	2	583	670
Change in inventories		(23)	123
Own costs capitalized		242	245
Cost of materials		(5,817)	(5,987)
Royalty and license fees		(1,304)	(1,522)
Personnel costs	3	(4,881)	(4,850)
Amortization of intangible assets and depreciation of property, plant and equipment	4	(656)	(681)
Other operating expenses	5	(5,179)	(5,526)
Results from investments accounted for using the equity method	6	75	86
Income from other participations	6	13	12
Special items	7	(854)	1,161
EBIT (earnings before interest and taxes)		957	3,028
Interest income		115	143
Interest expenses		(388)	(358)
Other financial expenses and income	8	(206)	(174)
Financial result		(479)	(389)
Income taxes	9	(73)	(180)
Net income		405	2,459
attributable to:			
Share of profit of Bertelsmann shareholders		216	2,136
Minority interest		189	323

The figures for the previous year were adjusted due to a change in reporting the actuarial gains and losses in line with IAS 19.93A.

Reconciliation to Operating EBIT

in € millions	Notes	2007	2006
EBIT		957	3,028
Special items	7		
– Impairment of goodwill, other intangible assets with indefinite useful life, other financial assets and assets held for sale		549	32
– Capital gains/losses		(250)	(1,410)
– Other special items		555	217
Operating EBIT	27	1,811	1,867
Operating EBITDA	28	2,467	2,548

Consolidated Balance Sheet

in € millions	Notes	12/31/2007	12/31/2006 adjusted
Assets			
Non-current assets			
Goodwill	10	7,256	7,655
Other intangible assets	10 11	1,113	1,279
Property, plant and equipment	10 12	2,767	2,830
Investments accounted for using the equity method	10 13	553	638
Other financial assets	14	666	584
Trade accounts receivable	16	17	18
Other accounts receivable and other assets	16	337	357
Deferred tax assets	9	908	592
		13,617	13,953
Current assets			
Inventories	15	2,079	2,191
Trade accounts receivable	16	3,126	3,179
Other accounts receivable and other assets	16	1,569	1,917
Other financial assets	14	14	15
Current income tax receivable		199	265
Cash and cash equivalents	17	1,131	986
		8,118	8,553
Assets held for sale		41	9
		21,776	22,515
Equity and Liabilities			
Equity			
Subscribed capital	18	1,000	1,000
Capital reserve		2,345	2,345
Retained earnings		1,625	1,585
Shareholders' equity		4,970	4,930
Minority interest		1,154	1,090
		6,124	6,020
Non-current liabilities			
Provision for pensions and similar obligations	19	1,558	1,927
Other provisions	20	132	142
Deferred tax liabilities	9	188	225
Profit participation capital	21	706	706
Financial debt	22	4,788	5,185
Trade accounts payable	23	91	119
Other liabilities	23	691	649
		8,154	8,953
Current liabilities			
Other provisions	20	447	567
Financial debt	22	625	383
Trade accounts payable	23	3,488	3,672
Other liabilities	23	2,584	2,501
Current income tax payable		322	418
		7,466	7,541
Liabilities included in assets held for sale		32	1
		21,776	22,515

The figures for the previous year were adjusted due to a change in reporting the actuarial gains and losses in line with IAS 19.93A.

Consolidated Cash Flow Statement

in € millions	2007	2006
EBIT (earnings before interest and taxes)	957	3,028
Taxes paid	(491)	(301)
Depreciation and write-ups of non-current assets	1,288	730
Capital gains/losses	(250)	(1,410)
Change in provisions for pensions	(63)	(25)
Change in other provisions	(49)	8
Other effects	(15)	(128)
Change in net working capital	86	(190)
Cash flow from operating activities	1,463	1,712
Investments in:		
– intangible assets	(171)	(154)
– property, plant and equipment	(463)	(502)
– financial assets	(106)	(31)
– purchase price for consolidated investments (net of acquired cash)	(292)	(405)
Proceeds from disposal of investments	285	1,648
Proceeds from disposal of non-current assets	187	122
Proceeds from disposal of marketable securities and other short-term investments	–	20
Contribution to pension plans	(66)	(239)
Cash flow from investing activities	(626)	459
Proceeds from bonds and promissory notes	651	1,488
Redemption of bonds and promissory notes	(50)	(50)
Change in other financial debt	(732)	1,587
Interest paid	(331)	(291)
Proceeds from release of currency and interest swaps	155	–
Change in shareholders' equity	(24)	(4,506)
Dividends to Bertelsmann shareholders and minorities	(249)	(385)
Additional payments to minorities and partnerships (IAS 32)	(74)	(41)
Cash flow from financing activities	(654)	(2,198)
Change in cash and cash equivalents	183	(27)
Currency effects and other changes in cash and cash equivalents	(38)	(23)
Cash and cash equivalents 1/1	986	1,036
Cash and cash equivalents 12/31	1,131	986

Details of the cash flow statements are set out in note 26.

Change in Net Financial Debt

in € millions	2007	2006
Net financial debt 1/1	(4,582)	(1,578)
Cash flow from operating activities	1,463	1,712
Cash flow from investing activities	(626)	459
Interest, dividend and changes in equity, additional payments (IAS 32)	(678)	(5,173)
Currency effects and other changes in net financial debt	141	(2)
Net financial debt 12/31	(4,282)	(4,582)

Net financial debt is the net of cash and cash equivalents and financial debt.

Consolidated Statement of Recognized Income and Expense

in € millions	2007	2006 adjusted
Currency translation differences	(204)	(232)
Net change in fair value of available-for-sale securities	12	(4)
Net change in fair value of available-for-sale securities transferred to profit or loss	(6)	(1)
Net change in fair value of cash flow hedges	(51)	(31)
Net change in fair value of cash flow hedges transferred to profit or loss	15	6
Actuarial gains and losses on defined benefit plans	160	92
Income and expenses recognized directly in equity	(74)	(170)
Net income	405	2,459
Recognized income and expense	331	2,289
attributable to:		
Bertelsmann shareholders	151	1,972
Minority interest	180	317

Details of the statement of changes in equity are set out in note 18.

The figures for the previous year were adjusted due to a change of reporting the actuarial gains and losses in line with IAS 19.93A.

Segment Reporting Primary Format

	RTL Group		Random House		Gruner + Jahr		BMG		thereof BMG Music Publishing	
in € millions	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Consolidated revenues	5,689	5,611	1,833	1,942	2,800	2,826	1,453	2,015	-	362
Intercompany revenues	18	29	4	5	31	35	3	2	-	-
Divisional revenues	5,707	5,640	1,837	1,947	2,831	2,861	1,456	2,017	-	362
Operating EBIT	978	835	173	182	264	277	93	173	-	83
Special items	(19)	202	3	(1)	(36)	(20)	(16)	1,119	-	-
EBIT	959	1,037	176	181	228	257	77	1,292	-	83
Return on sales ¹⁾	17.1 %	14.8 %	9.4 %	9.3 %	9.3 %	9.7 %	6.4 %	8.6 %	-	22.9 %
Depreciation and amortization	170	178	36	38	84	84	46	62		
Impairments	144	15	-	1	49	25	2	8		
thereof in special items	135	6	-	1	47	25	2	8		
Investments ²⁾	337	204	15	85	124	200	33	50		
Segment assets	7,114	7,350	1,803	1,965	1,794	1,897	1,531	1,777		
Segment liabilities	2,247	2,364	711	792	626	677	866	998		
Invested capital	4,867	4,986	1,092	1,173	1,168	1,220	665	779		
Results from investments accounted for using the equity method	60	72	-	-	14	13	-	1		
Investments accounted for using the equity method	466	573	1	1	31	19	2	2		
Employees (closing)	11,392	11,307	5,764	5,804	14,448	14,529	2,851	3,009		
Employees (average)	11,160	10,990	5,790	5,667	14,485	14,127	2,860	3,467		

¹⁾ Operating EBIT as a percentage of divisional revenues.

²⁾ Less acquired cash and cash equivalents.

Secondary Format

	Germany		Other European countries		U.S.		Other countries		Group	
in € millions	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Consolidated revenues	6,037	5,837	8,308	8,513	3,387	3,871	1,026	1,076	18,758	19,297
Assets	7,126	7,326	7,654	7,704	3,249	4,097	883	846	18,912	19,973
Liabilities	1,981	2,207	2,859	2,970	1,456	1,647	277	240	6,573	7,064
Invested capital	5,145	5,119	4,795	4,734	1,793	2,450	606	606	12,339	12,909
Investments ¹⁾	319	341	490	514	187	124	36	113	1,032	1,092

Details of the segment reporting are set out in note 27.

¹⁾ Less acquired cash and cash equivalents.

Income Statement
Balance Sheet
Cash Flow Statement
SoRIE
Segment Reporting
Notes

Arvato		Direct Group		Total Divisions		Corporate		Consolidation/Other		Total Group	
2007	2006	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
4,425	4,231	2,541	2,646	18,741	19,271	17	15	-	11	18,758	19,297
492	551	14	19	562	641	1	2	(563)	(643)	-	-
4,917	4,782	2,555	2,665	19,303	19,912	18	17	(563)	(632)	18,758	19,297
366	367	10	110	1,884	1,944	(85)	(77)	12	-	1,811	1,867
(92)	2	(417)	(13)	(577)	1,289	(261)	(125)	(16)	(3)	(854)	1,161
274	369	(407)	97	1,307	3,233	(346)	(202)	(4)	(3)	957	3,028
7.4 %	7.7 %	0.4 %	4.1 %	9.8 %	9.8 %	-	-	-	-	9.7 %	9.7 %
231	233	62	54	629	649	19	18	-	2	648	669
94	4	311	11	600	64	31	2	16	-	647	66
90	-	311	10	585	50	31	-	16	-	632	50
298	422	142	110	949	1,071	81	16	2	5	1,032	1,092
3,256	3,148	1,069	1,453	16,567	17,590	2,457	2,458	(112)	(75)	18,912	19,973
1,543	1,367	567	611	6,560	6,809	105	243	(92)	12	6,573	7,064
1,713	1,781	502	842	10,007	10,781	2,352	2,215	(20)	(87)	12,339	12,909
(1)	(1)	(2)	1	71	86	4	-	-	-	75	86
4	5	13	9	517	609	34	20	2	9	553	638
51,846	46,584	15,109	14,996	101,410	96,229	987	903	-	-	102,397	97,132
50,254	45,338	15,283	14,319	99,832	93,908	968	910	-	-	100,800	94,818

Notes

General Principles

The consolidated financial statements of Bertelsmann AG for the year ended December 31, 2007 are prepared in accordance with International Financial Reporting Standards (IFRS) as applicable in the EU. For 2007, all of the IFRSs have been adopted by the EU with the exception of IAS 39.81A and 39.103A. As the items covered by these standards do not arise at the Bertelsmann Group, the present financial statements comply with the applicable standards and interpretations (Full IFRS) issued by the International Accounting Standards Board (IASB). The supplementary requirements set out in section 315a of the German Commercial Code (HGB) are met.

Change in the Exercise of Existing Accounting Options

In December 2004, the amended version of IAS 19 "Employee Benefits" introduced an additional option for the accounting treatment of actuarial gains and losses under defined benefit plans. The Bertelsmann Group previously recognized actuarial gains and losses in income over the average remaining working lives of the employees participating in the respective plan in accordance with the corridor approach. With effect from January 1, 2007, Bertelsmann AG applied the option provided by IAS 19.93A. In conjunction with IAS 8.14 (b), this is intended to increase the transparency of reporting through the realization of hidden reserves and liabilities.

The consolidated financial statements are prepared in euros; all amounts are stated in millions of euros (€ million). For the sake of clarity, certain items in the income statement and in the balance sheet are combined. These items are disclosed in greater detail and explained in the notes.

Bertelsmann AG is a stock corporation domiciled in Gütersloh, Germany. The address of the Company's registered headquarters is Carl-Bertelsmann-Str. 270, 33311 Gütersloh, Germany. The main activities of Bertelsmann AG and its subsidiaries are presented in detail in the Management Report.

Accordingly, the actuarial gains and losses under defined benefit plans and the related deferred taxes are taken directly to equity in full in the year in which they arise. This means that actuarial gains and losses are no longer amortized. The prior-period amounts have been restated accordingly. The Group's net income for fiscal year 2006 increased by €35 million, of which €38 million related to other financial expense and €-3 million to income taxes.

The application of the new accounting treatment had the following impact on the balance sheet as of December 31, 2006:

Impact of the First-Time Adoption of IAS 19.93A

in € millions	12/31/2006	Adjustment IAS 19	12/31/2006 adjusted
Assets			
Other accounts receivable and other assets	379	(22)	357
Deferred tax assets	553	39	592
Equity and liabilities			
Shareholders' equity	5,337	(407)	4,930
Minority interest	1,092	(2)	1,090
Provision for pensions and similar obligations	1,472	455	1,927
Deferred tax liabilities	231	(6)	225
Other liabilities	672	(23)	649

The other accounting policies applied in preparing the present consolidated financial statements are the same as in the previous year.

Effects of Applying New Accounting Standards

In 2007, Bertelsmann AG applied the new and revised standards and interpretations that are required to be applied for fiscal years starting on or after January 1, 2007 and that have been endorsed by the EU.

In the consolidated financial statements of Bertelsmann AG, the following IASB pronouncements were applied for the first time in the year under review:

- IAS 1.124A: Presentation of Financial Statements
- IFRIC 7: Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies

- IFRIC 8: Scope of IFRS 2
- IFRIC 9: Reassessment of Embedded Derivatives
- IFRIC 10: Interim Financial Reporting and Impairment
- IFRS 7: Financial Instruments: Disclosure and the related amendments to IAS 1.124A ff. Presentation of Financial Statements

The only significant effect of the initial application of these pronouncements relates to the expansion of the disclosures on financial instruments in the notes to the annual financial statements (IFRS 7).

Effects of Applying Future Compulsory Accounting Standards

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) have promulgated additional accounting standards and interpretations that are not yet required to be applied in preparing Bertelsmann's consolidated financial statements for fiscal year 2007. Early application is not performed by the Group. In some cases, the following new accounting standards and interpretations have not yet been approved by the EU:

- IAS 1: Presentation of Financial Statements
- IAS 23: Borrowing Costs (not endorsed by the EU)
- IFRS 8: Operating Segments
- IFRIC 11: IFRS 2: Group and Treasury Share Transactions
- IFRIC 12: Service Concession Arrangements (not endorsed by the EU)
- IFRIC 13: Customer Loyalty Programs (not endorsed by the EU)

- IFRIC 14: IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (not endorsed by the EU)

The future application of IFRS 8 will not significantly change the structure and content of the Group's segment reporting. The amendments to IAS 23 will also have no effect, as the Group does not exercise the option that has been withdrawn and already capitalizes borrowing costs for qualifying assets.

The future application of IAS 1 is not expected to change significantly the presentation of the components of the consolidated financial statements. Although the interpretations to be applied in future do relate to the Group's activities in some cases, they are not expected to result in material changes in disclosure.

Consolidation

Consolidation Methods

All subsidiaries that are controlled either directly or indirectly by Bertelsmann AG in accordance with IAS 27 and that perform business operations are included in the consolidated financial statements. Control exists when Bertelsmann AG has the possibility or the actual ability (de facto control), either directly or indirectly, to determine the financial and business policy of an entity in such a way as to obtain benefits from its activities. The consolidation principles applied in the present consolidated financial statements were unchanged as against the previous year.

Material jointly controlled companies within the meaning of IAS 31 are proportionately consolidated. Material associates as de-

finied by IAS 28 are consolidated using the equity method. This is generally the case for equity interests of between 20 percent and 50 percent. Equity interests of less than 20 percent are accounted for using the equity method in accordance with IAS 28.7(a). A list of material subsidiaries and participations can be found under note 31. All of the single-entity financial statements of the companies included in consolidation are prepared in accordance with uniform accounting and valuation policies. The Bertelsmann Group recognizes immaterial participations at cost.

In accordance with IFRS 3 “Business Combinations,” investments in subsidiaries are consolidated using the purchase method. Under the purchase method, the acquisition cost of the investment is offset against the acquirer’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities at the acquisition date. If the acquisition cost exceeds the fair values of the acquirer’s interest in the assets, liabilities and contingent liabilities acquired, this difference is recognized in the balance sheet as goodwill. Deferred taxes are recognized on temporary differences arising as a result of recognizing the proportion of assets and liabilities acquired at fair value at the time of acquisition to the extent that such fair value adjustments are not also recognized for tax purposes. Differences arising as a result of recognizing the assets and liabilities acquired at fair value are carried forward, written down or released in the periods following the acquisition, depending on the nature of the assets and liabilities to which they relate. Negative goodwill is reflected as income in the period in which the acquisition is made. Minority interests also include the fair values of the respective minorities’ share in the assets and li-

abilities. Investments in proportionately consolidated companies are measured using the same principles.

Investments in associated companies recognized using the equity method are included at the proportionate equity share of the investment measured at fair value at the acquisition date. The same method as for fully-consolidated subsidiaries is used when accounting for differences between the cost of a business combination at the time of acquisition and the share of net assets acquired. Losses at associates which exceed their carrying amounts are not recognized unless there is an obligation to make additional contributions.

All intercompany profits, losses, revenues, expenses, income, receivables, liabilities, and provisions falling within the scope of consolidation are eliminated. Deferred taxes are recognized on temporary differences arising on consolidation in accordance with IAS 12. Proportionate consolidation is performed using the same principles. The Group’s share of unrealized gains or losses on intercompany transactions between Group companies and associated companies is eliminated.

Scope of Consolidation

Including Bertelsmann AG, the Group consists of a total of 1,262 companies (previous year: 1,309). Of this figure, 918 (previous year: 910) are fully consolidated.

208 (previous year: 201) joint ventures are proportionately consolidated, while 136 (previous year: 198) associates are consolidated using the equity method. A total of 308 (previous year: 359) affiliated companies without significant business operations were excluded from consolidation due to their negligible importance for the financial position, performance and changes in financial positions of the Group. This includes 26 companies that would have been consolidated using the equity method if they had met the criteria for materiality.

In accordance with section 325 in conjunction with section 313 (4) of the German Commercial Code, the complete list of the Bertelsmann Group’s shareholdings is published in the electronic Bundesanzeiger (Federal Gazette) as an annex to the present financial statements.

Those domestic subsidiaries disclosed in note 32 have elected to be exempted from the preparation, audit and publication of financial statements for 2007 as set out in section 264 (3) and 264b no. 4 of the German Commercial Code.

There were the following changes in the companies included in the consolidated financial statements compared with the previous year:

Change in Scope of Consolidation

	Domestic	Foreign	Total
Consolidated at 12/31/2006	352	957	1,309
Additions	45	89	134
Disposals	27	154	181
Consolidated at 12/31/2007	370	892	1,262

Acquisitions and Disposals

The consideration paid for acquisitions in fiscal year 2007, less cash and cash equivalents acquired and plus financial debt assumed, amounted to €292 million. The total acquisition cost within the meaning of IFRS 3 was €396 million. The largest acquisition in the year under review related to Direct Group's acquisition of the remaining 50 percent of the shares of the U.S. book club Bookspan from Time Inc. in April 2007. Bookspan was formed in 2000 as a joint venture with Time Inc. The purchase price was €106 million, or €87 million after deduction of the cash and cash equivalents acquired. The transaction resulted in the recognition of goodwill in the amount of €34 million and intangible assets in the amount of €13 million.

RTL Group and John de Mol's Talpa Media Holding performed an asset deal after the regulatory approval by the Dutch competition authority in September 2007. The deal was structured in several transactions with the final outcome that RTL Netherlands and Radio 538 are both integrated into a new structure, RTL Nederland Holding, held at 26 percent by Talpa Media Holding and 74 percent by RTL Group. As part of the deal, both parties also agreed that RTL Netherlands would acquire TV assets from Talpa Media Holding such as sports rights, cable contracts, Dutch shows and drama series.

The acquisition of a 74 percent interest in Radio 538 by RTL Group qualifies as a business combination accordingly to IFRS 3, since RTL Group has obtained control of Radio 538. RTL Group has allocated the related transaction cost and recognized the following identifiable assets, liabilities and contingent liabilities at their fair value at the date of the transaction:

- The Radio 538 brand for an amount of €10 million and the related deferred tax liability of €3 million;
- The deferred tax asset of €63 million in relation to future tax benefits and a corresponding liability at a discounted value of €46 million towards the minority interest that contractually benefits from those tax benefits.

The excess of the cost of the business combination over the net fair value of the identifiable assets, liabilities and contingent liabilities recognized was allocated to goodwill for an amount of €142 million.

The sale of a 26 percent interest in RTL Netherlands led to a capital gain of €134 million. RTL Group has allocated the related transaction cost to the disposal.

In May 2007, Arvato Services acquired three call center locations from Deutsche Telekom AG (Rostock, Neubrandenburg, Erfurt) and the employees of the Stuttgart and Potsdam call centers.

A number of smaller acquisitions with a total volume of €142 million were also implemented in the year under review. The resulting goodwill amounts to €101 million, while the other intangible assets and property, plant and equipment identified in the course of purchase price allocation in accordance with IFRS 3 amounted to €10 million and €8 million respectively.

The acquisitions during the year under review had the following impact on the Bertelsmann Group's assets and liabilities at the time of their initial consolidation:

Effects of Acquisitions

in € millions	Bookspan	RTL Netherlands	Other	Total
Non-current assets				
Goodwill	34	142	101	277
Other intangible assets	20	36	11	67
Property, plant and equipment	13	1	11	25
Other non-current assets	–	60	22	82
Current assets				
Inventories	23	–	2	25
Cash and cash equivalents	18	75	3	96
Other current assets	36	9	13	58
Liabilities				
Provision for pensions and similar obligations	2	–	17	19
Financial debt	–	63	3	66
Other liabilities	25	79	20	124

Since their initial consolidation, these acquisitions have contributed €210 million to the Group's revenues and €-25 million to consolidated EBIT. If they had been consolidated from January 1, 2007, they would have contributed €331 million to revenues and €-21 million to EBIT. The goodwill arising from the acquisitions reflects the synergy potential offered.

The sales proceeds from the divestments implemented in the year under review totaled €285 million. Of this figure, €209 million resulted from the sale of RTL Group's 32.9 percent interest in the Portuguese television operator Grupo Media Capital to the Spanish Grupo Prisa in February 2007. Following the approval of the transaction by the Portuguese antitrust authorities on January 22, 2007, Grupo Prisa submitted a voluntary offer for the acquisition of the shares of Media Capital at a price of €7.40 per share. The offering period ran from January 23 to February 5, 2007. On February 2, 2007, RTL Group decided to sell its interest, generating capital gains in the amount of €33 million.

The disposals during the year under review had the following impact on the Bertelsmann Group's assets and liabilities at the time of their deconsolidation:

Effects of Disposals

in € millions	2007
Non-current assets	
Goodwill	32
Other intangible assets	2
Property, plant and equipment	43
Other non-current assets	176
Current assets	
Inventories	2
Cash and cash equivalents	3
Other current assets	15
Liabilities	
Provision for pensions and similar obligations	1
Financial debt	15
Other liabilities	47

A further €68 million resulted from the sale of RTL Group's 25 percent stake in the sports rights marketing agency Sportfive to the French media group Lagardère in January 2007. As part of a resolution on the strategic withdrawal from operations, Sportfive's shareholders initiated a competitive tender process in the second half of 2006. On November 20, 2006, RTL Group announced that Lagardère S.C.A. had acquired its 25 percent interest as part of the full acquisition of Sportfive. The sports rights marketing agency was available for sale from December 31, 2006. Following its approval by the European Commission, the transaction was closed on January 18, 2007. The transaction generated a capital gain of €66 million in fiscal year 2007.

Proportionate Consolidation

The 208 (previous year: 201) proportionately consolidated joint ventures had the following effect on Bertelsmann group's assets, liabilities, income and expenses:

Effects of Proportionate Consolidation

in € millions	12/31/2007	12/31/2006 adjusted
Non-current assets	1,085	1,409
Current assets	899	1,012
Non-current liabilities	165	267
Current liabilities	973	1,084
Income	1,887	2,318
Expenses	1,820	2,287

The change as against the previous year is primarily due to the full consolidation of Bookspan since April 2007.

Currency Translation

In Bertelsmann AG's consolidated financial statements, the financial statements of foreign subsidiaries are translated into euros using the functional currency concept set out in IAS 21. Assets and liabilities are translated into the reporting currency with the average conversion rate of the last day of the fiscal year, while income statement items are translated at the average rate for the year. Currency translation differences are charged or credited directly to shareholders' equity. Such differences arise from translating items in the balance

sheet at different rates compared with the previous year, and from using different rates to translate the income statement and the balance sheet. When subsidiaries are deconsolidated, any related cumulative translation differences are recycled to income.

The following euro exchange rates were used to translate the currencies of those countries which are most significant to the Bertelsmann Group:

Euro Exchange Rates for Major Foreign Currencies

Foreign currency unit per € 1		Average rate		Closing rate	
		2007	2006	12/31/2007	12/31/2006
U.S. Dollar	USD	1.3749	1.2566	1.4721	1.3170
Canadian Dollar	CAD	1.4710	1.4225	1.4449	1.5281
British Pound	GBP	0.6861	0.6822	0.7334	0.6715
Japanese Yen	JPY	161.71	146.20	164.93	156.93
Swiss Franc	CHF	1.6429	1.5751	1.6547	1.6069

Accounting Policies

Revenue and Expense Recognition

Revenue is realized when the relevant service has been performed and the risks are transferred, with the exception of revenue recognized using the percentage-of-completion method as set out in IAS 11. This includes revenue associated with transactions involving the rendering of services that is recognized by reference to the stage of completion, providing that the outcome of the transaction can be estimated reliably at the balance sheet date. Depending on the nature of the transaction, the stage of completion is determined using either the input-oriented method or the output-oriented method. Under the input-oriented method, the contract costs incurred until the balance sheet date are compared with the estimated total contract costs (cost-to-cost method), while the output-oriented method

Goodwill

Goodwill arising from business combinations accounted for in accordance with IFRS 3 represents the excess of the acquisition costs over the Group's share of the fair values of the identifiable assets, liabilities and contingent liabilities acquired. Initial recognition is at acquisition cost, with subsequent recognition at acquisition cost less accumulated impairment losses. Goodwill is not amortized, but is subject to an at least annual impairment testing. Impairment losses are measured as the difference between the carrying amount

Other Intangible Assets

Internally generated intangible assets of the non-current assets are carried at cost if the criteria for recognition as set out in IAS 38 have been met.

