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com

Annual Report 2008



RTL Group is the leading European entertainment network, with interests in 45 television channels and 32 radio stations in eleven countries and content production throughout the world. Bertelsmann's interest in RTL Group is now 90.4 percent, making it the principal shareholder of the Luxembourg-based listed company. www.rtl-group.com



Random House is the world's largest trade book publishing group. Its portfolio comprises more than 120 editorially independent imprints in 19 countries 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

The Gruner + Jahr printing and publishing company is Europe's biggest magazine publisher. Its more than 14,400 employees reach readers and users in more than 30 countries with over 500 magazines and digital offerings. Bertelsmann AG owns 74.9 percent of the company; the Jahr publishing family, Hamburg, owns 25.1 Percent. www.guj.com



With more than 60,000 people worldwide, Arvato is one of the biggest internationally networked media and communication services providers. Arvato comprises the divisions Arvato Print, Arvato Services, Arvato Digital Services and Arvato System. Arvato is a wholly owned division of Bertelsmann AG. www.arvato.com

Direct Group Bertelsmann operates media clubs, bookstores, online activities, publishing imprints and distribution companies in 16 countries. It is increasingly using its direct-marketing expertise to market additional products to members and new customer groups. Direct Group is a wholly owned subsidiary of Bertelsmann AG. www.directgroup.de



Bertelsmann at a Glance

Key Figures (IFRS)

in millions €	2008	2007	2006	2005	2004
Business Development					
Consolidated revenues ¹⁾	16,118	16,191	19,297	17,890	17,016
Operating EBIT ¹⁾	1,568	1,717	1,867	1,610	1,429
Operating EBITDA ¹⁾	2,130	2,292	2,548	2,274	2,112
Return on sales in percent ^{1,2)}	9.7	10.6	9.7	9.0	8.4
Bertelsmann Value Added (BVA ³⁾)	88	173	101	28	3
Net income	270	405	2,424	1,041	1,217
Investments	1,095	1,032	1,092	2,565	930
Consolidated Balance Sheet					
Equity	6,231	6,124	6,429	9,170	8,846
Equity ratio in percent	31.0	28.1	28.6	40.0	42.2
Total assets	20,132	21,776	22,498	22,932	20,970
Economic debt ⁴⁾	6,627	7,720	8,450	3,931	2,632
Leverage Factor	3.2	3.1	3.4	-	-
Employees (in absolute numbers)					
Germany	38,421	36,584	34,336	32,570	27,350
Other countries	67,662	57,906	62,796	58,989	48,916
Total	106,083	94,490	97,132	91,559	76,266
Dividends to shareholders of Bertelsmann AG	120	120	120	287	324
Distribution on Profit Participation Certificates	76	76	77	76	76
Employee profit sharing	75	82	73	48	29

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

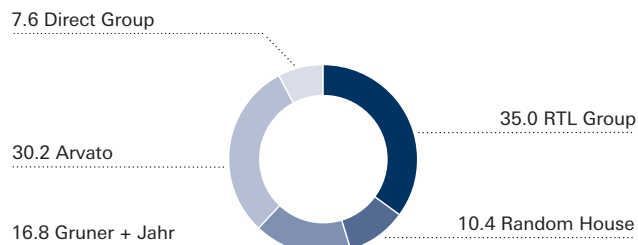
¹⁾ Continuing operations in 2007 and 2008

²⁾ Based on Operating EBIT

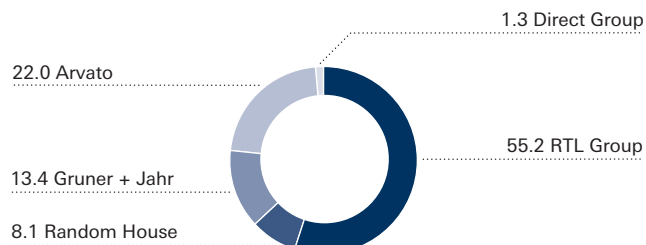
³⁾ Bertelsmann uses the BVA as a controlling instrument to assess the profitability of its operations and its return on capital.

⁴⁾ From 2006 extended definition: Net financial debt plus provisions for pensions (taking into account IAS 19.93 A), profit participation capital and net present value of operating leases. Before 2006, without net present value of operating leases and effects result from IAS 19.93 A.

Total Revenues by Division in percent*

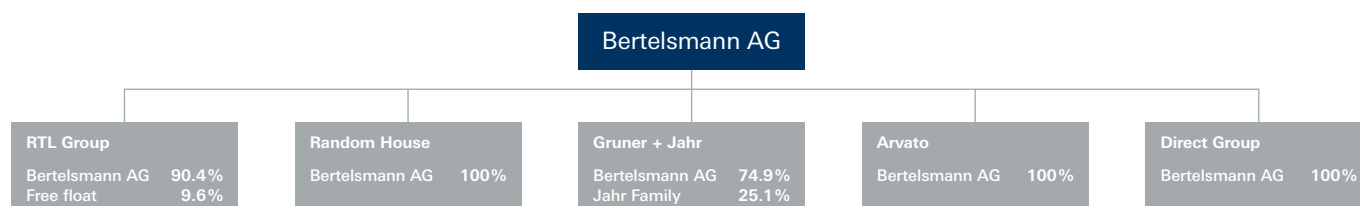


Operating EBIT by Divisions in percent*



* Based on total from divisions not including Corporate/Consolidation

Corporate Divisions at a Glance



RTL Group

in € millions	2008	2007	2006	2005	2004
Revenues	5,774	5,707	5,640	5,112	4,878
Operating EBIT	927	978	835	756	668
Employees (in absolute numbers)	12,360	11,392	11,307	8,970	8,117