Acquired intangible assets are carried at amortized cost. Intangible assets acquired as part of a business combination are initially recognized at fair value at the acquisition date in accordance with IFRS 3.

Intangible assets with finite useful life are amortized systematically on a straight-line basis over their estimated useful life. Impairment losses are determined by applying the requirements for impairment testing (IAS 36). Capitalized software is amortized

compares the services performed until the balance sheet date with the total services to be performed.

Other income is recognized when it is probable that the economic benefits will flow to Bertelsmann Group and the amount can be measured reliably. Expenses are deferred on the basis of underlying facts or the period of time to which they relate.

Interest income and expense are allocated to the period to which they relate. Dividends received from unconsolidated investments are recognized when the respective distribution is received. Revenues from services rendered are recognized based on their stage of completion.

and the recoverable amount of the cash-generating units to which the goodwill has been allocated. Any write-down is immediately recognized in income as an impairment loss. Impairment of goodwill, including impairment losses recognized in the course of the year, may not be reversed. In the Bertelsmann Group, goodwill is tested for impairment at December 31 of each year and in the incidence of a triggering event.

over a period of between three and four years. Delivery rights and subscriber portfolios are amortized over a period of up to 15 years, while the amortization period for trademarks and music, film and publishing rights is a maximum of 15 years. Licenses are amortized over the term of the respective license agreement.

The useful life is reviewed annually and adjusted to reflect changes in expectations. As for goodwill, intangible assets with indefinite useful life are not amortized, but are subject to an at least annual impairment test and, where applicable, are written down to their recoverable amount.

Property, Plant and Equipment

Items of property, plant and equipment are carried at cost less depreciation and, where applicable, impairment losses. The cost of items of property, plant and equipment produced internally within the Group includes direct costs and a portion of overhead costs directly attributable to their production. The cost of property, plant and equipment whose production takes place over a longer period of time also includes third-party interest accrued up until the completion date. The amounts involved are insignificant to the Group.

Maintenance expenses are recorded as losses in the period in which they were incurred, whereas expenses incurred in achieving a prolongation of the asset's useful life or an improvement to its use are recognized as an increase in the carrying amount of the asset.

Impairment Losses

In accordance with IAS 36 Goodwill, intangible assets and property, plant and equipment are tested for impairment at each balance sheet date, with impairment losses recognized if the recoverable amount of the respective assets has fallen below the carrying amount. The recoverable amount is the higher of the net realizable value of the assets and the present value of the expected future cash flows (DCF method). If it is not possible to allocate cash inflows to an asset, the relevant impairment losses are determined on the basis of the cash flows attributable to the next highest cash-generating unit. Expected cash flows are based on internal planning consisting of three detailed forecast periods, plus two additional detailed periods.

Leases

To the extent that the Bertelsmann Group assumes significantly all of the opportunities and risks relating to a leased asset and is therefore considered to be the economic owner of the asset (finance lease), the leased asset is recognized in the balance sheet at the lower of the asset's fair value at the inception of the lease and the present value of future lease payments, less costs included for insurance, maintenance and taxes, plus any related profit margin. Payment obligations arising from finance leases are recognized as lease liabilities in the same amount.

If it is sufficiently certain that ownership of the leased asset will pass to the lessee at the end of the lease term, the asset is depreciated over its useful life. Otherwise, it is depreciated over the term of the lease. There are no conditional lease payments.

Items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful life. The estimated useful life and depreciation methods are reviewed annually in accordance with IAS 16. The useful life used within the Group in 2007 were as follows:

- Buildings 20 to 50 years
- Plant, technical equipment and machinery 5 to 15 years
- Other furniture and other equipment 3 to 12 years

Impairment losses on property, plant and equipment are determined by applying the requirements for impairment testing.

Individually significant components of non-current assets are recorded and depreciated separately (component approach).

For periods beyond this detailed horizon, a perpetual annuity is recognized, taking into account individual business-specific growth rates of between 0 percent and 3 percent. The applicable discount rate is generally the weighted average cost of capital (WACC) before taxes. If the reasons for impairment no longer apply, impairment losses may be reversed up to a maximum of the carrying amount of the respective asset if the impairment loss had not been recognized. This does not apply to goodwill and intangible assets with an indefinite useful life that are identified in the course of purchase price allocation in accordance with IFRS 3.

Leased assets primarily relate to buildings. Finance leases for buildings are generally subject to non-cancelable minimum lease terms of approximately 20 years. Upon expiry of this term, the lessee is entitled to purchase the leased asset at its residual value.

The operating leases entered into by the Bertelsmann Group primarily relate to rental agreements for buildings and technical transmission facilities. In this case, the economic ownership of the leased assets remains with the lessor and lease payments are expensed in the period in which they are incurred. The total amount of lease payments due over the non-cancelable minimum lease terms of these operating leases is disclosed in the notes under other financial commitments.

Financial Assets

A financial instrument is any contract that gives rise to both a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets are classified into one of the following categories:

- financial assets held to maturity
- available-for-sale financial assets
- primary and derivative financial assets held for trading
- assets initially recognized at fair value through profit or loss
- derivative financial assets used in hedging relationships
- originated loans and trade receivables (loans and receivables)
- cash and cash equivalents (loans and receivables)

If the trade date and the settlement date are different, the settlement date is applied for the purposes of initial recognition.

Financial assets held to maturity:

If the Company intends to hold financial instruments to maturity, they are measured at amortized cost using the effective interest method.

Available-for-sale financial assets:

The available-for-sale category primarily includes current and non-current securities and equity investments not classified as financial assets held to maturity or “at fair value through profit or loss.”

In accordance with IAS 39, available-for-sale securities are measured at their fair value at the balance sheet date, assumed that this can be reliably measured. The resulting unrealized gains and losses, including deferred taxes, are taken directly to equity. However, write-downs for impairment are recognized in income. The unrealized gains and losses taken directly to equity are recycled through in profit or loss when the respective assets are sold. If the market value cannot be measured, the corresponding equity investments and securities are either carried at amortized cost or measured at amounts based on estimated discounted cash flows.

Primary and derivative financial assets held for trading:

This category generally includes derivatives that are not used in hedging relationships (held for trading).

Derivative financial instruments that are not used in hedging relationships in accordance with IAS 39 are measured at their fair value. Gains or losses on subsequent measurement are recognized in income.

Financial assets initially recognized at fair value through profit or loss:

This category contains financial assets that were classified as “at fair value through profit or loss” on initial recognition. This applies to financial instruments containing one or more embedded derivatives that cannot be measured separately. Changes in fair value are recognized in other financial income. In the year under review, only the RTL division exercised this option.

Originated loans and trade account receivables:

Originated loans and trade account receivables are recognized at their nominal amount or, where appropriate, at fair value. Long-term loans and receivables are discounted. Foreign-currency items are translated at the exchange rate at the closing date. Valuation allowances are recognized for identifiable risks.

Cash and cash equivalents:

Cash and cash equivalents include bank balances, cash-in-hand and securities with a term to maturity on acquisition of less than three months. Foreign-currency items are translated at the exchange rate at the balance sheet date.

Impairment losses and write-downs on financial assets:

The carrying amounts of financial assets not recognized at fair value through profit or loss are examined at each balance sheet date in order to determine whether there is substantial evidence of impairment. If the fair value of a financial asset is lower than its carrying amount, a corresponding impairment loss is recognized in income. If it is established that the fair value has increased at a later measurement date, the impairment loss previously recognized is reversed up to a maximum of historical cost. Impairment losses are not reversed in the case of unlisted equity instruments that are classified as available-for-sale assets and carried at cost. The fair value of available-for-sale assets carried at cost is calculated as the present value of the future cash flows discounted using the risk-adjusted interest rate.

Inventories

Inventories are recognized at the lower of historical cost and net realizable value at the end of the year. Similar inventories are reported at average cost less cost-to-sell or using the FIFO (first-in, first-out) method. Inventories originating from intragroup suppliers are adjusted to eliminate intercompany profits and are measured at the Group's manufacturing cost.

Inventories carried at cost are reviewed for possible write-downs on the basis of their net realizable value at the end of the year. Net realizable value is the estimated sales price less expected costs to complete and estimated selling expenses. A write-down is recognized if the net realizable value of an item of inventories is lower than its cost. Write-downs are reversed if the circumstances causing their recognition no longer exist. The new carrying amount then represents the lower of cost and adjusted net realizable value. The consumption of inventories is reported in the income statement in the cost of materials.

In addition to raw materials and consumables, finished goods, work in progress and merchandise, inventories include all short-term film, television and similar rights that are intended for broadcast or sale within the Group's normal operating cycle (i.e. within one year). In particular, this includes film and TV formats that are

currently in production, co-productions, and acquired broadcasting rights. The carrying amount of such items at the balance sheet date is the lower of historical cost and the net disposal proceeds.

The amortization of film and television rights starts from the date of initial broadcast and depends either on the number of planned broadcasts or the expected revenues. The broadcast-based amortization of film and television rights is performed as follows:

- Entertainment programs, such as soap operas, documentations and sport, quiz or music programs, are written off in full at the initial broadcast date;
- 50 percent of the carrying amount of children's' programs and cartoons is written off at each of the first two broadcast dates;
- Cinema productions, TV movies and TV series are amortized on a diminishing balance basis over a maximum of two broadcasts: 67 percent of the carrying amount on the initial broadcast date and the remaining 33 percent of the carrying amount on the date of the second broadcast.

For in-house productions, consumption is reported in the income statement under changes in inventories, while the consumption of acquired rights is reported in the cost of materials.

Customer-Specific Construction Contracts

To the extent that they meet the requirements of IAS 11, customer-specific contracts are reported using the percentage-of-completion method, under which revenues and gains on such customer contracts recognized on the basis of the stage of completion of the respective project. The percentage of completion is calculated as

the ratio of the contract costs incurred up until the end of the year to the total estimated project cost (cost-to-cost method).

Irrespective of the extent to which a project has been completed, losses resulting from customer-specific contracts are immediately recognized in full in the period in which the loss is identified.

Deferred Taxes

In accordance with IAS 12, deferred tax assets and liabilities are recognized for temporary differences between the tax base and the IFRS consolidated balance sheet and for tax loss carryforwards and tax credits. Deferred tax assets are only reported in the amount in

which they can be subsequently utilized. The calculation of deferred taxes is based on the tax rates that have been enacted at the balance sheet date or that are certain to be enacted in future.

Other Comprehensive Income

The other comprehensive income taken directly to equity in accordance with IAS 39 includes foreign exchange gains and losses, as well as unrealized gains and losses from the fair value measurement of available-for-sale securities and derivatives used in cash flow hedges or hedges of net investments in foreign operations.

Provisions

Provisions for pensions and similar obligations are calculated on an actuarial basis using the projected unit credit method as set out in IAS 19, which, in contrast to the entry-age normal method, includes expected future salary increases. This method involves the use of biometric calculation tables, current long-term market interest rates and current estimates of future increases in salaries and pensions.

The interest element of pension expense and the expected return on plan assets are reported in net financial expense.

Liabilities

Trade payables and other originated financial liabilities are carried at amortized cost. Non-current liabilities without an agreed interest rate are discounted. Foreign-currency liabilities are translated at the exchange rate at the balance sheet date.

Derivative Financial Instruments

As set out in IAS 39, all derivative financial instruments are recognized at fair value on the face of the balance sheet. Financial instruments are recognized as of the transaction date. When a contract involving a derivative is entered into, it is initially determined whether that contract is intended to serve as a fair value hedge or as a cash flow hedge. However, some derivatives do not meet the requirements included in IAS 39 for recognition as hedges despite this being their economic purpose. Changes in the fair values of derivatives are recorded as follows:

1. Fair value hedge: Changes in the fair value of these derivatives, which are used to hedge assets or liabilities, are recognized in income including the gain or loss on the change in the fair value of the underlying balance sheet items also included in the income statement.

2. Cash flow hedge: The effective portion of the changes in the fair value of these derivatives, which are used to hedge future cash flows is recognized directly in equity under other comprehensive income. The amounts recognized in equity are then reversed to income

Actuarial gains and losses under defined benefit pension plans are also taken directly to equity in full in the year in which they arise in accordance with IAS 19.93A. Deferred taxes on the aforementioned items are also recognized directly in equity.

With the exception of the other personnel-related provisions calculated in accordance with IAS 19, all other provisions have been recognized in accordance with IAS 37 and to the extent that there is a legal or constructive obligation to a third party. Provisions are measured at full cost in the amount of the probable obligation. Long-term provisions are discounted.

The Bertelsmann Group has not yet exercised the option of classifying financial liabilities as “at fair value through profit or loss” on initial recognition.

Finance lease liabilities, which are also reported in financial liabilities, are carried at their present value in accordance with IAS 17.

when the hedged underlying is recognized in income. The ineffective portion of the changes in the fair value of the hedging instrument is recognized in income.

3. Hedge of a net investment in a foreign operation: For this hedge type, the effective portion of the gains and losses on changes in the fair value of the hedging instrument is taken directly to equity. The ineffective portion is recognized in income. On disposal of the investment, the changes in the value of the hedge that are contained in equity are reversed to income.

4. Standalone derivatives (no hedge relationship): Changes in the fair value of these derivatives, which do not meet the criteria for recognition as hedges, are recognized in income in accordance with the held-for-trading category and are therefore classified as “at fair value through profit and loss.”

To the extent that trading and settlement dates differ, the settlement date is applied for the initial recognition of derivatives.

Equity Compensation Benefits

Share options are granted to certain directors and senior employees. The options are granted at the market price on the grant date and are exercisable at that price. No compensation cost is recognized in the income statement for share options granted before November 7, 2002. When the options are exercised, the proceeds received, net of any transaction costs, are taken directly to equity.

For share options granted after November 7, 2002, the fair value of the options granted is recognized as personnel costs with a corresponding increase in equity. The fair value is measured

at the grant date and allocated over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using a binomial option-pricing model, taking into account the terms and conditions at which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options vesting, whereby share options forfeited solely due to share prices not achieving the vesting threshold are excluded.

Non-Current Assets and Related Liabilities Held for Sale

IFRS 5 requires non-current assets and related liabilities held for sale to be disclosed as separate line items in the balance sheet. They are measured at the lower of their carrying amount and fair value

less costs to sell. Following their classification as held for sale, these assets are no longer subject to depreciation or amortization.

Estimates and Assumptions

The preparation of IFRS-compliant consolidated financial statements requires the use of estimates and assumptions that may impact the carrying amounts of the assets, liabilities, income and expenses recognized. The amounts actually realized may differ from the estimated amounts. The estimates and assumptions applied by the Bertelsmann Group relate in particular to the measurement of pension obligations and plan assets, the measurement of provisions and impairment losses on intangible assets (particularly goodwill) and property, plant and equipment.

Estimates and assumptions also relate to share-based remuneration, the classification of leases and the determination of the fair value of unlisted financial derivatives. Assumptions are made in the course of business combinations in conjunction with the measurement of intangible assets for purposes of purchase price allocation. Assumptions are also applied in company valuation using cash flow forecasts and multiple models.

Estimates and assumptions are also used in particular in determining the uniform useful life to be applied throughout the Group and in estimating the recoverability of future tax benefits. Details of the assumptions applied in pension accounting can be found under note 19. Regarding their amount and occurrence probability, provi-

sions are based on estimates by the Group's management. Further details can be found under note 20 "Other Provisions." Details of the premises applied in testing intangible assets (including goodwill) and property, plant and equipment for impairment can be found under note 10 "Selected Non-Current Assets." Assessments of the realizability of tax benefits are discussed under note 9 "Income Taxes," while information on useful life can be found on page 91 and in note 12 "Property, Plant and Equipment."

The assumptions relating to leases and their classification as finance leases and operating leases are discussed in note 22 "Financial Debt" and note 24 "Off-Balance Sheet Commitments." The "Stock Option Plans at Subsidiaries" section in note 18 "Shareholders' Equity" presents the relevant conditions and assumptions in greater detail.

The assumptions relating to unlisted financial derivatives and the determination of their fair value can be found in the note 25 "Additional Disclosures on Financial Instruments."

The estimates and assumptions applied within the Group are constantly reviewed. Adjustments to estimates are generally recognized in the period in which the respective adjustment is made and in future periods.

Notes to the Income Statement and the Balance Sheet

1 Revenues

in € millions	2007	2006
Revenues from selling goods and merchandise	10,345	10,683
Revenues from providing services	7,232	6,960
Revenues from grant of use of assets	1,635	2,124
Gross revenues	19,212	19,767
Discounts	(454)	(470)
Revenues	18,758	19,297

Revenues from long-term construction contracts amounted to €31 million (previous year: €22 million).

2 Other Operating Income

in € millions	2007	2006
Extra and supplementary income	248	242
Foreign exchange gains	1	12
Prior-year income and reimbursements	144	153
Gains from disposals of non-current assets	48	50
Sundry operating income	142	213
	583	670

Income from the reversal of provisions is recorded in the same line item within the income statement as it was charged when the provision was initially recognized.

The foreign exchange losses reported in other operating income (excluding the amounts recognized in accordance with IAS 39)

amounted to €-7 million in the year under review (previous year: foreign exchange gains of €6 million).

3 Personnel Costs

in € millions	2007	2006
Wages and salaries	4,028	3,974
Statutory social security contributions	634	632
Profit sharing	82	73
Expense for pensions and similar obligations	122	155
Other employee benefits	15	16
	4,881	4,850

Statutory social security contributions include employer contributions to statutory pension insurance in the amount of €148 mil-

lion, which relate to defined contribution plans in accordance with IAS 19.

4 Amortization of Other Intangible Assets and Depreciation of Property, Plant and Equipment

in € millions	2007	2006
Amortization/depreciation of		
– intangible assets	253	279
– property, plant and equipment	403	402
	656	681

5 Other Operating Expenses

in € millions	2007	2006
Administrative expenses	1,547	1,529
Consulting and audit fees	257	248
Foreign exchange losses	–	15
Advertising costs	1,065	1,152
Selling expenses	899	952
Allowances on current assets	408	459
Operating taxes	129	127
Losses on disposals of non-current assets	14	24
Sundry operating expenses	860	1,020
	5,179	5,526

Consulting and audit fees include fees of €4 million for the Group external audit and €1 million for other audit-related services, mainly relating to the half-year review.

A portion of administrative expenses relates to travel costs and communication expenses. Other operating expenses include rentals, repair and maintenance costs.

6 Result from Investments Accounted for Using the Equity Method and Other Participations

in € millions	2007	2006
Income from investments accounted for using the equity method	84	95
Expenses from investments accounted for using the equity method	(9)	(9)
Results from investments accounted for using the equity method	75	86
Results of participations	13	12

Income from associates primarily relates to Antena 3 in the amount of €40 million (previous year: €49 million). The expenses from investments accounted for using the equity method relate to various

companies. As in the previous year, Bertelsmann had no interest in the contingent liabilities of associates.

7 Special Items

in € millions	2007	2006
Impairment of goodwill, other intangible assets with indefinite useful life, other financial assets and assets held for sale		
Bertelsmann Direct North America, Direct Group	(291)	-
Five, RTL Group	(123)	-
Prinovis	(70)	-
Windsong, Arvato (IFRS 5)	(39)	-
Gruner + Jahr, Greece	-	(14)
Gruner + Jahr, Adria	-	(7)
Other	(26)	(11)
Capital gains/losses		
RTL Netherlands, RTL Group	134	-
Sportfive, RTL Group	66	-
Grupo Media Capital, RTL Group	33	-
OctJay, BMG	13	-
BMG Music Publishing	-	1,174
TPS, RTL Group	-	201
Other	4	35
Other special items		
Expenses for settlement of Music Publisher legal dispute, Corporate	(245)	(149)
Restructuring/integration and valuation allowances, Direct Group	(123)	(14)
IP Deutschland – antitrust authority fine, RTL Group	(96)	-
Restructuring and valuation allowances, Prinovis	(61)	-
Restructuring/Integration BMG	(30)	(54)
	(854)	1,161

Special items primarily relate to transactions that are not of an operational nature, as they cannot be reproduced. They include income and expense items which distort the assessment of the results of operations of the divisions and of the Group due to their size and infrequency of occurrence. In the year under review, special items totaled €-854 million.

Net gains on disposals and share swaps amounted to €250 million, of which €99 million related to the disposals of Grupo Media Capital and Sportfive by RTL Group in spring 2007. The newly formed joint venture between RTL Group and John de Mol in the Netherlands resulted in a share swap gain of €134 million.

These disposal gains were offset by the following negative special items in particular:

- an impairment loss of €291 million on the North American club activities of Bertelsmann Direct North America;
- an impairment loss of €123 million on the British television broadcaster Five;
- an impairment loss of €70 million on Prinovis, a gravure joint venture between Arvato, Gruner + Jahr and Axel Springer AG;
- an impairment loss of €39 million on the British media marketing agency Windsong/Pinnacle, which is classified as available for sale in the present financial statements in accordance with IFRS 5;
- an expense of €168 million for the out-of-court settlements with the music labels EMI Group and Warner Music and the U.S. National Music Publishers' Association and the recognition of a provision of €77 million based on an oral agreement with Sony Music for the settlement of the legal dispute over the former music file-sharing platform Napster;
- an expense of €96 million for the payment relating to the share deals by RTL's advertising time marketing company IP Deutschland that was rejected by the antitrust authorities;
- restructuring and integration costs and additional valuation allowances in the Direct Group segment in the amount of €123 million;
- restructuring costs relating to the closure of Prinovis' gravure plant in Darmstadt (€19 million) and an additional valuation allowances on the carrying amount of Prinovis (€42 million);
- restructuring and integration costs in the BMG segment in the amount of €30 million.

8 Other Financial Expense and Income

in € millions	2007	2006 adjusted
Defined benefit plans (pensions and other)	(59)	(76)
Dividend entitlement on profit participation certificates	(77)	(77)
Minority interest of partnerships	(57)	(50)
Other	(13)	29
	(206)	(174)

9 Income Taxes

Income taxes, broken down into current and deferred income taxes, are as follows:

in € millions	2007	2006 adjusted
Net income before income taxes	478	2,639
Current income taxes for the reporting period	(406)	(281)
Current income taxes for previous years	27	(43)
Deferred income taxes for the reporting period	276	148
Deferred income taxes for previous years	30	(4)
Total income taxes	(73)	(180)
Net income after income taxes	405	2,459

Tax loss carryforwards of €176 million were utilized in the year under review (previous year: €857 million), reducing the Group's current tax expense by €51 million (previous year: €301 million). Of the tax loss carryforwards utilized, €13 million related to domestic corporate income tax, €12 million to domestic trade tax and

€151 million to foreign income tax. These amounts contain €126 million for tax loss carryforwards for which no deferred tax assets were recognized in the past. Of this figure, €6 million relates to domestic corporate income tax, €6 million to domestic trade tax and €114 million to foreign income tax.

Deferred tax assets and liabilities resulted from the following items and factors:

Deferred Taxes

	12/31/2007 Assets	12/31/2007 Liabilities	12/31/2006 adjusted Assets	12/31/2006 adjusted Liabilities
in € millions				
Intangible assets	628	238	684	322
Property, plant and equipment	35	150	46	187
Investments	12	27	7	53
Inventories	72	2	68	4
Accounts receivable	168	38	208	39
Advance payments and other assets	138	104	95	65
Provisions	302	58	422	52
Financial debt	63	5	35	8
Accounts payable	18	5	21	2
Advance payments and other liabilities	95	29	89	43
Loss carryforwards/tax credits	2,545	–	2,702	–
Valuation allowances	(2,700)	–	(3,235)	–
Total	1,376	656	1,142	775
Netting	(468)	(468)	(550)	(550)
Carrying amount	908	188	592	225

Current and deferred tax assets and liabilities are netted against each other if they relate to the same tax authority and meet the criteria for offsetting.

Valuation allowances are recognized on deferred tax assets from temporary differences, tax loss carryforwards and tax credits to the extent that it is improbable that they can be utilized in the foreseeable future.

The identification of the need to recognize valuation allowances is primarily based on existing deferred tax liabilities from

temporary differences and taxable income within a specified planning period.

Effective January 1, 2004, tax loss carryforwards in Germany can only be offset against the first €1 million of taxable profits plus 60 percent of the excess over the first €1 million. Tax loss carryforwards in Germany can still be carried forward indefinitely.

The temporary differences, tax loss carryforwards and tax credits against which valuation allowances were recognized can be carried forward for the following limited periods of time:

Maturity

	12/31/2007	12/31/2006 adjusted
in € millions		
Tax loss carryforwards		
To be carried forward for more than 5 years	7,100	7,788
To be carried forward for up to 5 years	76	87
Temporary differences		
To be carried forward for more than 5 years	1,482	1,763
Tax credits		
To be carried forward for more than 5 years	34	26

A reconciliation of expected net tax income/expense to actual tax income/expense is shown in the following table:

Reconciliation of Expected Net Tax

in € millions	2007	2006 adjusted
Net income before income tax	478	2.639
Income tax rate applicable to Bertelsmann AG	38.40 %	38.40 %
Expected tax expense	(184)	(1,013)
The tax effects of the following items led to differences between the expected and actual tax expense:		
Adjustment for differing national tax rates	72	48
Effect of changes in tax rate	(63)	2
Non-tax-deductible impairments of goodwill	(162)	(9)
Tax-free disposal and merger gains	76	288
Income taxes related to previous years	57	(47)
Corporation tax income from the former imputation system	–	112
Valuation allowance on deferred tax assets, current year	187	497
Permanent differences	(44)	(66)
Other adjustments	(12)	8
Sum of adjustments	111	833
Actual tax expense	(73)	(180)

Following the approval of the German Corporate Tax Reform Act by the German Bundesrat on July 6, 2007, revised tax legislation will come into force in Germany with effect from January 1, 2008. The corporate income tax rate will be reduced from 25 percent to 15 percent, while the solidarity surcharge will remain unchanged at 5.5 percent. As the deduction of operating expenses from trade tax will no longer be permitted, the average trade tax burden will increase to 13.65 percent. This will result in a future income tax rate of 29.48 percent at Bertelsmann AG. The reduction in the tax rate will lead to a lower level of actual tax expense.

In order to finance the revised tax rates, a new law, known as “Zins-schranke,” has been introduced to limit the interest deduction for tax purposes, among other things. In future, tax-deductible interest expense will be limited to a maximum of 30 percent of taxable EBITDA. Due of the minimum taxation provisions, non-deductible interest will increase the level of actual tax expense in 2008.

These amendments to German tax legislation led to the revaluation of domestic deferred taxes at Bertelsmann as of December 31, 2007. As

the Group had an excess of deferred tax assets, the application of the lower tax rate resulted in an increase in Bertelsmann’s tax expense of €62 million.

The reduction in the valuation allowance is primarily attributable to the following effects: As the limitation of deductible interest due to the new law from 2008 will result in the partial utilization of tax loss carryforwards within Germany, a deferred tax asset at Bertelsmann AG on which a valuation allowance was previously charged has now been partially capitalized (€42 million) despite the loss recorded in the current year. The improved earnings outlook and the implementation of restructuring measures led to the capitalization of additional deferred tax assets on which valuation allowances were previously charged in Luxembourg (€89 million) and Germany (€60 million). Despite current losses, which are fully attributable to special items, deferred tax assets in the U.S. increased by €138 million. At the same time, valuation allowances increased as a result of current losses in the U.S. and Germany in particular.

The income tax rate applied at Bertelsmann AG consists of corporate income tax, the solidarity surcharge and trade tax:

Effective Tax Rate

	2007	2006
Corporation tax including solidarity surcharges	26.38 %	26.38 %
Trade tax	12.02 %	12.02 %
Effective income tax rate	38.40 %	38.40 %

10 Selected Non-Current Assets

	Goodwill	Other intangible assets	Property, plant and equipment	Investments accounted for using the equity method	Total
in € millions					
Acquisition/production cost					
Balance at 1/1/2007	7,672	3,697	7,128	950	19,447
Currency translation differences	(175)	(161)	(174)	(4)	(514)
Acquisitions/disposals of entities	231	89	2	(126)	196
Additions	–	174	499	75	748
Disposals	–	(101)	(295)	(63)	(459)
Reclassifications and other changes	(22)	(3)	(5)	33	3
Balance at 12/31/2007	7,706	3,695	7,155	865	19,421
Depreciation/amortization					
Balance at 1/1/2007	17	2,418	4,298	312	7,045
Currency translation differences	(26)	(100)	(98)	–	(224)
Acquisitions/disposals of entities	(14)	24	21	–	31
Regular additions	–	244	404	–	648
Impairment losses	478	92	24	–	594
Disposals	–	(92)	(253)	–	(345)
Write-ups	–	(2)	(5)	–	(7)
Reclassifications and other changes	(5)	(2)	(3)	–	(10)
Balance at 12/31/2007	450	2,582	4,388	312	7,732
Carrying amount at 12/31/2007	7,256	1,113	2,767	553	11,689
Carrying amount at 12/31/2006	7,655	1,279	2,830	638	12,402

The balance sheet at December 31, 2007 contained goodwill in the amount of €7,256 million and other intangible assets with indefinite useful life in the amount of €216 million. The intangible assets with indefinite useful life primarily relate to the trademark rights

for M6 (€120 million), the trademark rights for MPS (€46 million) and advertising marketing rights (€21 million).

These are attributable to the Group's divisions as follows:

Goodwill and Other Intangible Assets with Indefinite Useful Life by Division

in € millions	Goodwill		Other intangible assets with indefinite useful life	
	12/31/2007	12/31/2006	12/31/2007	12/31/2006
RTL	5,247	5,236	121	121
thereof attributable to RTL Group	3,130	3,144	121	121
thereof attributable to Corporate	2,117	2,092	–	–
Random House	361	390	–	–
Gruner + Jahr	429	451	92	91
BMG	551	599	–	–
Arvato	450	506	–	–
Direct Group	218	473	3	22
Total	7,256	7,655	216	234

Impairment testing in accordance with IAS 36 resulted in the allocation of goodwill to individual cash-generating units. The recoverable amount of these entities is the higher of their net realizable value and their value in use. In the case of assets classified as available

for sale, the recoverable amount is the selling price less costs to sell. The following discount rates and individual business-specific growth rates were applied in determining present value:

	Growth rate in % p.a.	Discount rate in % p.a.
RTL	0.0–3.0	8.5–10.0
Random House	0.0–2.0	12.3
Gruner + Jahr	0.0–2.0	10.41–12.3
BMG	1.5	12.3
Arvato	0.0–1.3	10.41–12.3
Direct Group	0.0–2.5	12.3–13.95

Of the impairment losses recognized on goodwill in the year under review, €273 million related to the U.S. music and DVD club Bertelsmann Direct North America (Direct Group), €123 million to the television broadcaster Five (RTL Group) and €70 million to the gravure joint venture Prinovis. Impairment losses of €18 million were recognized on other intangible assets with indefinite useful life at Bertelsmann Direct North America (Direct Group), while impairment losses of €39 million were recognized on assets classified as available for sale at the media marketing agency Windsong/Pinnacle.

In the previous year, Direct Group's club activities in North America have reported a significant decline in membership figures and revenues. Rising member acquisition costs means that it has been necessary to scale back activities in this area. Following the acquisition of the remaining shares of Bookspan from Time Inc. in April 2007, the book clubs were merged with BMG Columbia House's DVD and CD clubs, which led to cost savings. The clubs now trade as Bertelsmann Direct North America. Integration and the reduction in overheads were largely completed in 2007. In 2008, efforts will focus on stabilizing the membership base and developing new business initiatives.

Direct Group's book club operations are expected to stabilize under this new structure. By contrast, the CD club model will be discontinued by 2010 on account of the slump in the physical music market. Over the coming years, the DVD clubs will benefit from high-definition formats (Blu-ray). However, the possibility of a review of this area cannot be excluded depending on future market developments.

As a result of the developments detailed above, the Group's North American activities were tested for impairment, resulting in the recognition of impairment losses on goodwill in the amount of €273 million and on other intangible assets with indefinite useful life in the amount of €18 million. The recoverable amount was determined on the basis of the present value of future cash flows.

This calculation was performed on the basis of Group financial planning for fiscal year 2008, which was presented in November 2007 and approved by the relevant committees. The assumptions applied in planning are based on past experience and the future expectations of management, which also reflect the estimates and assessments made by other market participants. Information obtained by management more recently was also taken into account. By expanding the planning period to six years, i.e. until 2013, it was ensured that the developments described above were reflected in planning to a sufficient extent. A perpetual annuity was recognized for periods beyond 2013.

Following their integration, the clubs in North America constitute a uniform direct marketing company bundling all of the respective core competencies. Accordingly, Bertelsmann Direct North America represents a cash-generating unit. An after-tax discount rate of 8.23 percent was applied in accordance with the entity approach and a growth rate of zero was assumed for the period from 2013 onwards. The interest premium on shareholders' equity was verified by way of comparison with other media and retail companies. The forecast growth assumes the stabilization of business without significant growth potential.

An impairment loss amounting to €123 million on the television broadcaster Five was recorded in the interim financial statement as at June 30, 2007. This impairment affects the carrying amount of the Group's U.K. television activities and reflects the following developments:

- Stronger competition in the increasingly fragmented U.K. television market, affecting all established broadcasters;
- Higher growth content cost than previously forecast;
- A cautious outlook concerning call TV revenue and advertising market growth rates.

In accordance with IAS 36.12, RTL Group determined that these indications, which result from the analysis of both internal and external sources of information, justified the testing of the cash-generating unit for impairment as at June 30, 2007.

In line with the above, the value in use based on revised cash flow projections (applying a growth rate of 3 percent and a discount rate of 8.5 percent) was lower than the carrying amount as at June 30, 2007. The impairment loss has been fully allocated to goodwill. As at December 31, 2007, the management has concluded that the future cash inflows are sufficient to support the carrying amount of the recognized goodwill and other net assets.

The results of the Prinovis group in 2007 were impacted by the sustained price pressure in the European gravure market due to higher capacities accompanied by constant demand, as well as

increased start-up costs for the new printing plant in the U.K. The gravure market is expected to stabilize from 2009 onwards.

Due to these developments, impairment losses were recognized on goodwill in the amount of €70 million and on the carrying amount of the realized hidden reserves from printing contracts in the amount of €42 million. The recoverable amount was determined as the present value of future cash flows, applying an after-tax discount rate of 7.0 percent. The calculation of impairment for the period from 2008 to 2010 was based on the financial planning that was approved by the relevant committees. For the period from 2011 to 2020, cash flows were determined on the basis of detailed investment planning. A perpetual annuity was recognized for subsequent periods.

11 Other Intangible Assets

	Music, film and publish- ing rights	Other rights and licenses	Internally generated intangible assets	Advance payments	Total
in € millions					
Acquisition/production cost					
Balance at 1/1/2007	1,484	1,486	719	8	3,697
Currency translation differences	(64)	(56)	(41)	–	(161)
Acquisitions/disposals of entities	1	70	19	(1)	89
Additions	19	105	39	11	174
Disposals	(37)	(39)	(25)	–	(101)
Reclassifications and other changes	27	(13)	(11)	(6)	(3)
Balance at 12/31/2007	1,430	1,553	700	12	3,695
Depreciation/amortization					
Balance at 1/1/2007	1,028	724	665	1	2,418
Currency translation differences	(27)	(32)	(41)	–	(100)
Acquisitions/disposals of entities	–	6	18	–	24
Regular additions	87	133	24	–	244
Impairment losses	4	87	1	–	92
Disposals	(37)	(32)	(23)	–	(92)
Write-ups	(1)	(1)	–	–	(2)
Reclassifications and other changes	–	1	(3)	–	(2)
Balance at 12/31/2007	1,054	886	641	1	2,582
Carrying amount at 12/31/2007	376	667	59	11	1,113
Carrying amount at 12/31/2006	456	762	54	7	1,279

Internally generated intangible assets primarily relate to in-house music, film and TV productions and internally developed software. Impairment losses of €18 million were recognized on intangible

assets with indefinite useful life in the year under review, while impairment losses on other rights and licenses contained €42 million for the impairment of printing rights at Prinovis.

12 Property, Plant and Equipment

	Land, rights equivalent to land and buildings	Plant, technical equipment and machinery	Other equipment, fixtures, furniture and office equipment	Advance payments and construction in progress	Total
in € millions					
Acquisition/production cost					
Balance at 1/1/2007	2,064	3,477	1,427	160	7,128
Currency translation differences	(42)	(91)	(37)	(4)	(174)
Acquisitions/disposals of entities	(17)	(5)	24	–	2
Additions	53	127	124	195	499
Disposals	(46)	(105)	(143)	(1)	(295)
Reclassifications and other changes	120	140	13	(278)	(5)
Balance at 12/31/2007	2,132	3,543	1,408	72	7,155
Depreciation/amortization					
Balance at 1/1/2007	843	2,470	985	–	4,298
Currency translation differences	(14)	(63)	(21)	–	(98)
Acquisitions/disposals of entities	7	(4)	18	–	21
Regular additions	72	199	133	–	404
Impairment losses	9	12	3	–	24
Disposals	(25)	(98)	(130)	–	(253)
Write-ups	(5)	–	–	–	(5)
Reclassifications and other changes	2	–	(5)	–	(3)
Balance at 12/31/2007	889	2,516	983	–	4,388
Carrying amount at 12/31/2007	1,243	1,027	425	72	2,767
Carrying amount at 12/31/2006	1,221	1,007	442	160	2,830

€19 million of the impairment losses can be allocated to Prinovis, of which €8 million relates to land, rights equivalent to land and

buildings, €10 million to technical equipment and machinery, and €1 million to other and office equipment.

13 Investments Accounted for Using the Equity Method

in € millions	12/31/2007	12/31/2006
Proportionate equity	212	222
Goodwill	341	416
	553	638

The reduction in investments accounted for using the equity method is attributable to the sale of RTL Group's interest in Grupo Media Capital, as a result of which proportionate equity declined by €52 million and goodwill by €124 million.

The total assets of the investments accounted for using the equity method amounted to €2,245 million as at December 31, 2007 (previous year: €2,400 million). This was offset by total liabilities of €1,439 million (previous year: €1,533 million). Revenues

amounted to €1,766 million as at December 31, 2007 (previous year: €2,397 million), while net income for the period totaled €543 million (previous year: €581 million).

These disclosures are total key figures for the significant investments accounted for using the equity method. The values are calculated on basis of a 100 percent interest.

The investments accounted for using the equity method are listed below. The fair values of these investments at December 31, 2007 were as follows:

Fair Values of Investments Accounted for Using the Equity Method

in € millions	12/31/2007	12/31/2006
Lycos Europe	28	52
Buch.de	11	12
Antena 3	437	699
Grupo Media Capital	-	233
	476	996

14 Other Financial Assets

in € millions	At cost		At fair value		Total	
	12/31/2007	12/31/2006	12/31/2007	12/31/2006	12/31/2007	12/31/2006
Current						
Loans	13	10	-	-	13	10
Investments available-for-sale	-	-	-	-	-	-
Securities available-for-sale	1	5	-	-	1	5
	14	15	-	-	14	15
Non-current						
Loans	98	57	-	-	98	57
Investments in affiliates	27	16	-	-	27	16
Investments available-for-sale	41	43	39	38	80	81
Securities available-for-sale	19	16	26	11	45	27
Securities at fair value through profit or loss	-	-	416	403	416	403
	185	132	481	452	666	584

In accordance with IAS 39, available-for-sale investments and securities are measured at fair value or, if the fair value cannot be determined, at amortized cost or at amounts based on estimated discounted cash flows.

Securities at fair value through profit or loss are carried at their fair value in accordance with IAS 39. Of this item, €343 million

(previous year: €324 million) relates to M6's interest in Canal+, in which Vivendi Universal and TF1 also hold shares.

The fair value measurement of securities classified as "at fair value through profit or loss" resulted in a total gain of €17 million (previous year: €32 million).

15 Inventories

in € millions	12/31/2007	12/31/2006
Program rights	1,123	1,231
Raw materials and supplies	157	159
Work in progress	123	119
Finished goods and merchandise	502	519
Advance payments	174	163
	2,079	2,191

In the period under review, valuation allowances were recognized on inventories in the amount of €160 million (previous year: €147 million).

16 Receivables and Other Assets

in € millions	12/31/2007	12/31/2006 adjusted
Non-current		
Trade accounts receivable	17	18
Other accounts receivable and other assets	337	357
Current		
Trade accounts receivable	3,123	3,170
Accounts receivable from royalties and licenses	3	9
Trade accounts receivable	3,126	3,179
Accounts receivable from participations	36	26
Advance payments for royalties and licenses	607	696
Other tax receivables	170	164
Securities available-for-sale	9	7
Derivative financial instruments	37	151
Prepaid expenses	183	159
Other receivables	527	714
Other accounts receivable and other assets	1,569	1,917

Other non-current receivables and other assets in the amount of €337 million primarily relate to advance payments for royalties and licenses (€268 million). Advance payments for fees and royalties are

written off if no future related income is expected. This assessment is based on management estimates of future sales volumes and price changes using historical data.

Maturity Analysis of Selected Financial Assets and Receivables

in € millions	Neither impaired nor past due on the reporting date	Not impaired as of the reporting date and past due by				
		< 1 month	2–3 months	3–6 months	6–12 months	> 12 months
Loans	108	1	–	2	–	–
Trade accounts receivable	2,458	384	186	60	36	17
Accounts receivable from royalties and licenses	2	–	–	–	–	–
Accounts receivable from participations	36	–	–	–	–	–
Other receivables	537	8	10	2	2	1
Non-current securities	46	–	–	–	–	–
Net carrying amount 12/31/2007	3,187	393	196	64	38	18
Loans	57	–	–	–	–	–
Trade accounts receivable	2,650	292	138	59	25	18
Accounts receivable from royalties and licenses	7	–	–	1	–	–
Accounts receivable from participations	17	–	–	–	–	9
Other receivables	653	41	6	5	2	2
Non-current securities	104	–	–	–	–	–
Net carrying amount 12/31/2006	3,488	333	144	65	27	29

No valuation allowances were recognized for unsettled receivables that were not yet due as of the reporting date, as there was no evidence of default.

17 Cash and Cash Equivalents

in € millions	12/31/2007	12/31/2006
Cash	587	677
Other securities	544	309
	1,131	986

18 Shareholders' Equity**Subscribed Capital**

Number of shares	
Ordinary shares	83,760
Total shares	83,760

Bertelsmann AG's subscribed capital remains unchanged at €1,000 million, divided into 83,760 no-par value bearer shares (ordinary shares).

Indirect holdings in the subscribed capital are as follows: 76.9 percent Bertelsmann Stiftung, 23.1 percent Mohn family. 100 percent of the voting rights are controlled by Bertelsmann Verwaltungsgesellschaft (BVG).

Capital Reserve

The capital reserve mainly includes additional paid-in capital, or share premiums, received from the issue of preference and ordinary shares in excess of their par values.

Retained Earnings

Retained earnings include the undistributed prior-year net profits of those companies included in the consolidated financial statements, as well as other comprehensive income.

Income Statement
Balance Sheet
Cash Flow Statement
SoRIE
Segment Reporting
Notes

Consolidated Statement of Changes in Equity

	Subscribed capital	Capital reserve	Retained earnings	Other comprehensive income	Shareholders' equity	Minority interest	Total
in € millions							
Balance at 12/31/2005	1,000	2,331	5,049	(52)	8,328	842	9,170
Adjustment due to IAS 19.93A	-	-	-	(541)	(541)	(3)	(544)
Balance at 12/31/2005 (adjusted)	1,000	2,331	5,049	(593)	7,787	839	8,626
Net income	-	-	2,136	-	2,136	323	2,459
Income and expenses recognized directly in equity	-	-	-	(164)	(164)	(6)	(170)
Transactions with equity holders							
Dividends	-	-	(287)	-	(287)	(98)	(385)
Other changes	-	-	(4,506)	-	(4,506)	-	(4,506)
Business combinations and other changes	-	14	(50)	-	(36)	32	(4)
Balance at 12/31/2006	1,000	2,345	2,342	(757)	4,930	1,090	6,020
Balance at 12/31/2006	1,000	2,345	2,307	(315)	5,337	1,092	6,429
Adjustment due to IAS 19.93A	-	-	35	(442)	(407)	(2)	(409)
Balance at 12/31/2006 (adjusted)	1,000	2,345	2,342	(757)	4,930	1,090	6,020
Net income	-	-	216	-	216	189	405
Income and expenses recognized directly in equity	-	-	-	(65)	(65)	(9)	(74)
Transactions with equity holders							
Dividends	-	-	(120)	-	(120)	(129)	(249)
Business combinations and other changes	-	-	9	-	9	13	22
Balance at 12/31/2007	1,000	2,345	2,447	(822)	4,970	1,154	6,124

Other Comprehensive Income

	Currency translation differences	Securities held for sale	Cash flow hedges	Actuarial gains and losses	Total
in € millions					
Balance at 12/31/2005 (adjusted)	(97)	43	2	(541)	(593)
Change in fair value	(224)	(4)	(30)	93	(165)
Transferred to profit or loss	(6)	(1)	5	-	(2)
Change in scope of consolidation	-	-	(1)	-	(1)
Deferred income taxes	-	-	6	(2)	4
Balance at 12/31/2006 (adjusted)	(327)	38	(18)	(450)	(757)
Change in fair value	(203)	12	(49)	171	(69)
Transferred to profit or loss	-	-6	14	-	8
Change in scope of consolidation	-	-	1	-	1
Deferred income taxes	-	-	7	(12)	(5)
Balance at 12/31/2007	(530)	44	(45)	(291)	(822)

In fiscal year 2007, €-18 million (previous year: €-17 million) was attributable to the subsequent measurement of hedging relationships that already existed in 2006, while a further €-31 million (previous year: €-13 million) was due to new hedging relationships. This was

Stock Option Plans at Subsidiaries

Various stock option plans are in operation at subsidiaries. At RTL Group in particular, stock option plans for senior management were introduced in 2000. The option price is derived from the market

RTL Group Stock Option Plan

RTL Group established a stock option plan for selected directors on July 25, 2000. In order to participate in the stock option plan ("SOP"), participants must be employed by RTL Group or one of its subsidiaries at the date the options are granted.

The number of options granted to participants in the SOP is determined by the compensation committee. The compensation committee is made up of the company's Executive Board or a committee constituted of members thereof. Participants may choose not to accept the options granted to them and are not obliged to make any payments for options granted under the SOP.

The number of ordinary shares which may be placed under the SOP in any one year may not exceed 0.5 percent of the company's issued ordinary share capital.

The following table shows the changes in stock options in the year under review:

Options (RTL Group)

	Average exercise price in € per share	2007	Average exercise price in € per share	2006
in thousands				
Options outstanding at the beginning of the year	87	148	86	173
Options exercised/expired during the year	85	(9)	85	(25)
Options outstanding at the end of the year	81	139	87	148

offset by the reversal to income of OCI totaling €14 million (previous year: €5 million), which was recognized in other operating expenses.

The Group's interest in the change in OCI at its associates in the year under review totaled €9 million (previous year: €1 million).

price at the time the options are granted. Within RTL Group, there are also stock option plans at Métropole Télévision (M6).

As a general rule, the exercise price of options issued under the SOP is the average price of RTL's shares over a period of 20 trading days before the date on which the options are granted. The exercise price may be another higher or lower amount to be determined by the compensation committee.

One-third of the options granted may be exercised on each of the second, third and fourth anniversaries of the date the options were initially granted, or as otherwise determined by the compensation committee. The options granted must normally be exercised within ten years of the grant date, or within a shorter period of time to be determined by the compensation committee. Options may be exercised earlier by the heirs of participants in the event of their death.

The options outstanding at the end of the year have the following conditions:

Conditions for Stock Options (RTL Group)

Expiry date	Exercise price in €	Number of options (in thousands) 2007	Number of options (in thousands) 2006
August 2010	120.00	6	6
December 2010	85.24	132	141
May 2011	85.24	1	1
		139	148

On December 31, 2007, RTL Group's closing share price on the Brussels Stock Exchange was €80.8.

Métropole Télévision (M6)

Employee Stock Option Plan

M6 has established an employee stock option plan for directors and certain employees within the Group. The number of options granted to participants is determined by the Executive Board of

Métropole Télévision in accordance with the authorization granted by the Annual General Meeting.

The terms and conditions of the grants are as follows, whereby all options are settled by the physical delivery of shares:

Grant date	Number of options initially granted (in thousands)	Remaining options (in thousands)	Vesting conditions	Contractual life of options
Stock option plans				
January 2000	175.0	0.0	4 years of service	7 years
June 2000	338.1	0.0	4 years of service	7 years
June 2001	551.8	293.1	4 years of service	7 years
June 2002	710.5	440.0	4 years of service	7 years
July 2003	713.5	497.0	4 years of service	7 years
November 2003	20.0	20.0	4 years of service	7 years
April 2004	861.5	622.5	4 years of service	7 years
June 2005	635.5	508.0	4 years of service	7 years
June 2006	736.7	631.0	4 years of service	7 years
May 2007	827.5	779.2	4 years of service	7 years
Free share plans				
June 2005	106.7	0.0	2 years of service + performance conditions	
June 2006	480.4	437.4	2 years of service + performance conditions	
May 2007 ¹⁾	188.3	176.8	2 years of service + performance conditions	
Total	6,345.5	4,405.0		

1) The maximum number of free shares would be 272,478 if performance conditions are substantially exceeded. This figure may be reduced to 0 if the performance conditions are not met.

The price payable on the exercise of the outstanding options is the average share price of Métropole Télévision on the Paris Stock Exchange on the 20 trading days prior to the issue date, with the

exception of the plan for the distribution of free shares to management.

The number of stock options changed as follows in the year under review:

Options (M6)

	Average exercise price in € per share	2007	Average exercise price in € per share	2006
in thousands				
Options outstanding at the beginning of the year	26	3,715	27	3,421
Options granted during the year	28	828	25	737
Options exercised during the year	22	(7)	19	(194)
Options expired during the year	34	(745)	35	(249)
Options outstanding at the end of the year	25	3,791	26	3,715

An estimated 614 thousand free shares were still exercisable at year-end, compared with 546 thousand at the start of the year. A total of 188 thousand free shares were granted during the year

under review, with 84 thousand were exercised and 34 thousand were forfeited.