Random House

in € millions	2008	2007	2006	2005	2004
Revenues	1,721	1,837	1,947	1,828	1,791
Operating EBIT	137	173	182	166	140
Employees (in absolute numbers)	5,779	5,764	5,804	5,395	5,383



Gruner + Jahr

in € millions	2008	2007	2006	2005	2004
Revenues	2,769	2,831	2,861	2,624	2,439
Operating EBIT	225	264	277	250	210
Employees (in absolute numbers)	14,941	14,448	14,529	13,981	11,671

Arvato

in € millions	2008	2007	2006	2005	2004
Revenues	4,993	4,917	4,782	4,365	3,756
Operating EBIT	369	366	367	341	310
Employees (in absolute numbers)	62,591	51,846	46,584	42,155	33,813



Direct Group*

in € millions	2008	2007	2006	2005	2004
Revenues	1,259	1,308	2,665	2,384	2,175
Operating EBIT	22	18	110	53	32
Employees (in absolute numbers)	9,268	10,050	14,996	13,493	12,116

*Continuing operations in 2007 and 2008.

BERTELSMANN
media worldwide

www.bertelsmann.com | www.rtl-group.com | www.randomhouse.com | www.guj.com | www.arvato.com | www.directgroup.de

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

Bertelsmann is an international media company with a longstanding heritage and operations deeply rooted in many countries around the world. Our “Spirit to Create” empowers us. We inspire people through a variety of creative media and communications offerings: information, entertainment and services. Our corporate culture of partnership forms the foundation of our economic success and our dedication to corporate responsibility. As an independent company of entrepreneurs, we shape the media world of tomorrow.

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HARTMUT OSTROWSKI
Chairman and CEO, Bertelsmann AG

BERTELSMANN
media worldwide

Dear Readers,

Dear Friends of Bertelsmann,

In January 2008, I took office as CEO of Bertelsmann with a call to roll up our sleeves and find new ways to allow Bertelsmann to grow. Looking back today on my first year at the helm of the company, this call to action has lost none of its validity – and yet developments have taken a far different turn than I could have imagined a year ago. And let's face it: who could have possibly imagined that a global economic downturn of such epic proportions could even begin to happen so quickly?

Safe guarding
company's
continuity is key

Although no one can reliably predict how long the downslide in the global economy will continue, it is clear that Bertelsmann won't be completely unaffected by the repercussions of the present economic crisis. For this reason in particular, it gives me great confidence to see that our important strategic decisions of the 2008 fiscal year were correct and crucial – because these choices will play a major part in helping Bertelsmann to steer its way safely through the economic crisis.

These key strategic decisions of 2008 were chiefly the sale of our stake in Sony BMG, and Direct Group's concentration on its major core markets in Europe. They also include the appointment of Markus Dohle as CEO of Random House and Bernd Buchholz as CEO of Gruner + Jahr, and of other new top managers to key positions.

Important
decisions!

Of course it was not easy for us to make portfolio changes and carry out individual restructurings. But there is no doubt that they were necessary to lead Bertelsmann to a bright future. The financials for 2008 prove this: Bertelsmann is operationally strong and strategically better positioned than it was twelve months ago. We were able to slightly increase Group revenues, once they were adjusted for portfolio and exchange rate effects. Return on sales amounted to 9.7 percent - a good result given not just the difficult macroeconomic situation, but also in regard to our own development.

*A position
of strength*

While some of our operations already felt the initial effects of the weak economy in 2008, many other Bertelsmann companies were able to close the year with good results. This shows that Bertelsmann's broadly diversified positioning across various industries, markets and countries puts us in a good place. We can compensate for risks and declines in one area with businesses which are doing well elsewhere.

*Most of our
businesses
command
leading positions*

Bertelsmann's entrepreneurial approach provides another structural advantage: our entrepreneurs in place can make quick, flexible decisions, empowered with their own responsibility, about what is best for their respective businesses in a particular situation. This allows us to react quickly and appropriately to a wide range of challenges. Acting upon the Executive Board's direction, everyone knows what to do, and gets right to work.

These structures are part of a solid foundation that Bertelsmann has created over a period of decades. In addition to the entrepreneurial approach, this foundation has three other important components: a stable shareholder structure, ^① a corporate culture of partnership, and a prudent financial policy. ^③

- ^②
- ① In the past, our shareholders have always demonstrated that they are aware of their responsibilities for Bertelsmann – there is a high degree of mutual trust. This trust gives entrepreneurs room for maneuvering, as well as security for long-term business planning.

② Cost discipline across all the businesses and, where necessary, “doing without” are the order of the day to ensure the competitiveness of our enterprises and the continuity of the company. The Board is aware of its responsibilities and has made securing our existing businesses a priority for 2009. A working partnership for the benefit of the company is defined by the willingness to do without on the one hand, and a commitment to take responsibility on the other.

③ Our company’s well-balanced financial policy is now proving itself to be a particular advantage. Years of self-commitment to keeping the level of debt in a healthy proportion to the earnings trend have given us a fair degree of financial stability. So, for example in 2008, liquidity from operations was very high, which is especially important in times of recession. Today, at the beginning of 2009, provident financing transactions and sufficient credit lines have secured our liquidity through the year 2010 and beyond.

*Financing
secure*

It is difficult to predict how Bertelsmann’s businesses will continue to develop given the difficult situation of the global economy. But I believe that the certainty that we are well equipped to deal with the months ahead is more important than any specific forecast. We are freed to focus our attention on our essential business tasks. We must now roll up our sleeves to make 2009 a successful year and enable Bertelsmann to grow in the long term.

*The potential
is there!*

*Yours,
Kerstin Claes*



DR. THOMAS RABE

MARKUS DOHLE

HARTMUT OSTROWSKI

ROLF BUCH

GERHARD ZEILER

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

DR. THOMAS RABE
Member of the Bertelsmann AG Executive Board since January 1, 2006, Chief Financial Officer and Head of the Bertelsmann AG Corporate Center, Gütersloh. Born August 6, 1965 in Luxembourg.

MARKUS DOHLE
Member of the Bertelsmann AG Executive Board since June 1, 2008, Chairman and Chief Executive Officer of Random House, New York. Born June 28, 1968 in Arnsberg (Germany).

ROLF BUCH
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).

GERHARD ZEILER
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).

Bertelsmann Strategy

Bertelsmann strives to occupy leading positions with its businesses while achieving a return on invested capital that secures continuity and growth for the company.

take
the lead

go
for
growth

create
value

he company's core markets lie in North America and Europe. S. Bertelsmann generates the majority of its sales in these markets, and this is where the Group focuses its efforts, with a view to strong organic growth. In these markets, it seeks to strengthen its positions over the long run. Beyond these markets, Bertelsmann seeks positions in attractive markets. The Group's primary business goal is to increase the value of the Group by continuously improving its p

erformance. To ensure that the Group will secure these positions, it will invest in the Group's core markets. For this task, Bertelsmann invests heavily in its executive management. As the management and employees are responsible for the success of their business, it is important for Bertelsmann to identify, recruit and retain top talent. Bertelsmann invests heavily in its executive management. The culture of partnership gives employees a sense of responsibility and independent, entrepreneurial initiative. "This decent

ess strategy. But in the long run, security is a prerequisite for safeguarding Bertelsmann's independence. In the short term, the Group's focus is on security – the extent of which was determined by the Group's situation and the associated other priorities. Security is a top priority and takes precedence now, and Bertelsmann will continue to do so in these difficult times. In the long run, however, Bertelsmann's growth strategy is to achieve organic growth along the value

chain. How can this be achieved? The answer is Bertelsmann's decentralized structure, which allows for the implementation of entrepreneurial initiative, coupled with a culture of partnership that is a proven success factor for the Group's success. In particular, the culture of partnership promotes employee responsibility and individual jobs and, ultimately, employee motivation is a key success factor for the success of the whole Group. Over

Our Targets

Bertelsmann strives to occupy leading positions with its businesses while achieving a return on invested capital that secures continuity and growth for the company.

take
the lead

go
for
growth

create
value

Bertelsmann's core business consists of media content, along with media-related production and service operations. Bertelsmann plans to tap into new growth areas in the long term while safeguarding and evolving its existing lines of business. The company's core markets lie in Western Europe and the U.S. Bertelsmann generates the bulk of its revenues in these markets, and this is where the focus of its investment lies, with a view to strong organic growth. At the same time, it seeks to strengthen its presence in major growth markets over the long run. Bertelsmann strives for leading positions in attractive markets. The most important business goal is to increase the value of the company by continuously improving its profitability in a sustainable way.

Go for Growth

At a time when the global economy finds itself deep in crisis, it may appear almost presumptuous to proclaim growth as a goal in the business strategy. But in the long run, growth is an essential prerequisite for safeguarding Bertelsmann's continuity and independence. In the short term, the worldwide economic crisis – the extent of which was unforeseeable – has necessitated other priorities. Securing liquidity, substance and jobs takes precedence now, and Bertelsmann is well equipped in these difficult times. In the medium to long term, however, Bertelsmann's growth strategy still applies: to pursue organic growth along the value chain with new, innovative businesses in the media and in production- and media-related services; to expand our activities in growth regions like China, where Bertelsmann is already active and successful; and to build new lines of business that complement the existing portfolio.

Take the Lead

To sustainably increase the company's value over the long term, it is necessary to take the lead. Numerous Bertelsmann businesses already occupy leading positions in their markets. In times of economic uncertainty, Bertelsmann will secure these positions and gradually strengthen them. For this task, Bertelsmann needs the best executives, as the management and employees are responsible for the success of their businesses. Knowing how important it is to identify, recruit and retain top talent, Bertelsmann invests heavily in its executives. Bertelsmann's corporate culture of partnership gives executives the freedom for independent, entrepreneurial development, as "company of entrepreneurs." This decentralized structure sets Bertelsmann apart. Taking the lead also means striking out on new paths, being innovative and creative, tackling challenges and seizing them as opportunity.