The stock options outstanding (in thousands) at the end of the year have the following terms:

Conditions for Stock Options (M6)

Expiry date	Exercise price in €	Number of options (in thousands) 2007	Number of options (in thousands) 2006
Stock option plans			
2007	57.40	–	206
2008	30.80	293	345
2009	28.06	440	517
2010	22.53	517	609
2011	24.97	623	722
2012	19.94	508	587
2013	24.60	631	729
2014	27.52	779	–
		3,791	3,715
Free share plans			
2007	–	–	93
2008	–	437	453
2009	–	177	–
		614	546
Options outstanding at the end of the year		4,405	4,261
Of which exercisable		1,834	1,069

On December 31, 2007, M6's share price on the Paris Stock Exchange was €18.

The fair value of the services received in exchange for the stock options granted is measured by reference to the fair value of the stock options granted. The estimate of fair value of the service received

is measured using a binomial model. Free shares are measured at the share price at the grant date less the discounted dividends that employees are not entitled to receive during the vesting period.

Fair Value of Stock Options (M6)

Grant date	Stock option plans						Free share plans			Total
	7/25/2003	11/14/2003	4/28/2004	6/2/2005	6/6/2006	5/2/2007	6/2/2005	6/6/2006	5/2/2007	
Share price	23.66 €	25.07 €	24.97 €	20.17 €	24.63 €	26.55 €	20.17 €	24.63 €	26.55 €	
Strike price	22.48 €	23.82 €	24.97 €	19.94 €	24.60 €	27.52 €				
Volatility	52.30 %	52.30 %	52.30 %	41.80 %	43.10 %	37.80 %				
Risk-free interest rate	3.05 %	3.54 %	3.32 %	3.24 %	4.02 %	4.40 %	3.24 %	4.02 %	4.40 %	
Expected return	4.58 %	4.32 %	4.34 %	5.24 %	3.81 %	3.99 %	5.24 %	3.81 %	3.99 %	
Liquidity discount	15 %	15 %	15 %	15 %	15 %	15 %	0 %	0 %	15 %	
Option life	6 years	6 years	6 years	6 years	6 years	6 years	2 years	2 years	2 years	
Personnel expense in € millions										
2007	1.0	–	1.9	0.9	1.3	0.9	0.4	5.2	1.6	13.2
2006	1.7	–	1.9	0.9	0.8	–	0.8	3.1	–	9.2

Minority Interests

Minority interests in the equity of consolidated subsidiaries consist primarily of minority interests in RTL Group.

19 Provisions for Pensions and Similar Obligations

in € millions	12/31/2007	12/31/2006 adjusted
Defined benefit plans	1,419	1,780
Obligations similar to pensions	139	147
	1,558	1,927

The Bertelsmann Group operates various forms of pension plans for current and former employees and their surviving dependants, which are determined by the legal, tax and economic situation of each country concerned. These company pension plans include both defined contribution and defined benefit plans.

In the case of defined contribution plans, the Company makes payments into an external pension fund or another welfare fund on a statutory, contractual or voluntary basis. The Company has no obligation to provide further benefits once it has made these payments, hence no provisions are recognized. Expenses for defined contribution plans in the amount of €34 million were recognized in the year under review (previous year: €26 million).

All other pension plans are defined benefit plans. Some are financed via an external investment fund (plan assets), while others are unfunded. Provisions are recognized for these pension plans, most of which are final salary plans.

The provisions are calculated on an actuarial basis in accordance with IAS 19. The amount of provisions depends on the employees' period of service with the Company and their pensionable salary. Provisions are computed using the projected unit credit method, which, in contrast to the entry-age normal method, assumes increasing salary costs over the period of service. The computation also involves using biometric calculations, prevailing long-term capital market interest rates and assumptions about future salary and pension increases. In Germany, the biometric calculations are based on the 2005 G mortality tables issued by Prof. Klaus Heubeck. The following actuarial assumptions have been applied:

Actuarial Assumptions

	12/31/2007 Germany	12/31/2007 Foreign	12/31/2006 Germany	12/31/2006 Foreign
Discount rate	5.3 %	3.5–8.68 %	4.6 %	2.7–5.8 %
Expected return on plan assets	5.3–6.5 %	2.5–9.71 %	4.6–6.4 %	2.5–8.25 %
Rate of salary increase	2.5 %	0.5–4.54 %	2.5 %	0.5–5.0 %
Rate of pension increase	1.9 %	0.0–3.3 %	1.9 %	1.0–2.9 %
Fluctuation	Experience values		Experience values	

Actuarial gains and losses under defined benefit pension plans and the effects of the asset ceiling in accordance with IAS 19.58 are taken directly to pension provisions in the year in which they arise

via the consolidated statement of recognized income and expense without affecting the income statement.

Changes in defined benefit obligations and plan assets in the year under review were as follows:

in € millions	2007	2006
Defined benefit obligation on 1/1	2,995	3,053
Current service cost	61	71
New past service cost	(15)	–
Interest cost	138	133
Actuarial (gains) and losses	(251)	(89)
Curtailments and settlements	(75)	(22)
Contributions to plan assets by employees	4	5
Benefits directly paid by employer	(94)	(89)
Benefits paid out of plan assets	(32)	(35)
Change of consolidation scope	23	1
Currency translation differences	(67)	(36)
Other changes	8	3
Defined benefit obligation on 12/31	2,695	2,995
Fair value of plan assets on 1/1	1,217	969
Expected return on plan assets	79	57
Actuarial gains and (losses)	(57)	9
Settlements	(61)	(14)
Contributions by employer	164	239
Contributions by the employees	4	5
Benefits paid out of plan assets	(32)	(35)
Change of consolidation scope	3	(1)
Currency translation differences	(45)	(14)
Other changes	10	2
Fair value of plan assets on 12/31	1,282	1,217
Funded status	1,413	1,778

The net pension liability reported in the balance sheet is composed as follows:

Net Pension Liability		
in € millions	12/31/2007	12/31/2006 adjusted
Defined benefit obligation of unfunded plans	1,160	1,270
Defined benefit obligation of funded plans	1,535	1,725
Total defined benefit obligation	2,695	2,995
Fair value of plan assets	(1,282)	(1,217)
Unrecognized assets due to the limit in IAS 19.58	3	1
Net liability recognized in the balance sheet	1,416	1,779
thereof provisions for pensions	1,419	1,780
thereof other assets	3	1

Actuarial gains of €194 million (previous year: €98 million) and losses due to the asset ceiling prescribed by IAS 19.58 in the amount of €-2 million (previous year: €0 million) were included in the consolidated statement of recognized income and expense in the year under review. Cumulatively, the statement of recognized income and expense contains actuarial losses of €-308 million (previous year: €-516 million).

To safeguard the pension obligations of Bertelsmann AG and its subsidiaries in Germany, a total of €122 million (previous year:

€200 million) was transferred to Bertelsmann Pension Trust e.V. under the terms of a Contractual Trust Arrangement (CTA). Of this figure, €97 million related to Bertelsmann AG's corporate income tax assets from the former split-rate imputation system. In the same way as for pension provisions, the Group's current income tax receivables decreased accordingly.

The net liability is broken down by geographic region as follows:

Breakdown of Net Pension Liability by Region

in € millions	12/31/2007	12/31/2006 adjusted
Germany	1,147	1,442
U.S.	127	183
Other Europe	134	142
Other countries	8	12
Net liability recognized in the balance sheet	1,416	1,779

Expenses for defined benefit plans were recognized in the amount of €94 million in the year under review (previous year: €141 million), of which €35 million (previous year: €65 million) was reported in

personnel costs and €59 million (previous year: €76 million) in other financial expense. This item is composed as follows:

Expenses for Defined Benefit Plans

in € millions	2007	2006 adjusted
Current service cost	61	71
Interest expenses	138	133
Expected return on plan assets	(79)	(57)
Amortization of past service cost	(14)	1
Effect of curtailments or settlements	(12)	(7)
Net periodic pension expenses	94	141

In Germany, the pensionable age has been increased to 67. The effect of this change on the Group's defined benefit obligations was recognized in income as past service cost in the year under

review. The increase in the pensionable age resulted in income of €18 million. The actual return on plan assets in the year under review was €22 million (previous year: €66 million).

The portfolio structure of plan assets is composed as follows:

in € millions	12/31/2007	12/31/2006
Equity instruments	460	497
Debt instruments	636	588
Property	3	1
Cash and cash equivalents	48	65
Other	135	66
Fair value of plan assets	1,282	1,217

Employer contributions to plan assets are expected to amount to €95 million in the next fiscal year.

Change in Net Pension Liability

in € millions	2007	2006 adjusted
Net liability at the beginning of the year	1,779	2,083
Pension expense	94	141
New actuarial (gains) and losses recognized directly in equity	(194)	(98)
Effects of asset ceiling (IAS 19.58) recognized directly in equity	2	–
Pension payments	(94)	(89)
Contributions to plan assets	(164)	(239)
Changes of consolidation scope	20	3
Currency translation differences	(23)	(23)
Other effects	(4)	1
Net liability at the end of the year	1,416	1,779

The portion of newly arising actuarial gains and losses resulting from adjustments based on empirical data is set out in the following table:

in € millions	2007	2006
Experience adjustments occurred		
(Gains) / losses on defined benefit obligation	(12)	(4)
Gains / (losses) on plan assets	(57)	9

The changes in the defined benefit obligation and plan assets over the past five years were as follows:

in € millions	2007	2006	2005	2004	2003
Defined benefit obligation	2,695	2,995	3,053	2,539	2,166
Plan assets	1,282	1,217	969	452	361
Funded status	1,413	1,778	2,084	2,087	1,805

The U.S. subsidiaries' obligations for post-retirement employee healthcare costs constitute defined benefit obligations and are included in the provisions recognized in the amount of €83 million (previous year: €105 million).

These obligations have also been calculated using international standards as described above. As in 2006, scaled annual increases

between 9 percent and 9.4 percent have been assumed for health care costs. An increase or decrease of one percentage point in the assumptions for cost increases compared with the assumptions actually applied would have the following effects on pension cost and the defined benefit obligation:

in € millions	12/31/2007	12/31/2006
Effect of 1 percentage point increase on pension cost	-	2
Effect of 1 percentage point increase on defined benefit obligation	3	4
Effect of 1 percentage point decrease on pension cost	-	(2)
Effect of 1 percentage point decrease on defined benefit obligation	(3)	(4)

Other employee benefits include provisions for employee long-service bonuses, old age part-time schemes, amounts due but not yet paid to defined contribution plans, and severance payments at retirement. Severance payments at retirement are made when employees leave the company and are based on statutory obligations, primarily in Italy and Austria. Provisions for long-service bonuses and severance payments at retirement are recognized in the same way as defined benefit plans, but with actuarial gains and losses recognized in income.

Employees in Germany who are at least 55 years old and have an unlimited employment contract with the Company qualify for its old age part-time scheme. The part-time employment period lasts for between two and five years.

Bertelsmann AG introduced a value account model in 2006. Under this model, employees waive part of their gross salary which is then credited to value accounts held by a trustee. The aim of this assignment of remuneration is to enable staff to take early retirement, whereby the period of early retirement is linked to the amount of credit in the value account. The credit to the value account meets the definition of plan assets as set out in IAS 19.7, and the Company's obligation at any time amounts to the fair value of the value accounts. The value account model has no effect on the balance sheet or the income statement. The outsourced assets totaled €2 million as at December 31, 2007.

20 Other Provisions

in € millions	12/31/2006		Change of consolidation scope	Other effects	Usage	Additions	Releases	12/31/2007	
		thereof non-current							thereof non-current
Taxes	20	-	-	-	(6)	6	(16)	4	-
Restructuring	52	7	-	(1)	(49)	57	(1)	58	7
Litigation	209	7	-	(2)	(136)	38	(31)	78	4
Impending losses	102	36	-	20	(45)	27	(10)	94	33
Other provisions	326	92	2	(37)	(84)	185	(47)	345	88
	709	142	2	(20)	(320)	313	(105)	579	132

Income Statement
Balance Sheet
Cash Flow Statement
SoRIE
Segment Reporting
Notes

In accordance with IAS 37, restructuring provisions include termination benefits and other costs relating to the discontinuation of business activities. Provisions in the amount of €58 million (previous year: €52 million) are recognized for various restructuring programs within the Bertelsmann Group.

Litigation risks relate primarily to legal disputes in the U.S. In 2007, Bertelsmann conclusively settled the legal dispute with various music publishers over the financing of the former music file-sharing platform Napster that was initiated in 2003. The out-of-court settlement with the Universal Music Group in September 2006 was followed by out-of-court settlements with the music labels EMI in the U.K. (March 2007) and Warner Music in the U.S.

(April 2007). In September 2007, an out-of-court settlement was also reached with the U.S. music publishers who had initiated a class action against Bertelsmann; this agreement became legally binding following its approval by the responsible court in February 2008. The settlement of these legal disputes resulted in expenses of €269 million in the year under review. The provision of €101 million recognized in fiscal year 2006 was utilized in full. For the settlement with Sony Music a further €77 million was recognized in other provisions as at December 31, 2007 based on an oral agreement. On account of their size, the expenses relating to the legal dispute concerning Napster in the period under review are reported in the income statement in full under special items.

21 Profit Participation Capital

in € millions	12/31/2007	12/31/2006
Nominal value	516	516
Premium	190	190
	706	706

The profit participation capital is made up of profit participation certificates issued in 2001 (ISIN DE 000 522 9942, hereafter referred to as 2001 profit participation certificates) and profit participation certificates issued in 1992 (ISIN DE 000 522 9900, hereafter referred to as 1992 profit participation certificates). The 2001 profit participation certificates have a nominal value of €10, while the 1992 profit

participation certificates have a nominal value of €0.01. Nominal profit participation capital at December 31, 2007 was composed of €499 million for the 2001 profit participation certificates and €17 million for the 1992 profit participation certificates. Both the 1992 and 2001 profit participation certificates are admitted for trading on the stock exchange.

22 Financial Debt

Financial debt includes all of the Bertelsmann Group's interest-bearing liabilities to banks and capital markets at the balance sheet date. Carrying amounts are as follows:

in € millions	Current		Non-current		12/31/2007	12/31/2006
	12/31/2007	12/31/2006	Remaining term in years			
			1–5	> 5		
Bonds	–	–	2,147	1,757	3,904	3,294
Promissory notes	50	50	–	–	–	50
Liabilities to banks	508	233	595	5	600	1,495
Lease liabilities	29	29	141	89	230	236
Other financial debt	38	71	12	42	54	110
	625	383	2,895	1,893	4,788	5,185

The non-current financial debt recognized by the Group includes transaction costs and is adjusted over time. Foreign-currency liabilities are translated at the exchange rate at the balance sheet date. Bertelsmann has access to variable-rate and fixed-interest funds through various contractual arrangements. Financial debt is generally unsecured and has the same priority.

In March 2007, Bertelsmann AG placed a two-year floating-rate note with a volume of €650 million. The bond coupon is based on a reference interest rate of 3-month EURIBOR plus a premium of 10 basis points. The cash inflow from the placement was used to reduce existing financial debt. As a result, the utilization of the

At the balance sheet date, the Group had outstanding bonds, private placements and promissory note loans with a nominal volume of €3,990 million (previous year: €3,430 million).

The differences between the carrying amounts listed in the table below and the nominal amounts of the respective items are

bridge loan taken out in 2006 to finance the buyback of the shares in Bertelsmann AG held by Group Bruxelles Lambert was reduced to €500 million as at December 31, 2007.

In May 2007, the legal form of Bertelsmann U.S. Finance, Inc. was converted to that of a Limited Liability Company (LLC) while maintaining the identity of the company. At the conversion date, Bertelsmann U.S. Finance LLC became the successor of all existing financial obligations of Bertelsmann U.S. Finance, Inc. The guarantees furnished by Bertelsmann AG for the liabilities remain in place irrespective of the change in legal form.

attributable to transaction costs, discounts and fair value effects from the recognition of hedge relationships in connection with the conclusion of derivatives.

Bonds and Promissory Notes

in € millions	Due date	Effective interest rate in %	Carrying amount 12/31/2007	Carrying amount 12/31/2006	Present value 12/31/2007	Present value 12/31/2006
4.70 % Bertelsmann Capital Corp N.V. (EUR 50 million promissory note) 02/07	12/27/2007	4.91	–	50	–	50
4.40 % Bertelsmann Capital Corp N.V. (EUR 50 million promissory note) 03/08	02/07/2008	4.56	50	50	50	50
3M-EURIBOR + 10 bp. Bertelsmann AG (EUR 650 million floating rate note) 07/09	03/05/2009	n.a.	650	–	647	–
4.375 % Bertelsmann U.S. Finance LLC (EUR 200 million bond) 99/09	05/12/2009	4.53	200	199	199	200
4.69 % Bertelsmann U.S. Finance LLC (USD 100 million U.S. private placement) 03/10	04/17/2010	4.83	68	76	69	74
4.625 % Bertelsmann U.S. Finance LLC (EUR 750 million bond) 03/10	06/03/2010	4.70	731	734	742	756
4.375 % Bertelsmann AG (EUR 500 million bond) 06/12	09/26/2012	4.47	498	498	480	496
5.23 % Bertelsmann U.S. Finance LLC (USD 200 million U.S. private placement) 03/13	04/17/2013	5.38	136	151	139	150
5.33 % Bertelsmann U.S. Finance LLC (USD 200 million U.S. private placement) 03/15	04/17/2015	5.46	135	151	138	149
3.625 % Bertelsmann AG (EUR 500 million bond) 05/15	10/06/2015	3.74	496	496	439	461
4.75 % Bertelsmann AG (EUR 1,000 million bond) 06/16	09/26/2016	4.89	990	989	936	994
			3,954	3,394	3,839	3,380

The documentation of the bonds issued by Bertelsmann U.S. Finance LLC and Bertelsmann AG in 2005 is based on master documentation in the form of debt issuance programs. The most recent update of a program was in October 2004.

The bonds issued by Bertelsmann AG in 2006 and 2007, the USD private placements and the promissory note loans were issued on the basis of separate documentation. The bonds have a rating of BBB+ (Standard & Poor's) and Baa1 (Moody's). The original interest terms of certain bonds and promissory note loans were changed by entering into interest rate swaps.

The hedging relationships between the underlyings and the corresponding derivatives that were documented in accordance with IAS 39 were dissolved in the period under review. The last fair value measurement of the bonds was performed at the date on which the hedging relationships were dissolved. The differ-

ence between the nominal volume and the last fair value will be amortized over the residual term of the respective instruments. Similarly, the transaction costs and any agreed discount will also be reversed to interest income over the remaining term, thereby reducing the carrying amount of the bonds. The reduction in the nominal volume due to transaction costs and discounts amounted to €18 million at year-end (previous year: €21 million).

The fair values of the issued bonds are generally determined on the basis of their quoted market price at the respective reporting dates. At December 31, 2007, the listed bonds had a cumulative fair value of €3,443 million (previous year: €2,907 million), a nominal volume of €3,600 million (previous year: €2,950 million) and a carrying amount of €3,565 million (previous year: €2,916 million). The quoted prices applied in determining the fair values are shown in the table below.

Quoted Prices

	12/31/2007	12/31/2006
3M-EURIBOR + 10 bp. Bertelsmann AG (EUR 650 million floating rate note) 07/09	99.527	–
4.375 % Bertelsmann U.S. Finance LLC (EUR 200 million bond) 99/09	99.552	100.083
4.625 % Bertelsmann U.S. Finance LLC (EUR 750 million bond) 03/10	98.876	100.778
4.375 % Bertelsmann AG (EUR 500 million bond) 06/12	96.057	99.242
3.625 % Bertelsmann AG (EUR 500 million bond) 05/15	87.793	92.216
4.75 % Bertelsmann AG (EUR 1,000 million bond) 06/16	93.575	99.442

The fair values of private placements and promissory note loans are determined using actuarial methods based on yield curves adjusted for the Group's credit margin. This credit margin results

from the market price for credit default swaps at the respective reporting date.

The table below shows the interest rates of the bonds and promissory notes issued after adjustment for existing interest rate swaps:

Interest on Bonds and Promissory Notes

in € millions	Book value at 12/31/2007			Book value at 12/31/2006		
	Fixed interest	Floating rate	Total	Fixed interest	Floating rate	Total
Bonds	3,157	747	3,904	2,768	526	3,294
Promissory notes	–	50	50	–	100	100
	3,157	797	3,954	2,768	626	3,394

The following table shows the remaining term of the Group's financial liabilities. The figures are based on undiscounted cash

flows at the earliest date at which the Group can be held liable for payment.

Contractual Maturity of Financial Liabilities

in € millions	Book value	Undiscounted cash flow			Total
		Up to 1 year	1 to 5 years	Over 5 years	
Fixed interest bonds and promissory notes	3,304	50	1,518	1,772	3,340
Floating rate bonds and promissory notes	650	–	650	–	650
Liabilities to banks	1,108	508	595	5	1,108
Lease liabilities	259	29	141	89	259
Other financial debt	92	38	12	42	92
Trade accounts payable	3,579	3,488	75	16	3,579
Liabilities to participations	28	28	–	–	28
Derivative financial instruments with hedge relation	55	50	5	–	55
Derivative financial instruments without hedge relation	28	28	–	–	28
Social security liabilities	106	104	2	–	106
Sundry liabilities	1,365	912	192	261	1,365
Balance at 12/31/2007	10,574	5,235	3,190	2,185	10,610
Fixed interest bonds and promissory notes	3,394	50	1,076	2,304	3,430
Liabilities to banks	1,728	233	1,487	8	1,728
Lease liabilities	265	29	145	91	265
Other financial debt	181	71	69	41	181
Trade accounts payable	3,791	3,672	109	10	3,791
Liabilities to participations	28	28	–	–	28
Derivative financial instruments with hedge relation	37	37	–	–	37
Derivative financial instruments without hedge relation	9	9	–	–	9
Social security liabilities	88	88	–	–	88
Sundry liabilities	1,316	972	90	254	1,316
Balance at 12/31/2006	10,837	5,189	2,976	2,708	10,873

Based on the remaining contractual terms of its financial liabilities at the balance sheet date, the Group has the following future interest payments:

Future Undiscounted Interest Payments

in € millions	Undiscounted interest payments			Total
	Up to 1 year	1 to 5 years	Over 5 years	
Fixed interest bonds and promissory notes	151	494	227	872
Floating rate bonds and promissory notes	27	7	–	34
Liabilities to banks	53	12	1	66
Lease liabilities	15	37	19	71
Other financial debt	6	10	7	23
Balance at 12/31/2007	252	560	254	1,066
Fixed interest bonds and promissory notes	153	549	333	1,035
Floating rate bonds and promissory notes	2	–	–	2
Liabilities to banks	61	32	–	93
Lease liabilities	21	54	29	104
Other financial debt	7	20	7	34
Interest rate swaps	7	21	–	28
Balance at 12/31/2006	251	676	369	1,296

Credit Reserve

Bertelsmann has access to syndicated and bilateral credit agreements entered into with major international banks by Bertelsmann AG and Bertelsmann U.S. Finance LLC. These revolving credit facilities can be drawn down at floating rates based on EURIBOR or LIBOR.

The unutilized credit facilities available to the Group total €1,372 million (previous year: €1,581 million) and can be freely used in the course of the Group's ordinary business activities. The remaining terms and the utilization of these credit agreements at the balance sheet date are shown in the following table:

Remaining Terms

in € millions	Credit facility 12/31/2007	Drawn down 12/31/2007	Available credit facility 12/31/2007	Available credit facility 12/31/2006
< 1 year	260	198	62	289
1 to 2 years	110	–	110	–
2 to 3 years	–	–	–	92
3 to 4 years	–	–	–	–
4 to 5 years	1,200	–	1,200	–
> 5 years	–	–	–	1,200
	1,570	198	1,372	1,581

Lease Liabilities

Finance leases exist for the following assets:

Leased Assets

in € millions	12/31/2007		12/31/2006	
	Aquisition costs	Carrying amount	Aquisition costs	Carrying amount
Land, rights equivalent to land and buildings	34	34	33	33
Office, factory and other buildings	299	201	281	197
Machinery and technical equipment	13	6	13	7
Other property, plant and equipment	9	4	8	4
	355	245	335	241

The beneficial ownership of leased assets lies with the lessee, providing that the lessee also bears the significant risks and rewards of ownership. The Group's finance lease activities primarily relate to

long-term agreements for office space. The Group generally has the option to acquire such properties at the end of the lease term.

Minimum Lease Payments for Finance Leases

in € millions	12/31/2007			12/31/2006		
	Nominal value of lease payments	Discount amounts	Present value	Nominal value of lease payments	Discount amounts	Present value
< 1 year	40	11	29	36	7	29
1 to 5 years	189	48	141	192	47	145
> 5 years	113	24	89	114	23	91
	342	83	259	342	77	265

23 Liabilities

in € millions	12/31/2007	12/31/2006 adjusted
Non-current		
Trade accounts payable	91	119
Other liabilities	691	649
Current		
Trade accounts payable	3,488	3,672
Liabilities to participations	28	28
Tax liabilities	259	262
Derivative financial instruments	78	46
Social security contributions	104	88
Personnel-related liabilities	600	571
Received advance payments	41	54
Deferred income	316	330
Sundry liabilities	1,158	1,122
Other liabilities	2,584	2,501

Non-current other liabilities amount to €691 million (previous year: €649 million) and include liabilities from put options of €189 million (previous year: €222 million) and minority interests in partnerships of €213 million (previous year: €197 million) as well as derivative financial instruments of €5 million (previous year: €0 million).

Other liabilities include supplier obligations, debtors with credit balances and liabilities to minority shareholders. This item also

includes put options for minority shareholders in the amount of €57 million (previous year: €22 million).

Minority interests in partnerships are carried at nominal value, as their fair value cannot be determined.

24 Off-Balance Sheet Commitments**Contingent Liabilities and Other Commitments**

in € millions	12/31/2007	12/31/2006
Guarantees	109	111
Rental and lease commitments	1,456	1,551
Other commitments	3,526	3,673
	5,091	5,335

It is considered unlikely that the guarantees listed will be used.

Income Statement
Balance Sheet
Cash Flow Statement
SoRIE
Segment Reporting
Notes

Of the other commitments, €2,893 million (previous year: €2,935 million) relates to RTL Group's supply agreements for rights, (co-)productions and programming, contracts for TV licenses and broadcasting rights as well as other rights and services. Other commitments of Random House amount to €368 million (previous year: €371 million) and represent the portion of commitments to

authors for which no payments have yet been made and where future payments depend on further events (such as delivery and acceptance of manuscripts).

There are the following payment obligations under all of the Group's long-term rental commitments classified as operating leases:

Minimum Payments under Operating Leases

in € millions	12/31/2007	12/31/2006
Nominal amount		
< 1 year	317	286
1 to 5 years	680	751
> 5 years	459	514
	1,456	1,551
Present value	1,174	1,235

These commitments largely relate to long-term tenancy agreements and agreements on technical transmission facilities, and are partially offset by expected minimum lease payments from subleases

with a nominal value of €69 million. Present values are calculated on the basis of country-specific interest rates and show the net payout currently required to cover the respective commitments.

25 Additional Disclosures on Financial Instruments

Carrying Amounts and Measurement Methods by Measurement Category

Assets

in € millions	Category according to IAS 39					Derivatives with hedge relation
	Loans and receivables	Available-for-sale	Financial assets at fair value through profit or loss	Financial assets held for trading		
Measurement	At amortized cost	At cost	Fair value recognized in equity	Fair value recognized in profit or loss	Fair value recognized in profit or loss	
Loans	111	–	–	–	–	–
Investments in affiliates	–	27	–	–	–	–
Investments available-for-sale	–	41	39	416	–	–
Non-current securities	–	20	26	–	–	–
Trade accounts receivable	3,140	–	–	–	–	–
Accounts receivable from royalties and licenses	3	–	–	–	–	–
Accounts receivable from participations	36	–	–	–	–	–
Securities available-for-sale	2	2	5	–	–	–
Derivative financial instruments	–	–	–	–	32	5
Other receivables	565	–	–	–	–	–
Cash	587	–	–	–	–	–
Other securities < 3 months	520	19	5	–	–	–
	4,964	109	75	416	32	5

The 5.1 percent interest in Canal+ received in exchange for the shares of TPS was classified by RTL Group as financial assets at fair value through profit or loss. The fair value at December 31, 2007 was €343 million (previous year: €324 million). The remaining

assets classified as financial assets at fair value through profit or loss relate to the interest in M-RTL Ungarn (€38 million; previous year: €27 million) and structured financial products (€35 million; previous year: €52 million) at RTL Group S.A.

Liabilities

in € millions	Category according to IAS 39		Derivatives with hedge relation	Leases IAS 17
	Financial liabilities measured at amortized cost	Financial liabilities held for trading		
Measurement	At amortized cost	Fair value recognized in profit or loss		
Profit participation capital	706	–	–	–
Bonds and promissory notes	3,954	–	–	–
Liabilities to banks	1,108	–	–	–
Lease liabilities	–	–	–	259
Other financial debt	92	–	–	–
Trade accounts payable	3,579	–	–	–
Liabilities to participations	28	–	–	–
Derivative financial instruments (liabilities)	–	28	55	–
Social security liabilities	106	–	–	–
Personnel-related liabilities	689	–	–	–
Sundry liabilities	1,365	–	–	–
	11,627	28	55	259

Income Statement
Balance Sheet
Cash Flow Statement
SoRIE
Segment Reporting
Notes

	Total 12/31/2007	Category according to IAS 39					Derivatives with hedge relation	Total 12/31/2006
		Loans and receivables	Available-for-sale	Financial assets at fair value through profit or loss	Financial assets held for trading			
		At amortized cost	At cost	Fair value recognized in equity	Fair value recognized in profit or loss	Fair value recognized in profit or loss		
	111	67	-	-	-	-	-	67
	27	-	16	-	-	-	-	16
	496	-	43	38	403	-	-	484
	46	1	21	11	-	-	-	33
	3,140	3,188	-	-	-	-	-	3,188
	3	9	-	-	-	-	-	9
	36	27	-	-	-	-	-	27
	9	-	6	1	-	-	-	7
	37	-	-	-	-	18	133	151
	565	710	-	-	-	-	-	710
	587	677	-	-	-	-	-	677
	544	257	38	14	-	-	-	309
	5,601	4,936	124	64	403	18	133	5,678

	Total 12/31/2007	Category according to IAS 39		Derivatives with hedge relation	Leases IAS 17	Total 12/31/2006
		Financial liabilities measured at amortized cost	Financial liabilities held for trading			
		At amortized cost	Fair value recognized in profit or loss			
	706	706	-	-	-	706
	3,954	3,394	-	-	-	3,394
	1,108	1,728	-	-	-	1,728
	259	-	-	-	265	265
	92	181	-	-	-	181
	3,579	3,791	-	-	-	3,791
	28	28	-	-	-	28
	83	-	9	37	-	46
	106	88	-	-	-	88
	689	655	-	-	-	655
	1,365	1,316	-	-	-	1,316
	11,969	11,887	9	37	265	12,198

Net Result from Financial Instruments

	Loans and receivables	Available- for-sale at cost	Available- for-sale at fair value recognized in equity	Financial assets at fair value through profit or loss	Financial liabilities measured at amor- tized cost	Derivatives with hedge relation	Assets and liabilities with hedge relation	Financial assets and liabilities held for trading	Other currency effects
in € millions									
Dividends	-	12	-	-	-	-	-	-	-
Impairment / disposal	(167)	(8)	-	-	10	-	-	-	-
Fair value measurement	-	-	-	17	-	41	(24)	-	(5)
Currency translation differences	-	-	-	-	-	9	-	(1)	(27)
Interest	35	-	-	-	(204)	(5)	(49)	3	-
Disposal	-	10	6	-	-	-	-	-	-
Net income 2007	(132)	14	6	17	(194)	45	(73)	2	(32)
Dividends	-	14	-	-	-	-	-	-	-
Impairment / disposal	(176)	(5)	-	-	16	-	-	-	-
Fair value measurement	-	-	-	32	-	87	(77)	(51)	80
Currency translation differences	-	-	-	-	-	(9)	-	-	6
Interest	64	-	-	-	(177)	(7)	(43)	3	-
Disposal	-	9	-	-	-	-	-	-	-
Net income 2006	(112)	18	-	32	(161)	71	(120)	(48)	86

Other currency translation differences consist of the exchange rate effects of loans and receivables and financial assets and liabilities carried at amortized cost.

Financial Instruments**Financial Risk Management**

Bertelsmann is exposed to a number of financial risks as a result of its international activities, in particular the effects of changes in exchange rates and interest rates. Bertelsmann's risk management activities aim to mitigate these risks.

The Executive Board sets out overall risk management guidelines and stipulates the general procedures for hedging foreign exchange rate and interest rate risk and for the use of derivative financial instruments.

A central treasury department advises subsidiaries on operating risk and, where necessary, hedges risks using derivative financial instruments. However, subsidiaries are not obliged to use the services provided by this department for their operating risks. Certain subsidiaries, particularly RTL Group, have their own treasury departments which are required to report their hedging activities to the central treasury department on a quarterly basis.

Exchange Rate Risk

Bertelsmann is exposed to exchange rate risk in various currencies. Its subsidiaries are advised, but not obliged, to hedge themselves against exchange rate risks in the local reporting currency by concluding forward agreements with banks with an excellent credit rating. Loans within the Group which are subject to exchange rate risk are hedged using derivatives.

A number of subsidiaries operate outside the euro zone. The management of the resulting translation risk is based on the re-

lationship of financial debt to operating EBITDA for significant currency areas. The objective is to achieve a reasonable relationship between financial debt and operating results for each major currency area in the long term, whereby Bertelsmann uses the upper limits for leverage defined for the Group as a performance indicator.

Interest Rate Risk

Interest rate risk is managed on the basis of the Group's planned net financial debt and expected interest rate movements.

Available funds are generally invested at floating rates for periods of less than one year.

In the period under review, the proportion of floating-rate liabilities was reduced by way of repayment.

Liquidity Risk

The Group manages liquidity risk by holding appropriate reserves, ensuring that it has access to credit facilities at banks, and continuously monitoring forecast and actual cash flows. The maturity

profile of financial assets and liabilities is also reconciled on a regular basis.

Default Risk

The Group is exposed to default risks in the amount of the invested cash and cash equivalents and the positive fair value of the derivatives in its portfolio. However, as financial transactions and instruments are only concluded with banks with an excellent credit

rating, these risks are considered to be low. Default risks arising from trade accounts payable are partially mitigated through the conclusion of credit insurance.

Capital Risk Management

The financial guidelines adopted by the Bertelsmann Group are designed to ensure a balance between financial security, return on equity and growth. The Group's net indebtedness is oriented towards the requirements for a credit rating of BBB+/Baa1 in particular. Bertelsmann performs financial control on the basis of quantified financial targets, which make a core contribution to the Company's independence and ability to act. They form part of corporate control as part of the planning process and continuous monitoring. The key performance indicator for limiting economic debt within the Group is the leverage factor. In addition, the Group

aims to ensure that the equity ratio corresponds to at least 25 percent of its total assets. Control of these indicators is based on the definitions set out by the IFRS, and hence includes both shareholders' equity and equity attributable to minority interests. Although minority interests in partnerships represent equity in accordance with the principle of substance over form, they are classified as debt for accounting purposes.

In the year under review, the equity ratio amounted to 28.1 percent (previous year: 26.7 percent), and thus met the internal target set by the Group.

Accounting for Derivative

Financial Instruments and Hedges

All derivatives are reported at their fair value. When a contract involving a derivative is entered into, it is initially determined whether that contract is intended to serve as a fair value hedge or as a cash flow hedge. However, some derivatives do not meet the requirements for recognition as hedges despite this being their economic purpose.

Bertelsmann documents all relationships between hedging instruments and hedged items as well as its risk management ob-

jectives and strategies in connection with the various hedges. This method includes linking all derivatives used for hedging purposes to the underlying assets, liabilities, firm commitments and forecasted transactions. Furthermore, the Bertelsmann Group assesses and documents the degree to which changes in the fair values or cash flows of hedged items are effectively offset by changes in the corresponding hedging instruments, both when derivatives are concluded and on an ongoing basis.

Financial Derivatives

Bertelsmann uses standard market financial derivatives, primarily those that are not exchange-traded (OTC instruments), and in particular forward agreements, currency swaps, currency options and interest rate swaps. Transactions are entered into solely with banks with an excellent credit rating. Transactions by the central treasury department are only made with banks approved by the Executive Board. The nominal volume is the total of all underlying buying and selling amounts.

In 2007, forward agreements and currency swaps entered into by Bertelsmann AG and Bertelsmann U.S. Finance LCC as part of the restructuring of Group financing were terminated before their contractually agreed due date in exchange for the payment

of their market value, since which time existing financial risks have been hedged using natural hedges involving originated financial instruments.

The majority of the financial derivatives at the balance sheet date are used to hedge against interest rate risks from the Group's existing financial debt (38 percent). Exchange rate risks relating to intragroup financing are generally hedged by concluding foreign exchange contracts. The volume of these transactions in the year under review was €957 million (30 percent). Financial derivatives are also used to hedge against exchange rate risks relating to operating receivables and current and future liabilities. No financial derivatives were entered into for speculative purposes.

Nominal Amounts of Financial Derivatives

in € millions	Nominal amounts at 12/31/2007				Nominal amounts at 12/31/2006			
	< 1 year	1–5 years	> 5 years	Total	< 1 year	1–5 years	> 5 years	Total
Currency derivatives								
Forward contracts and currency swaps	1,755	183	3	1,941	2,001	1,248	3	3,252
Currency options	–	5	–	5	–	3	–	3
Interest rate derivatives								
Interest rate swaps	74	1,082	36	1,192	568	819	51	1,438
	1,829	1,270	39	3,138	2,569	2,070	54	4,693

Calculation of Fair Value

The fair value of the financial derivatives entered into by the Group is determined on the basis of quoted market prices at the balance sheet date.

To determine the fair values of derivatives that are not exchange-traded, Bertelsmann uses various financial methods based on the prevailing market conditions and risks at the respective balance sheet date.

Fair Values of Financial Derivatives

in € millions	Nominal amounts		Fair value	
	12/31/2007	12/31/2006	12/31/2007	12/31/2006
Currency derivatives				
Forward contracts and currency swaps	1,941	3,252	(49)	94
Currency options	5	3	–	–
Interest rate derivatives				
Interest rate swaps	1,192	1,438	3	11
	3,138	4,693	(46)	105

The following table provides an overview of the carrying amounts of the Group's derivative financial instruments, which correspond to their fair values. A distinction is made between derivatives that

are included in an effective hedging relationship in accordance with IAS 39 and those that are not.

Derivative Financial Instruments

in € millions	Carrying amount at 12/31/2007	Carrying amount at 12/31/2006
Assets		
Forward contracts and currency swaps		
Without hedge relation	31	8
In connection with fair value hedges	–	129
Interest rate swaps		
Without hedge relation	1	8
In connection with fair value hedges	–	2
In connection with cash flow hedges	5	4
Liabilities		
Forward contracts and currency swaps		
Without hedge relation	25	9
In connection with cash flow hedges	55	33
Interest rate swaps		
Without hedge relation	3	–
In connection with fair value hedges	–	3
In connection with cash flow hedges	–	1

RTL Group enters into currency forwards to hedge the exchange rate risk relating to the purchase of program rights and output deals. RTL Group hedges around 90 percent of the future cash flows from the purchase of program rights in foreign currencies, which represent a fixed obligation, and between 25 percent and 85 percent of the longer-term (2–5 years) expected future transactions under output deals. The derivatives used for this purpose are recognized as hedging instruments in connection with cash flow hedges. The

effective portion of the changes in the fair value of hedging instruments is parked in OCI until the effects of the hedged items are recognized in income. The ineffective portion of the Group's cash flow hedges amounted to €11 million as at December 31, 2007 (previous year: €7 million).

The following table shows the gains and losses on the hedged items and the related hedging instruments in connection with fair value hedges.

in € millions	2007	2006
Result from hedging instruments	22	79
Result from hedged items	(23)	(77)
	(1)	2

Interest Rate and Exchange Rate Sensitivity

For the analysis of interest rate risk, a distinction is made between cash flow and present value risks. Financial debt, cash and cash equivalents and interest rate swaps with variable interest terms are subject to a greater degree of cash flow risk, as changes in market interest rates have an effect on the Group's net interest income either immediately or with a short time delay.

By contrast, medium- and long-term interest rate agreements are subject to a greater degree of present value risk. The accounting treatment of present value risks depends on the respective financial instrument or a hedging relationship documented in conjunction with a derivative (microhedge).

Originated financial debt is carried at amortized cost. Changes in fair value are limited to opportunity effects, as changes in interest rates have no effect on the balance sheet or the income statement. The recognition of originated financial debt at fair value is only permitted for transactions for which a microhedge is documented

in accordance with IAS 39 in conjunction with the conclusion of an interest rate or exchange rate hedge involving derivatives. In this case, changes in the fair value of the respective items are recognized in the income statement in order to substantially balance out the offsetting effects of the fair value measurement of the related derivatives.

For derivative financial instruments, the effects of changes in interest rates are recognized in the income statement. In the case of documented hedging relationships (cash flow hedges), however, these effects are taken directly to equity.

Cash flow and present value risks at the respective balance sheet date are examined by means of a sensitivity analysis, assuming a parallel shift in the yield curve of +/- 1 percent for all significant currencies. The analysis is performed on the basis of financial debt, cash and cash equivalents and derivatives at the balance sheet date. The results are shown in the table below.

in € millions	12/31/2007		12/31/2006	
	Shift +1 %	Shift -1 %	Shift +1 %	Shift -1 %
Cash flow risks	(11)	11	(15)	15
Present value risks (income statement)	4	(4)	11	(11)
Present value risks (equity)	1	(1)	1	(1)

The analysis of exchange rate sensitivity includes the Group's financial debt and operating transactions at the balance sheet date, as well as the hedging relationships entered into (forward agreements and options). The calculation is performed for the unsecured net exposure on the basis of an assumed 10 percent appreciation of the EUR as against all foreign currencies. A uniform depreciation of all foreign currencies would have resulted in a change in the present values recognized by the Group of €-13 million (previous year: increase of €3 million), with €-9 million (previous year:

€4 million) relating to fluctuations in the U.S. dollar exchange rate on the basis of a net exposure of US\$132 million (previous year: US\$-55 million). Shareholders' equity would have declined by €-64 million (previous year: €-46 million) as a result of fluctuations in the fair values of documented cash flow hedges. Of this figure, €-60 million (previous year: €-46 million) relates to fluctuations in the U.S. dollar exchange rate on the basis of a documented cash flow hedge volume of US\$886 million (previous year: US\$604 million).

Factoring

In individual cases, Bertelsmann Group sells receivables to banks. These exceptions are limited to agreements in which Bertelsmann grants financing to its customers in separate contracts. The volume of receivables sold is contractually limited to €495 million and amounted to €494 million at the balance sheet date (previous year: €466 million). The contractual conditions provide for transfer of

the default and interest risks to the buyer of the receivables. Bertelsmann's remaining risk is limited, and therefore the receivables are recognized only to the extent of its continuing involvement. The resulting risks are recognized as provisions and amounted to €15 million at the balance sheet date (previous year: €18 million).

26 Cash Flow Statement

The Bertelsmann Group's cash flow statement has been prepared in accordance with IAS 7. It is intended to help the reader to assess the Group's ability to generate cash and cash equivalents. Cash flows are divided into those relating to operating activities, investing activities and financing activities. Cash flows from operating activities are presented using the indirect method, with EBIT adjusted for non-cash items. Income and expenses relating to cash flows from investing activities are also eliminated. In the year under review, cash flows from operating activities included payments for out-of-court settlements in the legal proceedings concerning the former music file-sharing platform Napster in the amount of €269 million and a payment of €48 million relating to share deals by RTL's advertising time marketing company IP Deutschland that was rejected by the antitrust authorities.

Bertelsmann Group monitors operating results based on operating EBIT and thus excludes interest. Operating results and the resulting cash flow from operating activities should therefore be consistent and comparable. Accordingly, the net balance of interest paid and interest received during the year is shown in the cash flow statement as part of financing activities.

Contribution to the pension plans is included in the cash flow from investing activities in the cash flow statement as a cash outflow. The change in pension provisions is composed of the balance of personnel expenses for service cost and pension payments (see note 19).

The consolidated cash flow statement includes the effects of changes in foreign currencies and changes in the scope of consolidation. Hence, the items in the consolidated cash flow statement cannot be compared with changes in items disclosed on the face of the consolidated balance sheet. Investing activities include investments for non-current assets and purchase price payments for investments acquired, as well as proceeds from the disposal of non-current assets and participations. Purchase price payments for investments acquired include payments relating to the acquisitions and disposals described in the relevant section of these notes. Significant proceeds from disposals of non-current assets are also described in greater detail in the same section. Financing activities include changes in shareholders' equity affecting cash, changes in financial debt and net interest paid or received.

27 Segment Reporting

Segment reporting disclosures are made in accordance with IAS 14. The primary reporting format is based on the business segments of the Bertelsmann Group, while the secondary reporting format

is broken down by the main geographical markets in which the Bertelsmann Group operates.

Segment Information

Segment reporting, comprising six operating segments, is based on the internal management and reporting structures applied within the Bertelsmann Group. The segments differ from the Group's

legal structure insofar as they reflect the financial management of the Group.

Information on Segment Data

The definition of the various segment data is the same as that used for the Group's management system. Segment data is reconciled to the relevant Group figures in the "Consolidation" column. Intercompany revenues are recognized at arm's length conditions as applied to transactions with third parties.

A key performance indicator within the Bertelsmann Group is operating EBIT. Under normal business conditions, operating EBIT represents normal operating earnings before interest and taxes. Accordingly, earnings before interest and taxes (EBIT) are adjusted for special items that are not of an operational nature, as they cannot be reproduced. This includes income and expense items which distort the assessment of the results of operations of the divisions and of the Group due to their size and infrequency of occurrence. The elimination of these special items allows the determination of a normalized result, and hence simplifies forecasting and comparability. Special items mainly include capital gains from the disposal of investments, impairments on goodwill, restructuring and integration costs, as well as further valuation allowances. Segment depreciation and amortization includes the depreciation of property, plant and equipment, and amortization of intangible assets as set out in the statement of selected non-current assets.

Investments consist of payments for ongoing capital expenditure and acquisitions of entities.

Segment assets constitute the operating assets for each segment. They consist of property, plant and equipment, intangible assets including goodwill, and financial assets. They also include current assets with the exception of cash and cash equivalents, tax receivables and other non-operating assets.

Segment liabilities consist of operating liabilities and provisions. They therefore do not include provisions for pensions and similar obligations, tax liabilities, financial debt or other non-operating liabilities and provisions.

Each segment shows the earnings of, and investments in, associated companies, provided these companies can be clearly allocated to the segment concerned. The results of associated companies are shown before impairment of goodwill.

In addition, the number of employees at balance sheet date and the average number of employees for the year are shown in the primary reporting format.

In the secondary reporting format, revenues are shown by customer location, while segment assets and segment investments are shown by company location.

Reconciliation from the Primary Reporting Format to the Consolidated Financial Statements

in € millions	2007	2006 adjusted
Operating EBIT	1,811	1,867
Special items	(854)	1,161
EBIT	957	3,028
Financial result	(479)	(389)
Income taxes	(73)	(180)
Net income	405	2,459
	12/31/2007	12/31/2006 adjusted
Segment assets	18,912	19,973
Other assets (not allocated)	825	964
Cash and cash equivalents	1,131	986
Deferred tax assets	908	592
Total assets	21,776	22,515
Segment liabilities	6,573	7,064
Equity	6,124	6,020
Profit participation capital	706	706
Provisions for pensions and similar obligations	1,558	1,927
Financial debt	5,413	5,568
Other liabilities (not allocated)	1,214	1,005
Deferred tax liabilities	188	225
Total liabilities	21,776	22,515

28 Reconciliation to Operating EBITDA

Starting with operating EBIT, operating EBITDA is determined by adding other depreciation and amortization of non-current assets, less any write-ups.

Reconciliation to Operating EBITDA

in € millions	2007	2006
Operating EBIT	1,811	1,867
Amortization / Write-ups of intangible assets	253	279
Depreciation / Write-ups of property, plant and equipment	403	402
Operating EBITDA	2,467	2,548

29 Related Party Disclosures

For the Bertelsmann Group, related parties as defined in IAS 24 are those persons and entities that control or exercise a significant influence over the Bertelsmann Group, as well as those persons and entities controlled by the Bertelsmann Group or over which it exercises a significant influence. Accordingly, the members of the Mohn family, the entities that are controlled or significantly influenced by the Mohn family, the members of the Executive Board and Supervisory Board of Bertelsmann AG and the joint ventures and associates forming part of the Bertelsmann Group are defined as related parties.

Bertelsmann Verwaltungsgesellschaft mbH, Gütersloh, a non-operating holding company, exercises control over the

Bertelsmann Group. Johannes Mohn GmbH, Bertelsmann Beteiligungs GmbH, Reinhard Mohn Verwaltungsgesellschaft mbH and Mohn Beteiligungs GmbH have informed Bertelsmann AG that they each own more than one-quarter of its share capital. For purposes of determining ownership, indirect as well as direct shares have been considered.

Transactions with material subsidiaries are eliminated in the course of consolidation and are not discussed in further detail in these notes. In addition to transactions with material subsidiaries, the following transactions with related persons and entities were conducted in the year under review:

in € millions	Shareholders with joint control or significant influence	Key members of management	Joint ventures	Associated companies	Other related parties
Income statement					
2007					
Revenues	–	–	139	72	–
Other operating income	1	–	11	1	–
Cost of materials	–	–	(19)	(3)	–
Personnel costs	(1)	(24)	–	–	(1)
Other operating expenses	–	–	(6)	(1)	–
Financial result	–	(1)	–	–	–
2006					
Revenues	–	–	152	46	–
Other operating income	–	–	26	5	–
Cost of materials	–	–	(18)	(6)	–
Personnel costs	–	(35)	–	–	(1)
Other operating expenses	–	–	(6)	(2)	–
Balance sheet					
2007					
Other financial assets	–	3	7	24	–
Accounts receivable	–	–	36	37	–
Provision for pensions	–	12	–	–	5
Liabilities	–	–	9	29	1
2006					
Other financial assets	–	4	8	31	–
Accounts receivable	–	–	46	34	–
Provision for pensions	–	9	–	–	4
Liabilities	–	–	12	28	–

Transactions with related parties primarily relate to the provision of goods and services and other financial assets, and are conducted at arm's length conditions. The resulting income and expenses are of subordinate importance to the Group.

The remuneration of the members of the Supervisory Board for 2007 amounted to €1,318,500 plus value added tax. The total remuneration of the Executive Board in the year under review was €21,024,649, of which €11,011,426 related to Bertelsmann AG. In previous years, a loan of US\$5 million was granted to a mem-

ber of the Executive Board. The loan currently bears interest of 3.83 percent and is repayable in a lump sum in 2010. No separate collateral has been furnished for this loan. Former members of the Executive Board and their surviving dependents received remuneration from Bertelsmann AG totaling €3,690,157. The provision for pension obligations to former members of the Executive Board amounted to €43,314,021. The members of the Executive Board and Supervisory Board are listed on pages 148 ff.