Create Value

The most important business goal is to increase the value of the company in a sustainable manner. But on what basis can this be achieved? The answer is Bertelsmann's decentralized corporate structure, which allows for mobilizing maximum entrepreneurial initiative, coupled with a corporate culture of partnership that is a proven contributor to the company's success. In particular, the idea of leadership through partnership promotes employees' identification with their individual jobs and, ultimately, with the company. High employee motivation is a key contributor to the business success of the whole Group. Over the years, the four core values that shape Bertelsmann's corporate culture – known as the Bertelsmann Essentials – have grown into a key competitive advantage. Especially in a turbulent economy, these values are an indispensable basis for achieving success together.

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Our Core Values



Partnership



Entrepreneurship



Creativity



Citizenship

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.

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.

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.

Our Commitment

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

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.

Citizenship

The continuity and development of Bertelsmann as an independent entity is ensured by the Bertelsmann Management Company'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 Foundation – 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.

Bertelsmann

Corporate Responsibility

Corporate responsibility has traditionally been an important element in our corporate culture. That is why, in October 2008, Bertelsmann joined the United Nations Global Compact. The UNGC encourages businesses all over the world to adopt ten principles of human rights, labor standards, environmental protection and anti-corruption in their operations. As an international media company, we are an active part of our social community and embrace and uphold this responsibility in the more than 50 countries where we have operations.

Economic Responsibility

Growth and corporate continuity form the basis of our responsibility to society. This entails generating profits and achieving a return on investment that will ensure the growth and continuity of the company. This is the only way for us to secure employment and create jobs – and in doing so, we contribute to prosperity in the countries and locations where we do business. Our entrepreneurial actions follow the principles of good corporate management and are guided by ethical values.

Responsibility to Employees

A sense of partnership between the company and its employees guides our thinking and actions for the benefit of all stakeholders: Bertelsmann's owners, management and employee representatives share a basic understanding that treating each other as partners not only increases everyone's satisfaction and identification with the company and his or her personal role in the company but is also one of the key prerequisites for business success. That is why employee programs have always been a special focus of corporate responsibility at Bertelsmann.

Responsibility to Society

Media are more than just a commodity. Media content is an economic asset and cultural asset in one. For us as media makers, this implies a special responsibility: We seek to contribute to a diverse media landscape by offering a broad spectrum of creative entertainment and information. Beyond this, we practice good citizenship, actively involving ourselves in and supporting local efforts to promote a livable environment and reduce social injustice. For instance, we support a wide range of projects devoted to promoting literacy, quality journalism and the next generation of media talent.

Responsibility to the Environment

Any company that prints and publishes books and magazines, ships CDs and DVDs or offers a wide range of services enters into a multifaceted interaction with the environment. Even if the media industry has a relatively low impact on the environment compared with other branches of industry, we at Bertelsmann have made a special commitment: Dealing responsibly with natural resources across the full length of our value chain is a permanent element in our corporate responsibility.

For more about corporate responsibility at Bertelsmann, please visit our Corporate Responsibility Portal.

www.bertelsmann.com/responsibility

“One World One Dream” – Performance Knows No Handicap

To kindle public interest in the achievements of athletes with disabilities – that was the task embraced by Knut Weltlich, Chairman of Bertelsmann’s Committee for Employees with Disabilities, and a broadcasting team contributed by RTL and N-TV. The team reported daily from the 13th Paralympics in Beijing, highlighting the athletic achievements and lives of people with disabilities. Their efforts culminated in the 2008 German Paralympics Media Award for best TV coverage.

Hope for a Better Future

Bertelsmann supports two school projects in China that seek to improve the educational opportunities of disadvantaged children over the long term. One is a “Bertelsmann Hope School” for more than 1,300 children in the Dalonghua region, funded through the Beijing Youth Development Foundation. In addition, Bertelsmann teamed up with the children’s relief organization Plan International, donating over €610,000 to rebuild a school and develop the school system in Shaanxi province following the severe earthquake in May 2008.

Bertelsmann Employees Read to Children

Small children with big eyes, listening raptly, but unable to suppress the occasional excited exclamation: “Wir lesen vor” (Let’s Read Out Loud) is great fun for readers and listeners alike. This year again, numerous employees from various Bertelsmann companies will participate in the nationwide reading-out-loud day organized by the Stiftung Lesen (Reading Foundation) to get youngsters excited about books. As an international media company, Bertelsmann has for decades practiced a special commitment to fostering and promoting media skills.

Giving Sick Children a Voice

“Der Weg nach Hause” (The Way Home), a project run by the Bethel Children’s Center, is dedicated to giving terminally ill children the chance to spend the last days of their life at home with their families. Bertelsmann provides both financial and administrative support to the project, for example, by helping with its public relations. The little patients, for their part, processed their experiences in a picture story about Kroky, the sick crocodile. Their book was published with Bertelsmann’s assistance. All proceeds from its sale go to an initiative set up by parents of children with cancer.

Bertelsmann

Code of Conduct

In 2008, Bertelsmann published the Bertelsmann Code of Conduct as a binding guideline for lawful and responsible conduct throughout the Group. For Bertelsmann, this is the first code of conduct that applies worldwide and for every employee. And yet ultimately it only represents the logical continuation of a form of governance that has evolved and proven itself over decades and that assigns great importance to issues of abiding by the law and taking social responsibility. The Bertelsmann Code of Conduct complies with international standards. It is derived from ethical standards, applicable laws and Bertelsmann's own in-house rules. The Code of Conduct is also based on the Bertelsmann Essentials, whose goals and basic values guide our actions.