30 Events after the Balance Sheet Date

At a meeting of the Supervisory Board of Bertelsmann AG on January 19, 2007, Hartmut Ostrowski, Chairman of the Executive Board of Arvato AG, was appointed Chairman of the Executive Board of Bertelsmann AG effective January 1, 2008. Rolf Buch, previously the CEO of Arvato Direct Services, was appointed as his successor at Arvato AG and as a member of the Executive Board of Bertelsmann AG. Gunter Thielen, Chairman of the Executive Board of Bertelsmann AG, moved to the Supervisory Board effective January 8, 2008, where he was appointed Chairman. The Chairman of the Supervisory Board, Dieter Vogel, stepped down from his position but remained a shareholder of BVG.

Following the approval of the German Corporate Tax Reform Act by the German Bundesrat (upper house of the German Federal Parliament) on July 6, 2007, revised tax legislation will come into force in Germany with effect from January 1, 2008. The resulting effects are presented under note 9 "Income taxes."

In January 2008, the British media marketing agency Windsong/Pinnacle (Arvato) was sold as part of a management buyout headed by the existing management team of Chairman Sean Sullivan and

Finance Director Andy Leonard-Myers. Windsong/Pinnacle was classified as held for sale in the present consolidated financial statements.

In February 2008, Bertelsmann AG assumed a 6-year promissory note loan with a volume of €250 million.

With effect from March 1, 2008, Arvato Services acquired a further five locations from Vivento Customer Services (VCS). The acquisition relates to the service centers in Stralsund, Schwerin, Göppingen, Freiburg i. Br. and Chemnitz.

Following an analysis of its portfolio, RTL Group resolved to sell its shopping channel RTL Shop. The sale is expected to be completed in the first half of 2008.

The gravure joint venture Prinovis is planning to close its printing plant in Darmstadt with effect from the end of 2008. This decision was prompted by the ongoing difficult situation in the European gravure market, which is characterized by overcapacity, sustained price reductions and rising costs of energy and raw materials.

31 Major Subsidiaries and Participations at December 31, 2007

RTL Group

Television			
GZSZ Vermarktungsgesellschaft GmbH, Cologne	Germany	90.01	v
IP Deutschland GmbH, Cologne	Germany	90.01	v
N-TV Nachrichtenfernsehen GmbH, Berlin	Germany	90.01	v
RTL 2 Fernsehen GmbH & Co. KG, Munich	Germany	32.31	e
RTL Disney Fernsehen GmbH & Co. KG, Cologne	Germany	45.01	q
RTL Interactive GmbH, Cologne	Germany	90.01	v
RTL Shop GmbH, Cologne	Germany	90.01	v
RTL Television GmbH, Cologne	Germany	90.01	v
Traumpartner TV GmbH, Cologne	Germany	90.01	v
Vox Film- und Fernseh GmbH & Co. KG, Cologne	Germany	89.74	v
Universum Film GmbH, Cologne	Germany	90.01	v
Antena 3 de Televisión S.A., Madrid	Spain	18.00	e
Bayard d'Antin S.A., Paris	France	90.01	v
Broadcasting Center Europe S.A., Luxembourg	Luxembourg	90.01	v
Channel 5 Broadcasting Ltd., London	U.K.	90.03	v
CLT-UFA S.A., Luxembourg	Luxembourg	90.01	v
IP France S.A., Paris	France	90.01	v
IP Luxembourg S.A.R.L., Luxembourg	Luxembourg	90.01	v
M6 Editions S.A., Neuilly sur Seine	France	43.79	v
M6 Films S.A., Neuilly sur Seine	France	43.79	v
Mistergooddeal SA, Ivry sur Seine	France	43.79	v
M-RTL Rt (RTL Klub), Budapest	Hungary	44.10	e
OOD Ren TV, Moscow	Russia	27.09	e
Paris Première S.A., Paris	France	43.79	v
RTL 9 S.A., Luxembourg	Luxembourg	31.50	e
RTL Croatia d.o.o., Zagreb	Croatia	58.95	v
RTL Nederland B.V., Hilversum	Netherlands	66.11	v
Studio 89 Production SAS, Neuilly sur Seine	France	43.79	v
Télévision Indépendante (TVI) S.A., Brussels	Belgium	59.39	v
Content			
CLT Multi Media GmbH, Cologne	Germany	90.01	v
Grundy Light Entertainment GmbH, Hürth	Germany	90.30	v
Grundy-UFA TV-Produktions GmbH, Berlin	Germany	90.01	v
Teamworx Television & Film GmbH, Berlin	Germany	90.01	v
Trebitsch Produktion Holding GmbH, Hamburg	Germany	90.03	v
UFA Entertainment GmbH, Berlin	Germany	90.01	v
UFA Fernsehproduktion GmbH, Berlin	Germany	90.01	v
UFA Film- und Fernseh GmbH, Cologne	Germany	90.01	v
Be Happy Productions SAS, Neuilly sur Seine	France	90.30	v
Belga Films SA, Brussels	Belgium	59.41	v
Blu A/S, Copenhagen	Denmark	67.72	v
Blue Circle BV, Hilversum	Netherlands	90.30	v
Crackerjack Productions Pty. Ltd., St. Leonards	Australia	90.30	v
Fremantle Media Australia Holdings Pty Ltd., St. Leonards	Australia	90.30	v
Fremantle Media Group Ltd., London	U.K.	90.30	v
Fremantle Media North America, Inc., Wilmington	U.S.	90.30	v
Fremantle Productions Asia Ltd., Hong Kong	China	90.30	v
Talkback Productions Ltd., London	U.K.	90.30	v
Radio			
Antenne Mecklenburg-Vorpommern GmbH & Co. KG, Plate	Germany	22.90	e
AVE Gesellschaft für Hörfunkbeteiligungen mbH, Berlin	Germany	90.01	v
BCS Broadcasting Sachsen GmbH & Co. KG, Dresden	Germany	34.38	e
Hitradio RTL Sachsen GmbH, Dresden	Germany	62.50	v
Neue Spreeradio Hörfunkgesellschaft mbH, Berlin	Germany	90.01	v
RTL Radio Deutschland GmbH, Berlin	Germany	90.01	v
Contact S.A., Brussels	Belgium	45.01	p
Ediradio S.A., Paris	France	90.01	v
Radio 538 B.V., Hilversum	Netherlands	66.32	v

Random House

Random House North America			
G24 NA LLC, Wilmington	U.S.	100.00	v
McClelland & Stewart Ltd., Toronto	Canada	25.00	e
Random House, Inc., New York	U.S.	100.00	v
Random House of Canada Ltd., Mississauga	Canada	100.00	v
Triumph Books Corp., New York	U.S.	100.00	v
Verlagsgruppe Random House			
Gerth Medien GmbH, Asslar	Germany	100.00	v
Verlagsgruppe Random House GmbH, Munich	Germany	100.00	v
Random House U.K., Australia, New Zealand, South Africa			
Mainstream Publishing Company Ltd., Edinburgh	U.K.	50.00	q
Random House (Proprietary) Ltd., Parktown (Johannesburg)	South Africa	75.00	v
Random House Australia Pty. Ltd., Melbourne	Australia	100.00	v
Random House New Zealand Ltd., Glenfield	New Zealand	100.00	v
Random House Publishers India Private Ltd., New Delhi	India	100.00	v
The Random House Group Ltd., London	U.K.	100.00	v
Virgin Books Ltd., London	U.K.	90.00	v
Woodlands Books Ltd., London	U.K.	85.00	v
Random House Mondadori			
Editorial Sudamericana, S.A., Buenos Aires	Argentina	50.00	q
Editorial Sudamericana Uruguaya, S.A., Montevideo	Uruguay	50.00	q
Random House Mondadori S.A., Barcelona	Spain	50.00	q
Random House Mondadori S.A., Bogotá	Colombia	50.00	q
Random House Mondadori S.A., Caracas	Venezuela	50.00	q
Random House Mondadori S.A. de C.V., Mexico City	Mexico	50.00	q
Random House Mondadori S.A., Santiago de Chile	Chile	50.00	q
Random House Asia			
Random House Korea, Inc., Seoul	Korea	100.00	v
Random House Kodansha Co., Ltd., Tokyo	Japan	56.70	q
Random House Films			
Random House Films LLC, Delaware	U.S.	100.00	v
Gruner + Jahr			
G+J Germany			
Berliner Presse Vertrieb GmbH & Co. KG (former: Berliner Presse Vertrieb GmbH), Berlin	Germany	74.90	v
Börse Online Verlag GmbH & Co. KG, Munich	Germany	74.90	v
DPV Deutscher Pressevertrieb GmbH, Hamburg	Germany	74.90	v
DPV Network GmbH, Hamburg	Germany	74.90	v
DPV Worldwide GmbH, Hamburg	Germany	74.90	v
Ehrlich & Sohn GmbH & Co. KG, Hamburg	Germany	74.90	v
Entertainment Media Verlag GmbH & Co. KG, Munich	Germany	74.90	v
G+J Corporate Media GmbH, Hamburg	Germany	74.90	v
G+J Electronic Media Sales GmbH, Hamburg	Germany	74.90	v
G+J Emotion Verlag GmbH, Munich	Germany	74.90	v
G+J Women New Media GmbH, Hamburg	Germany	74.90	v
G+J Zeitschriften-Verlagsgesellschaft mbH, Hamburg	Germany	74.90	v
G+J/RBA GmbH & Co. KG, Hamburg	Germany	37.45	e
Gruner + Jahr AG & Co KG, Hamburg	Germany	74.90	v
Hamburger Journalistenschule Gruner + Jahr – Die Zeit GmbH, Hamburg	Germany	71.16	v
Life & Health Verlagsgesellschaft mbH, Hamburg	Germany	74.90	v
Living at Home Multi Media GmbH, Hamburg	Germany	74.90	v
Motor Presse Stuttgart GmbH & Co. KG, Stuttgart	Germany	42.32	v
Neon Magazin GmbH, Hamburg	Germany	74.90	v
Norddeutsche Verlagsgesellschaft mbH, Hamburg	Germany	74.90	v
Park Avenue GmbH, Hamburg	Germany	74.90	v
„Picture Press“ Bild- und Textagentur GmbH, Hamburg	Germany	74.90	v
Rodale-Motor-Presse GmbH & Co. KG Verlagsgesellschaft, Stuttgart	Germany	21.16	q
Scholten Verlag GmbH, Stuttgart	Germany	42.32	v
Sport+Freizeit Verlag GmbH & Co. KG, Stuttgart	Germany	42.32	v
Stern.de GmbH, Hamburg	Germany	74.90	v
View Magazin GmbH, Hamburg	Germany	74.90	v
W.E. Saabach GmbH, Cologne	Germany	74.90	v
Xx-well.com AG, Berlin	Germany	56.18	v

Consolidated Income Statement
 Consolidated Balance Sheet
 Consolidated Cash Flow Statement
 Segment Reporting
 Notes

G+J France			
Biens Dans Ma Vie SAS, Paris	France	74.90	v
NETCO TRAVEL SAS, Paris	France	74.90	v
Motor Presse France, SAS, Issy-les-Moulineaux	France	42.32	v
NG France S.N.C., Paris	France	74.90	v
Prisma Presse S.N.C., Paris	France	74.90	v
Société des Publications Modernes Spécialisées S.A.R.L., Issy-les-Moulineaux	France	42.32	v
Vivia S.N.C., Paris	France	74.90	v
VSD S.N.C., Paris	France	74.90	v
G+J International			
Adria Media Ljubljana d o.o., Ljubljana	Slovenia	28.09	q
Adria Media Serbia d o.o., Belgrade	Serbia	33.71	q
Adria Media Zagreb d o.o., Zagreb	Croatia	28.09	q
Beijing Boda New Continent Advertising Company LLC., Beijing	China	35.95	v
G+J CLIP (Beijing) Publishing Consulting Co., Ltd., Beijing	China	60.08	v
G+J Glamour C.V., Diemen	Netherlands	74.90	v
G+J RBA Sp. z o.o. & Co. Spolka komanditowa, Warsaw	Poland	74.90	v
G+J Uitgevers C.V., Diemen	Netherlands	74.90	v
G+J Publishing C.V., Amsterdam	Netherlands	74.90	v
Gruner + Jahr (Beijing) Advertising, Beijing	China	74.90	v
Gruner + Jahr / Mondadori S.p.A., Milan	Italy	37.45	q
Gruner + Jahr Polska Sp. z o.o. & Co. Spolka Komandytowa, Warsaw	Poland	74.90	v
Gruner + Jahr ZAO, Moscow	Russia	74.90	v
G y J Espana Ediciones,, S.L., S. en C., Madrid	Spain	74.90	v
G y J Publicaciones Internacionales, S.L. y Cia., S. en C., Madrid	Spain	37.45	v
G y J Revistas y Comunicaciones, S.L., Madrid	Spain	74.90	v
Media Star-MPC Advertising Co. Ltd., Beijing	China	25.39	q
Motorpress Argentina, S.A., Buenos Aires	Argentina	38.93	v
Motorpress Brasil Editora Ltda., Sao Paulo	Brazil	25.71	v
Motor-Press Budapest Lapkiadó Kft., Budapest	Hungary	42.32	v
Motor-Press Polska Sp.zo.o., Wroclaw	Poland	42.32	v
Motorpress-Ibérica, S.A., Madrid	Spain	42.32	v
Motorpress Lisboa S.A., Cruz Quebrada	Portugal	31.74	v
MPC (Beijing) Co. Ltd., Beijing	China	25.39	q
Shanghai G+J Consulting and Service Co. Ltd., Shanghai	China	74.90	v
Verlagsgruppe News Ges.m.b.H., Vienna	Austria	41.96	v
Newspapers			
Döbelner Verlags GmbH & Co. KG, Döbeln	Germany	44.94	v
Dresdner Druck- und Verlagshaus GmbH & Co. KG, Dresden	Germany	44.94	v
Dresdner Magazin Verlag GmbH, Dresden	Germany	44.94	v
Financial Times Deutschland GmbH & Co. KG, Hamburg	Germany	37.45	q
Morgenpost Sachsen GmbH, Dresden	Germany	44.94	v
MVD Medien Vertrieb Dresden GmbH, Dresden	Germany	44.94	v
Media Logistik GmbH, Dresden	Germany	22.92	v
Sachsen Post GmbH, Dresden	Germany	22.92	v
Saxo-Phon GmbH, Dresden	Germany	44.94	v
WVD Mediengruppe GmbH, Chemnitz	Germany	22.47	v
Printing			
Prinovis Ahrensburg GmbH & Co. KG, Ahrensburg	Germany	28.05	v
Prinovis Dresden GmbH & Co. KG, Dresden	Germany	28.05	v
Prinovis Itzehoe GmbH & Co. KG, Itzehoe	Germany	28.05	v
Prinovis Ltd. & Co. KG, Hamburg	Germany	28.05	v
Prinovis Nürnberg GmbH & Co. KG, Nuremberg	Germany	28.05	v
Brown Printing Company, Waseca	U.S.	74.90	v
Corporate Services			
Druck- und Verlagshaus Gruner + Jahr AG, Hamburg	Germany	74.90	v
G+J New Media Ventures GmbH, Hamburg	Germany	74.90	v
Manager Magazin Verlagsgesellschaft mbH, Hamburg	Germany	18.65	e
Spiegel-Verlag Rudolf Augstein GmbH & Co. KG, Hamburg	Germany	18.91	e

BMG

Sony BMG Music Entertainment

North America			
Arista Records, Delaware	U.S.	50.00	q
Columbia Records Corporation, New York	U.S.	50.00	q
Epic Records, New York	U.S.	50.00	q
J Records, New York	U.S.	50.00	q
La Face Records, New York	U.S.	50.00	q
Legacy Recordings – Sony BMG Catalog, New York	U.S.	50.00	q
Provident Music Group, Wilmington	U.S.	50.00	q
RCA Music Group, New York	U.S.	50.00	q
Sony BMG Canada, Toronto	Canada	50.00	q
Sony BMG Masterworks, New York	U.S.	50.00	q
Sony BMG Music Entertainment Nashville, Nashville	U.S.	50.00	q
Zomba Records, Wilmington	U.S.	50.00	q
Europe			
Sony BMG Germany, Munich	Germany	50.00	q
Sony BMG Belgium, Brussels	Belgium	50.00	q
Sony BMG France, Paris	France	50.00	q
Sony BMG Italy, Mailand	Italy	50.00	q
Sony BMG Netherlands, Hilversum	Netherlands	50.00	q
Sony BMG Spain, Madrid	Spain	50.00	q
Sony BMG Sweden, Stockholm	Sweden	50.00	q
Sony BMG U.K. & Ireland, London	U.K.	50.00	q
Latin America			
Sony BMG Argentina, Buenos Aires	Argentina	50.00	q
Sony BMG Brazil, Rio de Janeiro	Brazil	50.00	q
Sony BMG Chile, Santiago	Chile	50.00	q
Sony BMG Mexico, Mexico City	Mexico	50.00	q
Asia/Pacific			
BMG Funhouse, Tokyo	Japan	50.00	q
Sony BMG Africa, Johannesburg	South Africa	50.00	q
Sony BMG Australia, Sydney	Australia	50.00	q
Sony BMG Hong Kong, Hong Kong	China	50.00	q
Sony BMG India, Mumbai	India	50.00	q
Sony BMG Korea, Seoul	Korea	50.00	q
Sony BMG New Zealand, Auckland	New Zealand	50.00	q
Sony BMG Singapore, Singapore	Singapore	50.00	q
Sony BMG Taiwan, Taipei	Taiwan	50.00	q
Other BMG			
Archivio Ricordi S.p.A. Milan	Italy	100.00	v
Arvato			
Printing			
Deutscher Supplement Verlag GmbH, Nuremberg	Germany	100.00	v
Fernwärme Gütersloh GmbH, Gütersloh	Germany	51.00	v
GGP Media GmbH, Pößneck	Germany	100.00	v
MBS Nürnberg GmbH, Nuremberg	Germany	37.45	v
Medienfabrik Gütersloh GmbH, Gütersloh	Germany	90.00	v
Mohn Media Kalender & Promotion Service GmbH, Gütersloh	Germany	100.00	v
Mohn Media Mohndruck GmbH, Gütersloh	Germany	100.00	v
Prinovis Ahrensburg GmbH & Co. KG, Ahrensburg	Germany	37.45	v
Prinovis Dresden GmbH & Co. KG, Dresden	Germany	37.45	v
Prinovis Itzehoe GmbH & Co. KG, Hamburg	Germany	37.45	v
Prinovis Itzehoe Service GmbH, Hamburg	Germany	37.45	v
Prinovis Itzehoe Weiterverarbeitung und Logistik GmbH, Itzehoe	Germany	37.45	v
Prinovis Klebebindung GmbH, Nuremberg	Germany	37.45	v
Prinovis Ltd. & Co. KG, Hamburg	Germany	37.45	v
Prinovis Nürnberg GmbH & Co. KG, Nuremberg	Germany	37.45	v
ProBind Professional Binding GmbH, Gütersloh	Germany	100.00	v
TV Information Services GmbH, Nuremberg	Germany	100.00	v
Vogel Druck & Medienservice GmbH, Höchberg	Germany	100.00	v
Wahl Media GmbH, Munich	Germany	100.00	v
Arti Grafiche Johnson S.p.A., Seriate	Italy	99.86	v
Berryville Graphics, Inc., Wilmington	U.S.	100.00	v
Cobrhí, S.L., Sant Vicenc dels Horts (Barcelona)	Spain	100.00	v

Coral Graphics Services, Inc., Horsham	U.S.	95.10	v
Dynamic Graphic Finishing, Inc., Dauphin County	U.S.	95.10	v
Eurogravure S.p.A., Bergamo	Italy	69.90	v
Eurohueco, S.A., Castellbisbal (Barcelona)	Spain	75.00	v
Istituto Italiano d'Arti Grafiche S.p.A., Bergamo	Italy	99.86	v
Mohn Media France S.A.R.L., Villepinte	France	100.00	v
Nuovo Istituto Italiano d'Arti Grafiche S.p.A., Bergamo	Italy	99.86	v
OAO Jaroslawsjij Poligraphitscheskij Kombinat, Yaroslavl	Russia	84.98	v
Offset Paperback MFRS., Inc., Dallas	U.S.	100.00	v
OOO Distribuziony zentr Bertelsmann, Yaroslavl	Russia	100.00	v
Prinovis Liverpool Limited, London	U.K.	37.45	v
Printer Colombiana, S.A., Santa Fé de Bogotá	Columbia	50.00	v
Printer Industria Gráfica Newco, S.L., Sant Vicenc dels Horts (Barcelona)	Spain	100.00	v
Printer Portuguesa-Indústria Gráfica, Limitada, Mem Martins (Algueirão)	Portugal	100.00	v
Rotedic, S.A., Sant Vicenc dels Horts (Barcelona)	Spain	100.00	v
Services			
1 18 18 Auskunft GmbH, Dortmund	Germany	100.00	v
Abacus Deutschland GmbH & Co. KG, Dortmund	Germany	63.00	v
ABIS GmbH, Frankfurt	Germany	18.52	q
Adress Research GmbH, Gütersloh	Germany	24.70	q
Arvato Direct Services Brandenburg GmbH, Brandenburg	Germany	100.00	v
Arvato Direct Services Cottbus GmbH, Cottbus	Germany	100.00	v
Arvato Direct Services Dortmund GmbH, Dortmund	Germany	100.00	v
Arvato Direct Services Eiweiler GmbH, Heusweiler-Eiweiler	Germany	100.00	v
Arvato Direct Services Erfurt GmbH, Erfurt	Germany	100.00	v
Arvato Direct Services Frankfurt GmbH, Frankfurt	Germany	100.00	v
Arvato Direct Services GmbH, Gütersloh	Germany	100.00	v
Arvato Direct Services Gütersloh GmbH, Gütersloh	Germany	100.00	v
Arvato Direct Services Münster GmbH, Münster	Germany	100.00	v
Arvato Direct Services Neckarsulm GmbH, Neckarsulm	Germany	100.00	v
Arvato Direct Services Neubrandenburg GmbH, Neubrandenburg	Germany	100.00	v
Arvato Direct Services Stralsund GmbH, Stralsund	Germany	100.00	v
Arvato Direct Services Stuttgart GmbH, Kornwestheim	Germany	100.00	v
Arvato Direct Services Wilhelmshaven GmbH, Schortens	Germany	100.00	v
Arvato Direct Services Wuppertal GmbH, Wuppertal	Germany	100.00	v
Arvato Distribution GmbH, Harsewinkel	Germany	100.00	v
Arvato Logistics Services GmbH, Gütersloh	Germany	100.00	v
Arvato Media GmbH, Gütersloh	Germany	100.00	v
Arvato Services healthcare Germany GmbH, Monheim	Germany	100.00	v
Arvato Services Neubrandenburg GmbH, Neubrandenburg	Germany	100.00	v
Arvato Services Potsdam GmbH, Potsdam	Germany	100.00	v
Arvato Services Rostock GmbH, Rostock	Germany	100.00	v
Auskunftei Kämpfer GmbH, Nuremberg	Germany	63.00	v
AZ Direct GmbH, Gütersloh	Germany	63.00	v
Bedirect GmbH & Co. KG, Gütersloh	Germany	50.00	q
BFS Finance GmbH, Verl	Germany	63.00	v
BFS Finance Münster GmbH, Münster	Germany	63.00	v
BFS Health Finance GmbH, Dortmund	Germany	63.00	v
BFS Risk & Collection GmbH, Verl	Germany	63.00	v
BFS Risk Management GmbH, Verl	Germany	63.00	v
Credidata – Gesellschaft für allgemeine Datenverarbeitung mit beschränkter Haftung – Allgemeine Verrechnungsstelle und Kreditversicherung, Baden-Baden	Germany	63.00	v
Cross Marketing Arvato Services GmbH, Munich	Germany	100.00	v
Deutsche Post Adress GmbH & Co. KG, Bonn	Germany	30.87	q
E-Score GmbH, Baden-Baden	Germany	63.00	v
Informa Unternehmensberatung GmbH, Baden-Baden	Germany	63.00	v
Infoscore Accounting Services GmbH, Baden-Baden	Germany	63.00	v
Infoscore Business Data GmbH, Baden-Baden	Germany	63.00	v
Infoscore Business Support GmbH, Baden-Baden	Germany	63.00	v
Infoscore Consumer Data GmbH, Baden-Baden	Germany	46.27	v
Infoscore Finance GmbH, Baden-Baden	Germany	63.00	v
Infoscore Forderungsmanagement GmbH, Baden-Baden	Germany	63.00	v
Infoscore Software Service GmbH, Baden-Baden	Germany	63.00	v
Isar Inkasso GmbH, Munich	Germany	63.00	v
Lambourne Productions GmbH, Herne	Germany	100.00	v
Media Log Spedition GmbH, Gütersloh	Germany	100.00	v
Nürnberg Inkasso GmbH, Nuremberg	Germany	63.00	v
Rough Trade Distribution GmbH, Herne	Germany	100.00	v
Süd-Westdeutsche Inkasso GmbH, Baden-Baden	Germany	63.00	v
Thomas Abeking Verlag für technische Dokumentation GmbH, Grefrath	Germany	100.00	v
Verlag Automobil Wirtschaft GmbH, Grefrath	Germany	100.00	v
Verlegerdienst München GmbH, Gilching	Germany	100.00	v
Webmiles GmbH, Munich	Germany	100.00	v
ABDSF - Arvato Business Development Services France SARL, Noyelles Sous Lens	France	100.00	v
ACSF - Arvato Communication Services France SARL, Metz	France	100.00	v
Address Research AG, Risch	Switzerland	63.00	v
ALSF - Arvato Logistique Services France SARL., Atton	France	100.00	v
AMSF - Arvato Media Services France SAS., Malakoff	France	100.00	v
Aquitel S.A.S., Chasseneuil du Poitou	France	100.00	v
Arvato Customer Services N.V., Kontich	Belgium	100.00	v
Arvato Finance Services Limited, Dublin	Ireland	100.00	v
Arvato Government Services (ERYC) Limited, Beverley	U.K.	100.00	v
Arvato Government Services Limited, Beverley	U.K.	80.10	v
Arvato Loyalty Services Ltd., London	U.K.	100.00	v
Arvato Services ag, Pratteln	Switzerland	100.00	v
Arvato Services Asia Pacific Pte Ltd, Singapore	Singapore	100.00	v
Arvato Services Australia Pacific Pty. Ltd., Castle Hill (Sydney)	Australia	100.00	v
Arvato Services Belgium N.V., Antwerp	Belgium	100.00	v
Arvato Services Benelux B.V., Abcoude	Netherlands	100.00	v
Arvato Services Estonia OÜ, Tallinn	Estonia	100.00	v
Arvato Services healthcare France S.A.S., Lognes	France	100.00	v
Arvato Services Ibérica, S.A., Barcelona	Spain	100.00	v
Arvato Services Italia S.r.l., Bergamo	Italy	100.00	v
Arvato Services Limited, Liverpool	U.K.	100.00	v
Arvato Services Nederland B.V., Abcoude	Netherlands	100.00	v
Arvato Services S.A., Buenos Aires	Argentina	100.00	v
Arvato Services Sweden AB, Malmö	Sweden	100.00	v
Arvato Telekomünikasyon Hizmetleri Anonim Sirketi, Istanbul	Turkey	100.00	v
Arvato Teleservice ApS, Esbjerg	Denmark	100.00	v
Arvato Teleservice Societ� Anonyme Telecommunications Services & Equipment, Athens	Greece	100.00	v
Arvato-AZ Direct GmbH, Vienna	Austria	63.00	v
ASF - Arvato Services France SARL, Noyelles sous Lens	France	100.00	v
AZ Direct AG, Risch	Switzerland	63.00	v
Bertelsmann Commercial Services (Shanghai) Co., Ltd., Shanghai	China	100.00	v
Bertelsmann Marketing Service India Private Limited, New Delhi	India	100.00	v
Ceacom SARL, Le Havre	France	100.00	v
Creditexpress Magyarorszag Penz�gyi Szolgaltato Kft., Budapest	Hungary	32.13	q
Data Mailing SAS, Geispolsheim	France	100.00	v
DM Michelotti AG, Risch	Switzerland	63.00	v
Duacom SARL, Douai	France	100.00	v
Euroroutage data marketing et logistique services SAS., Geispolsheim	France	100.00	v
Euroroutage data SARL, Bonneuil sur Marne	France	100.00	v
Infoscore Austria GmbH, Vienna	Austria	63.00	v
Infoscore Inkasso AG, Schlieren	Switzerland	63.00	v
Infoscore Software Services Ireland Limited, Kilkenny	Ireland	63.00	v
Moonriver Group Ltd., London	U.K.	100.00	v
Nordcall S.A.R.L., Marcq-en-Baoreul	France	100.00	v
Phone Assistance, S.A., Casablanca	Morocco	59.50	v
Phone Group, S.A., Casablanca	Morocco	60.00	v
Phone Online S.A.R.L., Casablanca	Morocco	59.98	v
Phone Serviplus, S.A., Casablanca	Morocco	59.52	v
Pinnacle Arvato Limited, Warley	U.K.	100.00	v
Pinnacle Entertainment Limited, Orpington	U.K.	100.00	v
Pinnacle Software Limited, Orpington	U.K.	100.00	v
SMED S.A.S., Bussy Saint-Georges	France	100.00	v
Teleservice International Portugal, Lda., Porto	Portugal	100.00	v
Teleservice International Switzerland GmbH, Baar	Switzerland	100.00	v