Social responsibility and ethical treatment of employees, customers, business partners, government agencies, the community and the environment are a fixed element in Bertelsmann's system of values. Infringements upon ethical rules or upon laws and regulations are not only incompatible with these values, they also damage the reputation of the whole company and may even have serious legal consequences. People who act unlawfully and enrich themselves at the company's expense harm everyone in the company: shareholders, management and employees. Such behavior impacts the company's commercial success and its ability to invest and grow and ultimately endangers its survival and the jobs it represents.

Ethical conduct is part of the Bertelsmann corporate culture, which enables a working environment characterized by partnership and openness. Executives are encouraged to actively involve their employees in decision-making processes. Not only does this foster creative ideas and innovation, it also ensures that employees will not hesitate to express legitimate concerns and openly address problems.

Only a culture that allows for constructive criticism makes it possible to identify and eliminate mistakes at an early stage.

Nevertheless, in a company the size of Bertelsmann, it may happen that employees feel they cannot speak to a person in their immediate working environment about a problem that they consider particularly serious. The Code of Conduct contains mechanisms for this unlikely event as well. To express their concerns safely and find effective help, employees can turn to designated colleagues at the Bertelsmann Corporate Center, consult the website "www.reportconcerns.com" or get in touch with an ombudsperson.

The Bertelsmann Code of Conduct is designed to contribute to the company's success. Only a company where everyone is committed to compliance with law and order can prevail in the competition for the best talent, employees, customers and business partners.

Corporate Responsibility

> Compliance with the law

We comply with all applicable local, national and international laws and regulations wherever we do business.

> Human rights

The respect for and protection of human rights is part of our corporate culture.

> Environment, health & safety

Environmental protection, health and safety are integral parts of our corporate responsibility.

> Product safety

We create and develop safe products and services for our customers.

> Governmental & regulatory relations

We conduct proper and legally impeccable relations with all government regulators and agencies.

Interpersonal Conduct in the Workplace

> Mutual trust & respect

We treat each other in a mutually respectful and trusting manner at work and seek to create a workplace environment that does not allow for discrimination, harassment, bullying or intimidation.

> Freedom to speak without fear of retaliation

We encourage our employees to speak up freely and without fear of retaliation. We do not retaliate against employees who raise good-faith workplace concerns.

> Data privacy & protection

We collect, retain, use and transmit personal data and information in compliance with applicable law and policy.

> Responsible use of assets

We deal with company property, products and resources responsibly and appropriately and use them only for their intended business purposes.

> Conflicts of interest

We disclose potential or actual conflicts of interest in the workplace in a timely manner for proper review and resolution.

Business & Finance

> Financial integrity & antifraud

We conduct our business and manage recordkeeping and reporting with integrity and transparency.

> Anti-corruption & anti-bribery

We do not engage in corruption, bribery, kickbacks or other illegal transactions with private, commercial or governmental parties.

> Gifts & entertainment

When giving or receiving business gifts or entertainment, we do so in a transparent manner that complies with company policy, industry standards and applicable law.

> Antitrust compliance

We comply with applicable antitrust and competition laws and consult expert company counsel on antitrust and competition issues.

> Insider trading

We comply with applicable insider trading laws and company policy regarding material nonpublic information that we learn about our own or other businesses.

Media & Technology

> Intellectual property protection

We respect and protect all forms of intellectual property and protected content regardless of whether they are created by our companies or by third parties.

> Information technology use & security

We make proper business use of workplace information technology and help to protect systems and equipment against internal and external threats.

> Confidentiality & public relations

We protect company, product, service and other confidential business information from unauthorized disclosure and use.

> Honest statements regarding products & services

We do not knowingly engage in or promote misrepresentation or fraud in the marketing or advertising of our products and services.

> Media independence & responsibilities

We observe editorial and journalistic independence in news gathering and distribution.



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Highlights

€5,774 million revenues

€927 million operating EBIT

12,360 employees worldwide

»Strong brands, first-rate programming, creative and dedicated employees – that is the foundation on which RTL Group’s international success is built. On this base, we are continually evolving our strategy for the digital age, as we step up our presence on all digital platforms and systematically invest in the growth sectors of content and online advertising. In a word: we are wherever our viewers are.«

GERHARD ZEILER
CEO, RTL Group

RTL Group is the leading European entertainment network, with interests in 45 television channels and 32 radio stations in eleven countries and content production throughout the world. The television portfolio of Europe’s largest broadcaster includes RTL Television in Germany, M6 in France, Five in the U.K., the RTL channels in the Netherlands, Belgium, Luxembourg, Croatia and Hungary, Alpha TV in Greece, Ren TV in Russia and

Antena 3 in Spain. RTL Group’s flagship radio station is RTL in France, and it also owns or has interests in other stations in France, Germany, Belgium, the Netherlands, Greece, Spain and Luxembourg. RTL Group’s content production arm, Fremantle Media, is one of the largest international producers outside the U.S. Each year, it produces 10,000 hours of programming across 57 countries.

RTL Group
Random House
Gruner + Jahr
Arvato
Direct Group



RTL Television Makes the News

In its 25-year history, RTL Television has always made news programming one of its priorities. In 2008, for the first time, its main television news show “RTL Aktuell” surpassed ZDF’s “Heute” show in total viewership, and is now second only to the ARD “Tagesschau.” “RTL Aktuell” has an average 3.74 million viewers, and is moderated by Peter Kloeppel, who won a Bambi award this year for Best German Anchorman. The high ratings for the live coverage of the U.S. presidential elections deserve special mention, as does the confirmation of “RTL Aktuell” as the number-one news choice among young audiences (14 to 49) for the 16th consecutive year.



Fremantle Media Signs Groundbreaking New Deal

In 2008, Fremantle Media successfully brought its extensive media catalogue to new audiences. Under the terms of a groundbreaking deal, Deutsche Telekom used the famous footage of Paul Potts in “Britain’s Got Talent” in an effective and highly emotional advertising campaign. In October the spot was named Germany’s “Spot of the Year.” Potts has sold three million albums and has reached number one in 15 countries. Potts’ album “One Chance” won six gold and three platinum records in Germany alone. With one of the greatest television and film libraries, dating back to 1968, Fremantle Media will be able to take advantage of many more new commercial opportunities.



Un dîner
PRESQUE
parfait

M6 Steals the Show

M6 outdid itself in 2008, stealing the ratings crown from TF1 for its coverage of the crucial France vs. Italy football match. With 13.2 million viewers, the game marked a new record for the channel as well – the best audience in its 21-year history. And by taking calculated risks with the introduction of “Un dîner presque parfait” and “100% Mag,” M6 has doubled its audience year-on-year in the access primetime slot. These successes helped M6 to deliver the best performance among all the major networks. At the same time, Group M6 also significantly increased its viewer numbers for its digital terrestrial channels.



RTL Group Expands to Greece

In 2008, the leading European entertainment network expanded once more: RTL Group entered the Greek TV market by acquiring a 66.6-percent majority shareholding in Alpha Media Group, the country’s fourth-largest broadcasting company. The deal expands RTL’s international family to include the national TV channel Alpha TV, the regional TV channel Kanali 9 Thessaloniki, the Alpha 98.9 and Palmos 96.5 radio stations, and Plus Productions – Alpha TV’s inhouse production company.



Highlights

€1,721 million revenues

€137 million operating EBIT

5,779 employees worldwide

»Millions of people will continue to read Random House's titles, both in traditional printed form and as digital versions. Our creative partnership with our distinctive authors and our cooperation with our booksellers ensures an unrivalled reading experience for book-lovers around the world and Random House the leading position in the global book market of the future.«

MARKUS DOHLE
Chairman and CEO, Random House

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 19 countries, and selling more than 500 million books a year. More than 15,000 English- and German-language titles are available as Random House

e-books. Random House is home to many of the world's most popular and culturally admired adult and children's authors, including Nobel laureates and U.S. President Barack Obama and other world leaders. It is a company of people who love books and who are passionate supporters of their authors, booksellers, and readers.

RTL Group
Random House
 Gruner + Jahr
 Arvato
 Direct Group



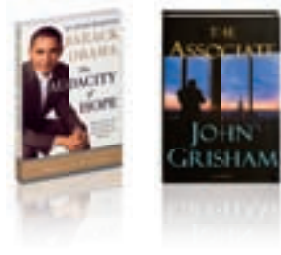
"Brisinger" Sets Random House Sales Records

Christopher Paolini's inheritance cycle is an international fiction-publishing phenomenon. The 2008 fall publication of "Brisinger," the third volume after "Eragon" and "Eldest," became the all-time fastest-selling Random House children's book: more than four million copies sold in just three months in Random House hardcover, audio, and e-book editions in North America, Germany and the U.K. Random House has licensed 50 foreign-language editions of the three Paolini novels. The 25-year-old author is now at work writing the final book in the cycle.



Random House Strengthens E-Book Leadership

Random House greatly enhanced its global position as the e-book trade publishing leader in 2008. In the U.S. Random House's annual e-book sales increased almost 400 percent over 2007, and the company will bring its e-book list to over 15,000 new and backlist titles in 2009. The U.K. company launched its first e-book list, which includes some 800 titles and peaked at over 1,000 downloads daily during Christmas. Verlagsgruppe Random House significantly expanded its market-leading e-books catalogue and sales volume. A growing number of Random House U.S. titles can now be purchased for reading on an iPhone or iPod touch.



Random House Bestseller List Preeminence

Random House titles continued to dominate the major international bestseller lists in 2008. For the third consecutive year, Random House, Inc. placed more than 200 of its books on the "New York Times" national bestseller lists. 25 of the year's 265 titles were number one, including John Grisham's "The Appeal" and "The Audacity of Hope" by U.S. President Barack Obama. The Random House Group U.K. again had the greatest overall share of titles on the "Sunday Times of London" lists. Random House Mondadori sold more than one million hardcover copies in Spain and Latin America of "Un mundo sin fin" by Ken Follett.



Random House Portfolio Growth

Random House welcomed several new companies in Europe and the U.S. to its worldwide family in 2008. The joint-venture merger of Random House South Africa and Struik Publishing created South African market leader Random House Struik. Random House India launched its first full local publishing list. Transworld Ireland had three number-one bestsellers in its first year. Leading international art publishers Prestel Verlag and the Monacelli Press were acquired in Germany and the U.S., respectively, as was the renowned self-help publishing group Hugendubel Verlage in Germany. Watson-Guption Publications, with its robust nonfiction backlist and frontlist, was purchased by Random House, Inc.