Consolidated Income Statement
Consolidated Balance Sheet
Consolidated Cash Flow Statement
Segment Reporting
Notes

Teleservice International Telefon Onarim ve Ticaret Limited Sirketi, Istanbul	Turkey	100.00	v
Total Distribución, S.A., Alcorón (Madrid)	Spain	100.00	v
VAW CZ, s.r.o., Mladá Boleslav	Czech Republic	100.00	v
Verlag Automobil Wirtschaft (Pty.) Ltd., Greenacres, Port Elizabeth	South Africa	100.00	v
Verlag Automobil Wirtschaft do Brasil Ltda., Sao Paulo	Brazil	100.00	v
Digital Services			
Arvato Storage Media GmbH, Gütersloh	Germany	100.00	v
Sonopress GmbH, Gütersloh	Germany*	100.00	v
Topac Multimedia Print GmbH, Gütersloh	Germany	100.00	v
Arvato de Mexico, S.A. de C.V., Lomas de Chapultepec	Mexico	100.00	v
Arvato Digital Services Canada, Inc., Kitchener	Canada	100.00	v
Arvato Digital Services Limited, Hong Kong	China	100.00	v
Arvato Digital Services LLC, Valencia	U.S.	100.00	v
Arvato Digital Services Pty Ltd., New South Wales	Australia	100.00	v
Arvato do Brasil Indústria e Serviços Gráficos, Logística e Distribuidora Ltda., Sao Paulo	Brazil	100.00	v
Arvato Prosoft Scitechnology (Xiamen) Co., Ltd., Xiamen	China	100.00	v
Foshan City Xin Jin Sheng Electronics Company Ltd., Foshan	China	65.00	v
OOO Sonopress, Yaroslavl	Russia	100.00	v
Sonopress (U.K.) Limited, Wednesbury	U.K.	100.00	v
Sonopress France S.A.S., Paris	France	100.00	v
Sonopress Iber-Memory S.A., Coslada (Madrid)	Spain	100.00	v
Sonopress Ireland Limited, Dublin	Ireland ¹	100.00	v
Sonopress Italia S.r.l., Milan	Italy	100.00	v
Sonopress Shanghai Multimedia Technology Co. Ltd., Shanghai	China	100.00	v
Sonopress Shenzhen Multimedia Technology Co., Ltd., Shenzhen	China	100.00	v
Sonopress Singapore Pte Ltd, Singapore	Singapore	100.00	v
Sonopress South Africa (Proprietary) Limited, Kya Sands, Johannesburg	South Africa	100.00	v
Sonopress-Rimo Indústria e Comércio Fonográfica S.A., Sao Paulo	Brazil	52.00	v
Zhejiang Huahong Opto Electronics Group Co. Ltd., Zhejiang Province	China	29.70	e
IT			
Arvato Mobile GmbH, Hamburg	Germany	100.00	v
Arvato Systems GmbH Infrastructure Consulting, Dortmund	Germany	100.00	v
Arvato Systems GmbH, Gütersloh	Germany	100.00	v
Arvato Systems technologies GmbH, Rostock	Germany	100.00	v
Empolis GmbH, Gütersloh	Germany	100.00	v
In2movies GmbH & Co. KG, Hamburg	Germany	49.00	e
Moconta GmbH & Co. KG, Gütersloh	Germany	50.00	q
S 4 M Solutions for Media GmbH, Cologne	Germany	80.16	v
Arvato Mobile S.p.A., Rome	Italy	100.00	v
Arvato mobile Solucoes para Telefonía Móvel, Ltda., Sao Paulo	Brazil	100.00	v
Arvato Mobile U.K. Limited, London	U.K.	100.00	v
Arvato Systems (Shanghai) Co. Ltd., Shanghai	China	100.00	v
Arvato Systems North America, Inc., Wilmington	U.S.	100.00	v
empolis Polska Spółka z ograniczona odpowiedzialnoscia, Poznan	Poland	100.00	v
Others			
inmediaONE GmbH, Gütersloh	Germany	100.00	v
Alldirekt Telemarketing GmbH, Salzburg	Austria	100.00	v
Faksimilie Verlag	Switzerland	100.00	v
Verlagsservice für Bildungssysteme und Kunstobjekte Gesellschaft m.b.H. & Co. KG, Vienna	Austria	75.00	v
Verlagsservice Süd AG, Zug	Switzerland	100.00	v

Direct Group

German-speaking countries

Nionex GmbH, Gütersloh	Germany	100.00	v
Otto Media GmbH & Co KG, Hamburg	Germany	50.00	q
RM Buch und Medien Vertrieb GmbH, Gütersloh	Germany	100.00	v
RTL Club GmbH, Rheda-Wiedenbrück	Germany	100.00	v
Wissen.de, Munich	Germany*	100.00	v
Wissen Media Verlag, Gütersloh	Germany*	100.00	v

Bertelsmann Medien (Schweiz) AG, Zug	Switzerland	100.00	v
Buchgemeinschaft Donauland Kremayr & Scheriau, Vienna	Austria	75.00	v
Iberian Peninsula/South America			
Bertrand Editora Ltda., Lisbon	Portugal	100.00	v
Circulo de Lectores de Venezuela, S.A., Caracas	Venezuela	50.00	v
Circulo de Lectores, S.A., Barcelona	Spain	100.00	v
Circulo de Lectores S.A., Bogota	Colombia	50.00	v
Circulo de Leitores, S.A., Lisbon	Portugal	100.00	v
Circulo de Lectores S.A., Quito	Ecuador	50.00	v
Distribuidora de Livros Bertrand Ltda., Lisbon	Portugal	100.00	v
Intermedio Editores Ltda., Bogota	Colombia	49.99	v
Lexicultural – Actividades Editoriais, Limitada, Buraca (Lisbon)	Portugal	100.00	v
Librerias Bertrand, S.L., Barcelona	Spain	100.00	v
Livraria Bertrand Sociedade de Comercio Livreiro S.A., Lisbon	Portugal	100.00	v
French and Flemish-speaking countries			
Alsatia S.A., Mulhouse	France	99.87	v
France Loisirs S.A.S., Paris	France	100.00	v
ECI voor Boeken en Platen B.V., Vianen	Netherlands	100.00	v
Euroboek N.V., Antwerp	Belgium	100.00	v
France Loisirs Belgique S.A., Ath	Belgium	100.00	v
France Loisirs (Suisse) S.A., Crissier	Switzerland	100.00	v
Le Grand Livre du Mois S.A., Paris	France	45.53	v
Le Groupe Librairies Privat, Librairies du Savoir S.A., Paris	France	100.00	v
Livres et Compagnie S.A.S., Paris	France	100.00	v
Livres Invest S.A.S., Paris	France	49.50	e
Progi Invest S.A.S., Paris	France	49.50	e
Québec Loisirs Inc., Ville St. Laurent	Canada	100.00	v
Société Générale d'Édition et de Diffusion SGED, s.n.c. (i.L.), Paris	France	50.00	q
Italy/Eastern Europe			
Bertelsmann Media Moskau AO, Moscow	Russia	100.00	v
Bertelsmann Media – Swiat Ksiazki, Warsaw	Poland*	100.00	v
Book Club „Family Leisure Club” Ltd., Belgorod	Russia	100.00	v
Book Club „Family Leisure Club” Ltd., Charkow	Ukraine	100.00	v
Euromedia Group k.s., Prague	Czech Republic	100.00	v
Ikar a.s., Bratislava	Slovakia	100.00	v
Mondolibri S.p.A., Milan	Italy	50.00	q
Asia			
Daekyo Bertelsmann Co., Ltd., Seoul	Korea	39.41	e
Daekyo Bertelsmann Educational Services Limited, Hong Kong	China	50.00	q
Direct Sourcing (HK) Ltd., Hong Kong	China	100.00	v
Liaoning Bertelsmann Book Distribution Co., Ltd., Shenyang	China	49.00	q
Shanghai Inopi Education Information Consulting Co. Ltd., Shanghai	China	50.00	q
Shanghai Hong Kou District Shang Di Further Training School, Shanghai	China	50.00	q
Shanghai Bertelsmann Culture Industry Co. Ltd., Shanghai	China	80.00	v
English-speaking countries			
Bertelsmann Direct North America, Inc., Dauphin County	U.S.	100.00	v
Book Club Associates, London	U.K.	100.00	v
Bookspan (Partnership), Delaware	U.S.	100.00	v
Doubleday Australia Pty. Ltd., Lane Cove (Sydney)	Australia	100.00	v
Doubleday Canada Ltd., Toronto	Canada	100.00	v
Columbia House Company Canada, Scarborough	Canada	100.00	v
Others			
Buch.de internetstores Aktiengesellschaft, Münster	Germany	26.70	e

¹⁾ The company has availed of exemptions under section 17 of the Irish Companies' (Amendment) Act 1986 from publicly filing its financial statements.

As of December 31, 2007

Ownership of Group companies in percentage.

Consolidation method is defined as follows:

v = fully consolidated

q = proportionally consolidated

e = associated companies recognized at equity

* = operating unit

32 Exemption for Domestic Companies from Preparation, Audit and Publication of Financial Statements

The following subsidiaries took advantage of the exemption regulations set out in section 264 (3) HGB relating to additional requirements for limited liability companies to prepare annual financial

Abacus Deutschland Verwaltungs GmbH	Dortmund
Adler Immobilienverwaltungs GmbH	Gütersloh
Arvato AG	Gütersloh
Arvato Direct Services Brandenburg GmbH	Brandenburg
Arvato Direct Services Cottbus GmbH	Cottbus
Arvato Direct Services Dortmund GmbH	Dortmund
Arvato Direct Services eiweiler GmbH	Heusweiler-Eiweiler
Arvato Direct Services Erfurt GmbH	Erfurt
Arvato Direct Services Frankfurt GmbH	Frankfurt am Main
Arvato Direct Services GmbH	Gütersloh
Arvato Direct Services Gütersloh GmbH	Gütersloh, Springe
Arvato Direct Services Münster GmbH	Münster
Arvato Direct Services Neckarsulm GmbH	Neckarsulm
Arvato Direct Services Stralsund GmbH	Stralsund
Arvato Direct Services Stuttgart GmbH	Kornwestheim
Arvato Direct Services telco Neubrandenburg GmbH	Neubrandenburg
Arvato Direct Services Wilhelmshaven GmbH	Schortens
Arvato Direct Services Wuppertal GmbH	Wuppertal
Arvato Distribution GmbH	Harsewinkel
Arvato dritte Beteiligungs GmbH	Gütersloh
Arvato erste Beteiligungs GmbH	Gütersloh
Arvato fünfte Beteiligungs GmbH	Gütersloh
Arvato Infoscure GmbH	Baden-Baden
Arvato Logistics Services GmbH	Gütersloh
Arvato Media GmbH	Gütersloh
Arvato Mobile Beteiligungs GmbH	Gütersloh
Arvato Mobile GmbH	Hamburg
Arvato Services Erfurt GmbH	Erfurt
Arvato Services healthcare Germany GmbH	Monheim
Arvato Services Neubrandenburg GmbH	Neubrandenburg
Arvato Services Potsdam GmbH	Potsdam
Arvato Services Rostock GmbH	Rostock
Arvato Services solutions GmbH	Gütersloh
Arvato Services Stuttgart GmbH	Stuttgart
Arvato Storage Media GmbH	Gütersloh
Arvato Systems GmbH	Gütersloh
Arvato Systems Technologies GmbH	Rostock
Arvato vierte Beteiligungs GmbH	Gütersloh
Arvato zweite Beteiligungs GmbH	Gütersloh
ASM Holding GmbH	Gütersloh
Auskunftei Kämpfer GmbH	Nuremberg
AZ Direct Beteiligungs GmbH	Gütersloh
AZ Direct GmbH	Gütersloh
Bertelsmann Capital Holding GmbH	Hamburg
Bertelsmann Capital Investment Consulting GmbH	Gütersloh
Bertelsmann Immobilien GmbH	Gütersloh
Bertelsmann Korea Beteiligungs GmbH	Gütersloh
Bertelsmann Music Group GmbH	Gütersloh, Munich
Bertelsmann Treuhand- und Anlagegesellschaft mit beschränkter Haftung	Gütersloh
BFS Finance GmbH	Verl
BFS Finance Münster GmbH	Münster
BFS Health Finance GmbH	Dortmund
BFS Risk & Collection GmbH	Verl
Credidata - Gesellschaft für allgemeine Datenverarbeitung mit beschränkter Haftung	Baden-Baden
Cross Marketing Arvato Services GmbH	Munich
Deutscher Supplement Verlag GmbH	Nuremberg
DeutschlandCard GmbH	Munich
Direct Group Bertelsmann GmbH	Gütersloh
Direct Sourcing Germany GmbH	Gütersloh
Empolis GmbH	Gütersloh
E-Score GmbH	Baden-Baden
GGP Media GmbH	Pößneck
Global Assekuranz Vermittlungsgesellschaft mit beschränkter Haftung	Gütersloh
Hotel & Gastronomie Gütersloh GmbH	Gütersloh
IFS Beteiligungs GmbH	Baden-Baden
Informa Unternehmensberatung GmbH	Baden-Baden
Infoscure Business Data GmbH	Baden-Baden

statements and a management report, as well as the requirements for audit of, and publication by, limited liability companies for the year ended December 31, 2007:

Infoscure Business Support GmbH	Baden-Baden
Infoscure Consumer Data GmbH	Baden-Baden
Infoscure Datenmanagement Beteiligungs GmbH	Baden-Baden
Infoscure Financial Services GmbH	Baden-Baden
Infoscure Forderungsmanagement GmbH	Baden-Baden
Infoscure Infodata Beteiligungs GmbH	Baden-Baden
Infoscure Software Service GmbH	Baden-Baden
InmediaONE] GmbH	Gütersloh
Isar-Inkasso-GmbH	Munich
Lambourne Productions GmbH	Herne
Maul + Co - Chr. Belsger GmbH	Nuremberg
Media Log Spedition GmbH	Gütersloh
Medien Dr. phil. Egon Müller Service GmbH	Verl
Medienfabrik Gütersloh GmbH	Gütersloh
Mohn Media Bindery GmbH	Gütersloh
Mohn Media Energy GmbH	Gütersloh
Mohn Media Kalender & Promotion Service GmbH	Gütersloh
Mohn Media Print GmbH	Gütersloh
Mohn Media Sales GmbH	Gütersloh
Nionex GmbH	Gütersloh
Nürnberger Inkasso GmbH	Nuremberg
ProBind Professional Binding GmbH	Gütersloh
PSC Print Service Center GmbH	Oppurg
Reinhard Mohn GmbH	Gütersloh
RM Buch und Medien Vertrieb GmbH	Gütersloh, Berlin, Rheda-Wiedenbrück
RM Customer Direct GmbH	Nordhorn
RM Filial-Vertrieb GmbH	Rheda-Wiedenbrück
RM Kunden-Service GmbH	Gütersloh, Rheda-Wiedenbrück
RM Promotion GmbH	Gütersloh
Rough Trade Distribution GmbH	Herne
RTL Club GmbH	Rheda-Wiedenbrück
Scoyo GmbH	Hamburg
Süd-Westdeutsche Inkasso GmbH	Baden-Baden
TV Information Services GmbH	Nuremberg
Verlag RM GmbH	Gütersloh
Verlagsgruppe Random House GmbH	Gütersloh, Munich
Verlagsgruppe Random House GmbH - Random House Audio	Cologne
Verlegerdienst München GmbH	Gilching
Vogel Druck - und Medienservice GmbH	Höchberg
Wahl Media GmbH	Munich
Wissen Media Group GmbH	Munich
1 18 18 Auskunft GmbH	Dortmund

The exemption provisions set out in para. 264 b HGB were again used for the following companies for the year ended December 31, 2007:

Abacus Deutschland GmbH & Co. KG	Dortmund
Berliner Presse Vertrieb GmbH & Co. KG	Berlin
Bertelsmann Constanze Internet GmbH & Co. KG	Gütersloh
Bertelsmann Special Investor GmbH & Co. KG	Gütersloh
Börse Online Verlag GmbH & Co. KG	Munich
Döbelner Verlagsgesellschaft GmbH & Co. KG	Döbeln
Dresdner Druck- und Verlagshaus GmbH & Co. KG	Dresden
Ehrlich & Sohn GmbH & Co. KG	Hamburg
Entertainment Media Verlag GmbH & Co. KG	Dornach
G+J Immobilien GmbH & Co. KG	Hamburg
Gruner + Jahr AG & Co KG	Hamburg
IP Internationale Presse - MD & M Pressevertrieb GmbH & Co. KG	Mörfelden-Walldorf
Kurier Direktservice Dresden GmbH & Co. KG	Dresden
Motor Presse Stuttgart GmbH & Co. KG	Stuttgart
Motor-Presse International Verlagsgesellschaft Holding mbH & Co. Betriebs-KG	Stuttgart
Prinovis Ahrensburg GmbH & Co. KG	Ahrensburg
Prinovis Dresden GmbH & Co. KG	Dresden
Prinovis Itzehoe GmbH & Co. KG	Itzehoe
Prinovis Ltd. & Co. KG	Hamburg
Prinovis Nürnberg GmbH & Co. KG	Nuremberg
SI special interest - MD & M Pressevertrieb GmbH & Co. KG	Mörfelden-Walldorf
Sport+Freizeit Verlag GmbH & Co. KG	Stuttgart

33 Recommendation on Appropriation of Retained Earnings

On June 2, 2008, a total of 76 million will be distributed to the profit participation certificates from Bertelsmann AG's retained earnings of €501 million in accordance with the Articles of Association. The

Executive Board will recommend to the Annual General Meeting that the remaining retained earnings of €425 million be appropriated as follows:

	in € millions
Remaining retained earnings	425
Dividends to shareholders	(120)
Carryforward to new year	305

Accordingly, the dividend per ordinary share is €1,433.

Bertelsmann AG's Executive Board approved the consolidated financial statements for issuance to the Supervisory Board on

March 4, 2008. The Supervisory Board is responsible for reviewing the consolidated financial statements and stating whether it approves the consolidated financial statements.

Gütersloh, March 4, 2008

Bertelsmann AG
The Executive Board

Ostrowski	Buch	Dr. Kundrun
Olson	Dr. Rabe	Zeiler

Corporate Governance at Bertelsmann

Striving for modern, responsible Corporate Governance continues to be part of Bertelsmann's identity and an important element in its corporate culture. The recognized standards set forth by the German Corporate Governance Code in the version dated June 14, 2007 serves as Bertelsmann AG's guideline in ensuring good corporate leadership and control.

The Bertelsmann AG Executive Board is responsible for independently managing the enterprise. It informs the Supervisory Board regularly, without delay and comprehensively, of all issues significant to the enterprise regarding planning, business development, financial and earnings situation, risk situations and risk management. The Supervisory Board supervises the Executive Board and advises it in strategic matters and significant business operations. The Executive and Supervisory Boards co-operate closely and are therefore able to reconcile the demands of effective corporate governance with the necessity of rapid decision-making. Fundamental matters of corporate strategy and its implementation are candidly discussed and coordinated in joint sessions. Any significant measures to be taken by the Executive Board are subject to the agreement of the Supervisory Board. The shareholders exercise their rights at the Annual General Meeting and vote there. Among other responsibilities, the Annual General Meeting, resolves on amendments to the articles of association as well as the appropriation of net income and elects members to the Supervisory Board. The members of the Executive Board are appointed by the Supervisory Board. The members of both the Executive and Supervisory Boards are obligated in their assignments to serve the company's best interests.

For some time, an integral component of the Supervisory Board's work at Bertelsmann has been the delegation of task assignments to committees with sufficient expertise. In doing so, the supervisory efficiency and advisory competence of the Supervisory Board is increased. In addition to the Personnel Committee, the Bertelsmann AG Supervisory Board has formed a Strategy and Investment Committee, an Audit and Finance Committee, as well as a Working Group of Employee Representatives on the Supervisory Board.

The breadth and range of responsibilities and tasks delegated to these committees is continuously reviewed through various evaluation processes. The size and composition of the Supervisory Board, with the professional competence of its members, are an essential foundation to its effectiveness and independence. The recent extensive evaluation of the Supervisory Board's work conducted by Bertelsmann confirmed its efficiency.

As a result of the most recent adjustment to the Codex, the Personnel Committee has additionally taken on the tasks of a Nomination Committee and in this capacity nominates suitable candidates for the Supervisory Board to propose to the Annual General Meeting. Pursuant to the new Codex recommendation, it is now explicitly stated that the Audit and Finance Committee also concerns with compliance at Bertelsmann.

Compliance is not a new topic at Bertelsmann: The observance of laws and internal rules has always been a priority for the group. Social responsibility and ethical conduct toward employees, customers, business partners, public authorities and the environment and society in the broadest sense have long been elemental to Bertelsmann's value system, and may be derived from the principles set forth in the Bertelsmann Essentials.

At the same time, Bertelsmann is constantly looking into current and future requirements to lastingly avoid legal risks and their repercussions. Bertelsmann's compliance architecture is to be expanded to this end. Preparations for this were made during the past year. A group-wide whistle blower system was developed, and a compliance assessment performed at the Corporate Center, with the assistance of external consultants. The Bertelsmann Code of Conduct, which was drawn up during the year under review and will be introduced in 2008, will serve as a shared guideline for our future decisions and actions. The Code of Conduct applies for all Bertelsmann companies, for all Bertelsmann board members and executives, and for all Bertelsmann employees worldwide.

Since the buyback of GBL's stake in Bertelsmann, the Bertelsmann Verwaltungsgesellschaft (BVG) controls 100 percent of the voting rights at the Bertelsmann AG Annual General Meeting. The BVG's mandate is to uphold the interests of the Bertelsmann Stiftung foundation and the Mohn family as Bertelsmann AG shareholders, and to safeguard the continuity of the company's management and Bertelsmann's distinctive corporate culture.

The shareholders of BVG consist of three representatives of the Mohn family and three other shareholders who are elected by the BVG Shareholders' Meeting.

Bertelsmann AG is an unlisted company; 100 percent of the voting rights at the Annual General Meeting are controlled by the BVG. Nonetheless, the company closely follows the recommendations of the June 14, 2007 version of the German Corporate Governance Code, which primarily addresses listed companies. Exceptions are made primarily in respect to those code guidelines which, in the opinion of Bertelsmann AG, apply to publicly held enterprises with large numbers of shareholders. Individual compensation and incentives paid to the members of the Bertelsmann AG Executive Board and Supervisory Board are not made public, but is disclosed to the shareholders of Bertelsmann AG. Furthermore, the Director's and Officer's liability insurance (D&O) provides for no deductible for members of the Executive and Supervisory Boards.

The Executive Board

The Supervisory Board

Report of the Supervisory Board



GUNTER THIELEN
Chairman of the Supervisory Board of Bertelsmann AG

During fiscal year 2007, the Supervisory Board fulfilled the duties incumbent upon it by law, the articles of association and the by-laws. It was involved in all decisions of key relevance to the company. The Supervisory Board received regular oral and written reports on the business developments, the situation of the company including its risk situation and plans for major investment projects. It was informed regularly about developments regarding the group's financial situation in order to monitor the systematic reduction of financial debt. The Supervisory Board focused particular attention on the development of a compliance program. The Supervisory Board continually observed and accompanied the development of corporate governance at Bertelsmann. The Corporate Governance Report presents a joint account of corporate governance matters at Bertelsmann by the Executive and Supervisory Boards. There were no conflicts of interest within the Supervisory Board.

Deviations of business performance from plans and objectives were outlined in detail to the Supervisory Board and reviewed by its members regularly. It discussed the company's strategic development and significant business transactions with the Executive Board, made recommendations and monitored compliance with outline conditions set for the company's management.

To fulfill its mandate as effectively as possible, the Supervisory Board has established three committees: the Personnel Committee, the Strategy and Investment Committee, and the Audit and Finance Committee. These committees prepare the topics to be addressed during the Supervisory Board's plenary meetings. In particular cases, the Supervisory Board's decision-making powers were transferred to the committees to the extent that this is permitted by law. Apart from these committees, there is a Working Group of Employee Representatives on the Supervisory Board. This arrangement has proven to be an excellent aid in the Supervisory Board's practical work. Since early September, the Personnel Committee also has taken on the task of a Nomination Committee and in this capacity recommends to the Supervisory Board suitable candidates for its endorsement to the Annual General Meeting.

During fiscal year 2007, the Supervisory Board convened for four regular meetings. The Strategy and Investment Committee met six times, including conference calls. The Personnel Committee convened four times, and the Audit and Finance Committee met five times, including conference calls. The Working Group of Employee Representatives on the Supervisory Board convened four times. In each case, the work done by the respective Supervisory Board committee was reported regularly in the subsequent Supervisory Board session. Between meetings, the Supervisory Board was notified, in writing, about projects and plans that were of special relevance and urgency for the company and – if applicable – asked for its opinion and/or decision on the matter. Beyond the Supervisory Board meetings, the Chairman of the Supervisory Board maintained an ongoing dialog with the Executive Board in general and its Chairman and CEO in particular. The primary topics covered were the current business situation and major business transactions.

Bertelsmann AG's consolidated financial statements and group management report for the fiscal year from January 1 through December 31, 2007, were audited by KPMG Deutsche Treuhand-Gesellschaft Wirtschaftsprüfungsgesellschaft, Berlin, and received an unqualified auditor's opinion. The Supervisory Board Audit and Finance Committee had determined the main focuses of the annual audit earlier together with the auditor.

The KPMG audit reports and the other annual accounting documents had been submitted to all members of the Supervisory Board and were on the agenda at the financial review meetings of the Audit and Finance Committee and the Supervisory Board; the findings of the audit were discussed in detail in each case. The auditor attended the financial review meetings both of the Audit and Finance Committee and of the Supervisory Board itself, at which the auditor gave an extensive report and answered questions. The Supervisory Board noted and accepted the findings of the audit. After its own final scrutiny of the consolidated financial statements and the group management report, the Supervisory Board – acting in accordance with the Audit and Finance Committee's recommendation – raises no objections. The Supervisory Board approves the consolidated financial statements as prepared by the Executive Board.

The following changes were made to the Bertelsmann AG Executive Board during the year under review: On January 19, 2007, Hartmut Ostrowski was appointed the new Chairman of Bertelsmann AG's Executive Board, effective January 1, 2008. Likewise, on January 19, 2007, Rolf Buch was appointed a member of the Bertelsmann AG Executive Board, effective January 1, 2008. Effective December 31, 2007, Dr. Gunter Thielen, Chairman of the Executive Board, resigned from the Bertelsmann AG Executive Board. The Supervisory Board thanks Dr. Thielen for his very successful leadership. Effective December 31, 2007, also Dr. Ewald Walgenbach resigned from the Bertelsmann AG Executive Board. The Supervisory Board thanks Dr. Walgenbach for his dedicated and longtime service to the company.

The year under review saw the following changes to the composition of the Supervisory Board: On May 14, 2007, the Bertelsmann AG Annual General Meeting elected Dr. Karl-Ludwig Kley, Chairman of the Executive Board of Merck KGaA, to the Supervisory Board. He succeeded Dr. Claus-Michael Dill, whose term of office expired at the same time. On December 31, 2007, Prof. Dr. Dieter H. Vogel, Managing Partner of Lindsay Goldberg Vogel GmbH, and Willi Pfannkuche, member of the Bertelsmann AG corporate works council, departed from the Supervisory Board. On May 14, 2007, the General Meeting elected Dr. Gunter Thielen to the Bertelsmann AG Supervisory Board with effect from January 1, 2008. On December

12, 2007, Bertelsmann AG's General Meeting elected Dr. Brigitte Mohn, Chairwoman of the German Stroke Foundation and board member of the Bertelsmann Stiftung foundation, to the Supervisory Board with effect from January 1, 2008. At year-end 2007, one seat on the Bertelsmann AG Supervisory Board was vacant. On January 8, 2008, Dr. Thielen was elected the new Chairman of the Supervisory Board.

The Supervisory Board thanks Dr. Dill and Mr. Pfannkuche for their trustful service and constructive contributions. Prof. Dr. Vogel served on the Supervisory Board for over 20 years, during 11 of which he was its Chairman. In the course of that time, he accompanied and influenced the positive development of Bertelsmann AG. The Supervisory Board extends a particular measure of appreciation to Prof. Dr. Vogel, who resigned from office at the year's conclusion.

Bertelsmann's core markets showed a largely stable performance in fiscal 2007. One notable exception were the music markets, which continued their negative trend worldwide. The group showed slight organic growth along with revenues declining overall. The group's return on sales was slightly below the previous year's figure. This was largely due to weaker developments in the Direct Group division.

Major investments approved by the Supervisory Board involved the acquisition of the second half of Bookspan as well as programming rights for the RTL Group's television channels. Furthermore, the Supervisory Board was closely involved in the decision to establish an equity fund.

During a full-day meeting with the Executive Board, the Supervisory Board discussed in detail fundamental issues regarding strategic group developments as well as the future strategy of major businesses in the group portfolio with regard to market appeal and competitive position.

The Supervisory Board expresses its recognition to the Executive Board for its entrepreneurial success during the past fiscal year. It also thanks all executives and employees for their dedication and achievements.

Gütersloh, March 14, 2008



Dr. Gunter Thielen

Supervisory Board

Reinhard Mohn Honorary Chairman

Dr. Gunter Thielen (since 1/1/2008)

Chairman (since 1/8/2008)
Chairman of the Executive Board,
Bertelsmann Stiftung (since 1/1/2008)

- Leipziger Messe GmbH
- Groupe Bruxelles Lambert (since 4/24/2007)

Prof. Dr. Dieter H. Vogel (until 12/31/2007) Chairman

Managing partner of Lindsay
Goldberg Vogel GmbH

- Klöckner & Co AG (Chairman)
- mobilcom AG (Chairman) (until 2/21/2007)
- telunico holding AG (Chairman) (until 2/21/2007)
- Debrunner König Holding
- Gerling-Konzern Versicherungs-Beteiligungs AG (until 9/30/2007)

Prof. Dr. Jürgen Strube Vice Chairman

Chairman of the Supervisory Board,
BASF SE (until 1/13/2008 "BASF AG")

- Allianz Deutschland AG
- BASF SE (Chairman) (until 1/13/2008 "BASF AG")
- BMW AG
- Commerzbank AG
- Fuchs Petrolub AG (Chairman)
- Hapag-Lloyd AG
- Linde AG

Dr. Wulf H. Bernotat

Chairman of the Executive Board,
E.ON AG

- Allianz SE
- Metro AG
- Evonik Industries AG (Chairman) (until 11/30/2007)
- RAG Aktiengesellschaft (Chairman) (until 11/30/2007)
- E.ON Energie AG (Chairman)
- E.ON Ruhrgas AG (Chairman)
- E.ON Nordic AB (Chairman)
- E.ON U.K. plc (Chairman)
- E.ON U.S. Investments Corp. (Chairman)
- E.ON Sverige AB (Chairman)

Dr. Claus-Michael Dill (until 5/14/2007) Chairman of the Executive Board, DAMP Holding AG

- DBV Winterthur Holding AG (until 1/31/2007)
- DBV Winterthur Krankenversicherung AG
- Kölnische Rückversicherung AG (Vice Chairman)
- TÜV Rheinland Holding AG (Chairman)
- Fachklinik Schleswig GmbH
- Hanse-Klinikum Stralsund GmbH
- Hanse-Klinikum Wismar GmbH
- Martin-Luther-Krankenhaus Schleswig GmbH
- TÜV Rheinland Berlin Brandenburg Pfalz e.V.

John R. Joyce

Managing Director Silver Lake

- Gartner, Inc.
- Avago Technologies Limited
- Serena Software, Inc.
- Hewlett Packard Company (since 5/17/2007)
- Silver Lake (Offshore) AIV GP II, Ltd.

Dr. Karl-Ludwig Kley (since 5/14/2007) Chairman of the Executive Board, Merck KGaA

- West LB AG (since 1/1/2007)
- MAN AG (until 8/31/2007)
- Vattenfall Europe AG (until 9/30/2007)

Dr. Hans-Joachim Körber

Chairman of the Executive Board,
Metro AG (until 10/31/2007)

- Kaufhof Warenhaus AG (Chairman) (until 10/31/2007)
- Real Holding GmbH (until 10/31/2007)
- Air Berlin PLC
- LP Holding GmbH (until 10/31/2007)
- Skandinaviska Enskilda Banken AB
- Sysco Corporation (since 1/1/2008)

Oswald Lexer

Vice Chairman of the Bertelsmann AG
Corporate Works Council

Prof. Dr.-Ing. Joachim Milberg Chairman of the Supervisory Board, BMW AG

- BMW AG (Chairman)
- Festo AG
- MAN AG (Vice Chairman) (until 5/10/2007)
- SAP AG (since 5/16/2007)
- Deere & Company

Dr. Brigitte Mohn (since 1/1/2008)

Chairwoman of the Stiftung Deutsche
Schlaganfallhilfe, Member of the
Executive Board, Bertelsmann Stiftung

- Rhön-Klinikum AG
- Deutsche Kinderturnstiftung (since 11/23/2007)

Christoph Mohn

Chief Executive Officer, Lycos Europe
N.V.

- Lycos Armenia csjc
- Jubii A/S
- Lycos U.K. Limited
- Lycos Italia S.r.l.
- Lycos Espana Internet Services S.L.
- Lycos Netherlands B.V.
- Lycos Europe B.V.

Liz Mohn

Chairwoman of the Board of
Bertelsmann Verwaltungsgesellschaft
mbH (BVG)

Vice Chairwoman of the Executive,
Bertelsmann Stiftung

Willi Pfannkuche (until 12/31/2007)

Member of the Bertelsmann AG
Corporate Works Council
(until 12/31/2007)

Erich Ruppik

Chairman of the Bertelsmann AG
Corporate Works Council

Richard Sarnoff

Chairman of the Bertelsmann AG
Management Representative Committee
President, Bertelsmann Digital Media
Investments

- Activision, Inc.
- American Association of Publishers
(Chairman) (since 3/5/2007)
- American Reading Company
- Audible, Inc.
- Princeton Review, Inc.
- RoyaltyShare, Inc. (since 1/10/2007)
- Xlibris, Inc.
- Vocel, Inc.

Lars Rebien Sørensen

President and CEO, Novo Nordisk A/S

- ZymoGenetics, Inc.
- DONG Energy (since 4/26/2007)

**Committees of the
Supervisory Board****Personnel Committee**

Prof. Dr. Dieter Vogel (Chairman)
(until 12/31/2007)
Dr. Gunter Thielen (Chairman) (since 1/8/2008)
Prof. Dr.-Ing. Joachim Milberg
Liz Mohn
Prof. Dr. Jürgen Strube

Audit and Finance Committee

Prof. Dr. Jürgen Strube (Chairman)
Dr. Claus Michael Dill (until 5/14/2007)
John R. Joyce
Dr. Karl-Ludwig Kley (since 5/22/2007)
Christoph Mohn
Erich Ruppik

Strategy and Investment Committee

Prof. Dr. Dieter H. Vogel (Chairman)
(until 12/31/2007)
Dr. Gunter Thielen (Chairman) (since 1/8/2008)
Dr. Wulf H. Bernotat
Dr. Hans-Joachim Körber
Dr. Brigitte Mohn (since 1/8/2008)
Christoph Mohn (since 8/31/2007)
Prof. Dr.-Ing. Joachim Milberg
Richard Sarnoff
Lars Rebien Sørensen

**Working Group of Employee
Representatives on the Supervisory
Board**

Liz Mohn (Chairwoman)
Oswald Lexer
Willi Pfannkuche (until 12/31/2007)
Erich Ruppik
Richard Sarnoff

- Membership of statutory domestic supervisory boards
- Membership of comparable domestic and foreign
supervisory bodies of business enterprises

Executive Board

Hartmut Ostrowski

Chairman and Chief

Executive Officer (since 1/1/2008)

Chairman and Chief Executive Officer, Arvato AG (until 12/31/2007)

- Arvato AG (since 1/30/2008) (Chairman since 2/6/2008)
- Druck- und Verlagshaus Gruner + Jahr AG (Chairman) (since 1/1/2008)
- Arvato Digital Services Canada, Inc. (until 12/4/2007 "Arvato Services Canada, Inc")
- Arvato Services, Inc. (until 11/1/2007)
- Bertelsmann Holding Spain S.A. (Chairman) (until 12/31/2007)
- Bertelsmann, Inc. (Chairman) (since 1/1/2008)
- Eurohueco S.A. (Chairman) (until 5/31/2007)
- Istituto Italiano d'Arti Grafiche S.p.A. (Chairman) (until 6/11/2007)
- Maul + co – Chr. Belser GmbH (Chairman) (until 1/28/2008)
- Media Finance Holding, S.L. (Chairman)
- Phone Assistance S.A.
- Phone Serviplus S.A.
- Printer Industria Grafica Newco, S.L. (Chairman)
- RTL Group S.A. (since 1/1/2008)
- Sony BMG Management Co., LLC (since 1/1/2008)

Dr. Gunter Thielen

Chairman (until 12/31/2007)

- Arvato AG (Chairman) (until 12/31/2007)
- Druck- und Verlagshaus Gruner + Jahr AG (Chairman) (until 12/31/2007)
- Bertelsmann, Inc. (until 12/31/2007)
- Leipziger Messe GmbH¹⁾
- RTL Group S.A. (until 12/31/2007)
- Sony BMG Management Co., LLC (until 12/31/2007)
- Groupe Bruxelles Lambert (since 4/24/2007)¹⁾

¹⁾ external mandates

- Membership of statutory domestic supervisory boards
- Membership of comparable domestic and foreign supervisory bodies of business enterprises

Rolf Buch

(since 1/1/2008)

Member of the Executive Board,

Arvato AG (Chairman) (since 2/6/2008)

- Brief-Union eG (Chairman)¹⁾
- Arvato Digital Services Canada, Inc. (until 12/4/2007 "Arvato Services Canada, Inc")
- Arvato Services, Inc. (until 11/1/2007)
- Arvato services Ibérica, S.A. (until 6/7/2007 as representative of "Total Distribución, S.A.")
- Data Mailing SAS
- Lycos Europe N.V.
- Phone Assistance S.A.
- Phone Serviplus S.A.
- Shanghai Bertelsmann Culture Industry Co. Ltd. (since 12/5/2007)
- Total Distribución, S.A.

Dr. Bernd Kundrun

Chairman and Chief Executive Officer, Gruner + Jahr AG

- Motor Presse Stuttgart GmbH & Co. KG
- Spiegel-Verlag Rudolf Augstein GmbH & Co. KG
- Prinovis, Ltd. (U.K.)
- G+J USA Group, Inc. (USA)
- G+J Printing and Publishing (USA)
- Stern Magazine Corporation (USA)

Peter Olson, J.D./MBA

Chairman und Chief Executive Officer, Random House

- Bertelsmann, Inc.
- Random House Direct, Inc. (until 12/31/2007)
- Random House Films LLC
- Random House Kodansha Co., Ltd.
- Random House Korea, Inc.
- Random House Mondadori, S.A.
- Random House VG LLC
- Triumph Books Corp.

Dr. Thomas Rabe

Chief Financial Officer

Head of Bertelsmann Music Group (BMG)

- Arvato AG (since 1/30/2008) (Vice Chairman since 2/6/2008)
- Druck und Verlagshaus Gruner + Jahr AG
- Archivio Ricordi S.p.A. (Chairman)
- Bertelsmann Capital Investment (SA) SICAR (since 5/10/2007)
- Bertelsmann Digital Media Investments S.A.
- Bertelsmann, Inc.
- Edmond Israel Foundation
- RTL Group S.A.
- Sony BMG Management Co., LLC
- Sportfive S.A. (until 1/24/2007)

Dr. Ewald Walgenbach

Chief Executive Officer, Direct Group Bertelsmann

(until 12/31/2007)

- Bertelsmann Management (Shanghai) Co., Ltd. (until 11/1/2007)
- Bookspan
- Daekyo Bertelsmann Educational Services Ltd. (Chairman) (until 11/20/2007)
- OTTO Media GmbH & Co. KG
- Liaoning Bertelsmann Book Distribution Co., Ltd. (since 4/24/2007 until 11/1/2007)
- Mondolibri S.p.A. (Chairman) (until 12/7/2007)
- RTL Group S.A. (until 12/31/2007)
- Shanghai Bertelsmann Culture Industry Co., Ltd. (until 11/1/2007)

Gerhard Zeiler

Chief Executive Officer, RTL Group

- CLT-UFA S.A.
- Ediradio S.A. (as representative of "CLT-UFA S.A.")
- Métropole Télévision S.A.
- M-RTL ZRT (Chairman)
- RTL Hrvatska d.o.o. za usluge (until 5/14/2007)
- RTL Nederland Holding B.V. (Chairman) (since 9/29/2007)
- RTL Television GmbH
- RTL Radio Deutschland GmbH

Auditor's Report

Responsibility Statement
Selected Terms at a Glance
Financial Calendar/Contact
Production Credits

Auditor's Report

We have audited the consolidated financial statements prepared by the Bertelsmann AG, comprising the balance sheet, the income statement, statement of recognized income and expense, cash flow statement and the notes to the consolidated financial statements, together with the group management report for the business year from January 1 to December 31, 2007. The preparation of the consolidated financial statements and the group management report in accordance with IFRSs as adopted by the EU, and the additional requirements of German commercial law pursuant to § 315 a Abs. 1 HGB are the responsibility of the parent company's management. Our responsibility is to express an opinion on the consolidated financial statements and on the group management report based on our audit. In addition we have been instructed to express an opinion as to whether the consolidated financial statements comply with full IFRS.

We conducted our audit of the consolidated financial statements in accordance with § 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the audit such that misstatements materially affecting the presentation of the net assets, financial position and results of operations in the consolidated financial statements in accordance with the applicable financial reporting framework and in the group management report are detected with reasonable assurance. Knowledge of the business activities and the economic and legal environment of the Group and expectations as to possible misstatements are taken into account in the determination of audit procedures. The effectiveness of the accounting-related internal control system and the evidence supporting the disclosures in the consolidated financial statements and the group management report are examined primarily on a test basis within the framework of the audit. The audit includes assessing the annual financial statements of those entities included in consolidation, the determination of entities to be included in consolidation, the accounting and consolidation principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements and the group management report. We believe that our audit provides a reasonable basis for our opinion.

Our audit has not led to any reservations.

In our opinion, based on the findings of our audit, the consolidated financial statements comply with IFRSs as adopted by the EU, the additional requirements of German commercial law pursuant to § 315 a Abs. 1 HGB and full IFRS and give a true and fair view of the net assets, financial position and results of operations of the Group in accordance with these requirements. The group management report is consistent with the consolidated financial statements and as a whole provides a suitable view of the Group's position and suitably presents the opportunities and risks of future development.

Bielefeld, March 5, 2008

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Dr. Bartels-Hetzler
Auditor

Dr. Schurbohm-Ebneth
Auditor

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles, the consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group management

report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal opportunities and risks associated with the expected development of the Group.

Gütersloh, March 4, 2008

Bertelsmann AG
The Executive Board

Ostrowski

Buch

Dr. Kundrun

Olson

Dr. Rabe

Zeiler

Selected Terms at a Glance

Bertelsmann Value Added (BVA)

A central performance indicator for assessing the profitability of operations and return on invested capital. The BVA is the difference between Net Operating Profit After Tax (NOPAT), defined as Operating EBIT adjusted for a uniform tax rate of 33 percent, and cost of capital. Cost of capital is the product of the weighted average cost of capital (a uniform 8 percent after taxes) and invested capital (operating assets less non-interest-bearing operating liabilities).

Business Process Outsourcing

Business Process Outsourcing refers to the outsourcing of entire business processes to a third-party company.

Cash Conversion Rate (CCR)

Indicator for assessing cash flow generated by operations. CCR is calculated based on the ratio of Operating Free Cash Flow to Operating EBIT.

Contractual Trust Arrangement (CTA)

Concept of funding and insolvency protection of pension obligations by transfer of assets into a structure similar to a trust. Assets are classified as plan assets under IFRS and netted against the company's pension liabilities.

Coverage Ratio

The (interest) Coverage Ratio is an important financing target. It represents the ratio of Operating EBITDA to financial result. Amounts reported in the annual financial statements are modified in calculating the coverage ratio.

IFRS

International Financial Reporting Standards. Accounting standards intended to ensure internationally comparable accounting and reporting.

Impairment

Write-down of assets to their recoverable amount.

Joint Venture

A joint venture is a contractual agreement whereby two or more partners jointly control a business. Joint ventures are included proportionally – based on the venturer's share – in the consolidated financial statements.

Leverage Factor

The Leverage Factor is the ratio of economic debt to Operating EBITDA. In calculating the leverage factor, modifications are made to the balance sheet figures to better reflect the group's actual financial strength from an economic viewpoint.

Merger Gain

From the Group's point of view, a merger gain reflects the excess of assets received over assets contributed.

Operating EBIT

Earnings before interest, taxes and special items.

Operating EBITDA

Earnings before interest, taxes, depreciation, amortization and special items.

Rating

Expression of creditworthiness of a creditor or financial instrument by an agency specialized in creditworthiness analysis.

Special Items

Income and expense items which are distinguished by their nature, amount or frequency of occurrence and disclosure of which is relevant for assessing the earnings power of the entity or its segments in the period affected. IFRS requires these items to be separately disclosed. They include, for example, restructuring measures, impairments and gains or losses on disposals of participations.

Syndicated Credit Line

Syndicated loan facility involving a consortium of banks.

Financial Calendar

May 8, 2008

Announcement of figures for the first three months of 2008

June 2, 2008

Payout of dividends on Profit Participation Certificates for the 2007 fiscal year

August 28, 2008

Announcement of figures for the first half of 2008

November 11, 2008

Announcement of figures for the first nine months of 2008

Contact

For journalists

Corporate Communications/Media Relations
Phone: +49-52 41-80-2466
press@bertelsmann.com

For analysts and investors

Investor Relations
Phone: +49-52 41-80-2342
investor@bertelsmann.de

For global jobs and careers

Recruiting Services
createyourowncareer@bertelsmann.com
www.createyourowncareer.com

The Annual Report and current information about Bertelsmann are also posted at:

www.bertelsmann.de
www.bertelsmann.com

This Annual Report is also available in German.

* This name(s) is (are) a product of the author's imagination or is used fictitiously, and any resemblance to actual persons, living or dead, is entirely coincidental.

Production Credits

Publisher

Bertelsmann AG
Carl-Bertelsmann-Straße 270
33311 Gütersloh

Editing and coordination

Bertelsmann AG
Corporate Communications/
Media Relations

Design and concept consulting

Kirchhoff Consult AG, Hamburg
Red Cell Werbeagentur GmbH, Düsseldorf

Photo credits

Jim Rakete
Hartmut Blume
Bertelsmann AG
RTL Group
Random House
Gruner + Jahr
BMG
Arvato
Direct Group

Production

Medienfabrik Gütersloh GmbH, Gütersloh

Print

Mohn Media Mohndruck GmbH, Gütersloh



The FSC Logo identifies products which contain wood from well managed forests certified in accordance with the rules of the Forest Stewardship Council.