Highlights

€2,769 million revenues

€225 million operating EBIT

14,941 employees worldwide

»The fundamental structural transformation taking place in the media industry will accelerate further over the next few years. We embrace this change and will continue to develop our business with a focus on journalistic quality and entrepreneurial courage. The future belongs to our creative employees and our strong media brands.«

BERND BUCHHOLZ
CEO, Gruner + Jahr

The Gruner + Jahr printing and publishing company is Europe's biggest magazine publisher and generates more revenues than any other German publishing company. Its more than 14,400 employees reach readers and users in more than 30 countries with over 500 magazines and digital offerings. G+J owns a 37.45 percent stake in Prino-

vis, Europe's biggest gravure group. Brown Printing, a G+J subsidiary, is one of the biggest offset printers in the U.S. G+J's revenues in 2008 were €2.8 billion. International revenues account for 54.6 percent. Bertelsmann AG owns 74.9 percent of the company; the Jahr publishing family of Hamburg owns 25.1 percent.

- RTL Group
- Random House
- Gruner + Jahr**
- Arvato
- Direct Group



Ligatus

G+J Germany's acquisition of Ligatus GmbH marked a strategic diversification move in online marketing. G+J's marketing arm G+J Electronic Media Sales now offers performance-based marketing packages as well as display marketing. In performance marketing, billing is performance-driven, i. e., based on the number of clicks, leads or contract signings generated. Ligatus has a Germany-wide network of 160 premium partner sites on which advertising can be served.



Parenting Network

At the end of 2008, G+J introduced its first international online project by launching the "Parenting Network." Developed by G+J International in close cooperation with the editors of "Eltern.de," it is based on a standard, centrally managed technical platform and the transfer of editorial content between the different sites. "Eltern.de," contributes the pictures, texts, videos and the online platform, to which local content is then added. The network was initially launched in France, Croatia, Italy, the Netherlands, Poland, Russia and Spain, with other countries to follow in 2009.



China

As in prior years, G+J's Chinese holding Boda once again recorded enormous growth, making 2008 the most successful business year in Boda's history. Revenues increased by over 20 percent, while profits soared by more than 40 percent. The main growth drivers were a high volume of ad sales, boosted by the Olympics, in BODA's four print publications in the women's and living segment, and the online activities of "Rayli.com.cn," Asia's biggest women's portal. The launch of the low-price monthly magazine "Baby World" enhanced G+J's portfolio in the parenting segment.



France

Prisma Presse, with its three TV listings guides "Télé Loisirs," "Télé 2 Semaines" and "TV Grandes Chaînes" and their online counterparts, is the clear market leader in this segment in France. Its expertise in the field of TV journalism helped G+J's French subsidiary to enter the corporate publishing sector in 2008: Prisma Corporate Média now produces the subscriber magazines "Plus" and "Canal Sat" for the pay-TV channel "Canal Plus." Building on this account, Prisma Presse will give top priority to establishing the corporate publishing arm as a new line of business in the years ahead.



Highlights

€4,993 million revenues

€369 million operating EBIT

62,591 employees worldwide

»We will continue on our three-dimensional growth path by developing new services, winning new customers and expanding our international activities. As we advance our transition to an integrated provider of solutions, we strengthen our powers of innovation, work with a focus on customers, and act as partners.«

ROLF BUCH

Chairman of the Executive Board, Arvato

With more than 60,000 people worldwide, Arvato is one of the biggest internationally networked media and communication service providers. Arvato comprises the divisions Arvato Print (gravure and offset printers), Arvato Services (financial services/data management, full-service CRM services, logistics/supply chain management and direct

distribution of knowledge media), Arvato Digital Services (replication, fulfillment, distribution/supply chain management, financial services and electronic content distribution) and Arvato Systems (international provider of qualified and customized IT services).

RTL Group
Random House
Gruner + Jahr
Arvato
Direct Group



Market Position Strengthened

The service-center market underwent extremely dynamic development all over the world in 2008. To begin with, there is a growing number of increasingly complex products that require more and more explanation. Moreover, the trend toward relying on outsourcing solutions continues strong in many industries. By taking over Qualytel Teleservices S.A., the biggest independent provider of call-center services in Spain, and by building its own call-center activities in countries such as Germany, France, Poland, Mexico and the Philippines, Arvato has systematically invested in the international growth market for call-center services and consistently expanded its service portfolio for global customers.



Services for the High-Tech Sector

High-tech is an international boom sector. By establishing Arvato Digital Services, Arvato has created an integrated range of services for companies in this growth industry. The unit was systematically expanded in 2008 through the acquisition of a logistics site from a former competitor in Mexico, including its customer relationships with leading American high-tech companies, and through the establishment of a comprehensive supply chain from Asia to Europe with central bridgeheads in Hong Kong and the Netherlands for an international technology corporation.



"Laviva" for Greater Reader Benefit

More lifestyle, more pleasure, more reader benefit – and all of it on a small budget. Those were the standards applied by the REWE Group of supermarkets when it successfully launched its customer magazine "Laviva" in the fall of 2008. Medienfabrik, an Arvato subsidiary, was instrumental in the process. The magazine is an innovative customer loyalty instrument, which is published monthly in a print run of several hundred thousand copies and contains not only compelling articles but coupons as well. The client gets a comprehensive package which includes editorial, distribution and ad sales as well as the magazine's printing by Mohn Media.



Public-Private Partnership in the U.K.

Since October 2008, Arvato has delivered a wide range of services to Britain's Sefton Metropolitan Borough Council, including running the citizen's "one stop shops" and handling financial services such as the collection of local taxes and the processing of benefits claims. As part of the cooperation, 450 council employees moved to Arvato. The Sefton Metropolitan Borough Council is the second major public-sector client in Britain to rely on Arvato for government services. In 2005, the council of East Riding of Yorkshire in northern England had chosen to collaborate with Arvato's services experts.

Highlights

€1,259 million revenues

€22 million operating EBIT

9,268 employees worldwide

(Continuing operations in 2008)

»15 million customers in 16 countries turn to Direct Group companies for the best selection of media and other products. We continually modernize the club concept and secure it by tapping additional revenue streams along the book value chain and in direct marketing.«

FERNANDO CARRO
CEO, Direct Group

Direct Group Bertelsmann has operations in 16 countries – media clubs, bookstores, online activities, publishers and distribution companies – and a network of over 700 club shops and bookstores. Its media clubs include famous brands such as Der Club in Germany, France Loisirs in France and Círculo de Lectores in Spain. Direct Group is

the top bookseller in Portugal with Bertrand and commands the number-two spot in France with Chapitre.com. The division also draws on its decades of direct-marketing expertise in the media business to sell additional products to members and new customer groups.

RTL Group
Random House
Gruner + Jahr
Arvato
Direct Group



Der Club
Reisen

viaSol
Reisen



From Travel Agent to Tour Operator

In the fall of 2008, Direct Group took an important step to boost revenues in Germany by seeking out additional products and customer groups beyond its traditional club business. Building on years of experience as a travel agent for members, Direct Group Germany has now founded the tour operator Viasol to offer its own trips – first to club members and eventually to additional customer groups. This allows Direct Group to get more extensively involved in developing the proven business of member travel and offer its customers even more attractive products.

www.viasol-reisen.de, www.derclub-reisen.de

Pergaminho Strengthens Direct Group Portugal's Publishing Portfolio

The development seen at Direct Group Portugal with its publishers, bookstores, media club and distribution businesses is a good example of Direct Group's strategy of using its book expertise to cover the value chain from author to reader as comprehensively as possible. The Portuguese market leader has strengthened its existing publishing business considerably by acquiring the historic Pergaminho publishing house. With the addition of top authors, including Paulo Coelho and Erich Fromm, and the expansion of its fiction and nonfiction/psychology publishing programs, Direct Group Portugal is a strong, broad-based supplier to the book community.

www.editorapergaminho.pt

B
BERTRAND



Direct Group Spain Enhances Círculo with Chain of Bookstores

Direct Group's Spanish businesses are on the diversification path as well: Alongside the stable core business of its media club Círculo de Lectores, Direct Group Spain is building a bookselling chain under the brand of its Portuguese sister company Bertrand. In the process, it benefits from the increasing consolidation of the strongly fragmented market as well as from the bookselling expertise of its Direct Group colleagues in Portugal. In early 2009, Bertrand opened a large flagship store on Barcelona's major shopping boulevard, Rambla de Catalunya.

www.libreriasbertrand.es

Mondolibri Goes Digital with Italy's Innovative Media Webshop "bol.it"

"Bol.it" is the country's second-biggest online shop and has positioned itself as an especially innovative vendor in a growing market. The company, part of Direct Group's subsidiary Mondolibri, recently launched "mobile.bol.it," a new service for users on the go. It lets customers search for and buy books right on their mobile phones. "bol.it" also introduced 24-hour delivery for 100,000 titles, Paypal as a payment option and SMS notification for orders. Mondolibri is a joint venture by Mondadori and Direct Group.

www.bol.it, mobile.bol.it

SCREENSHOTS '09

Digitization & Internet

SCREENSHOTS '09

www.bertelsmann.com

Digitization & Internet

DIGITIZATION

at Bertelsmann

At all times. At any place.

On all channels.

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NEW ON THE WEB:
THE LEARNING PLATFORM
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VIRTUAL LECTURE HALLS
CDEL

At all times. At any place. On all channels.

»Our activities on the Internet are like our companies: close to customers, focused on creating value, and above all diverse. At a decentralized company like Bertelsmann there can be no one overall Internet strategy. But whether we bring TV content onto the Web, offer books for download, expand magazine brands onto the Internet, develop Web-based B2B applications or use the Internet as an added distribution channel for our products: Digitization allows us to reach our users at any time, any place, and on nearly any channel. Overall, Bertelsmann has attained a strong position in the digital business over the past few years. We have managed to put together a very decent portfolio here, while keeping the level of capital invested relatively small.«

Ones and zeros, sending data packets from A to B – what sounds so innocuous has revolutionized the media industry in recent years. Digitization and its favorite sibling, the Internet, have irrevocably changed media content and customer priorities, as well as work processes in the media industry, and of course one of the industry's core lubricants: advertising. And they continue to do so, sometimes subtly, in most cases radically.

As an international media group, Bertelsmann stands in the eye of this storm, which is essentially a "creative destroyer": there are business models that digitization has swept away without replacement, but there are many more new businesses and ideas for wisely extending the value chain and generating new revenues. A good book doesn't necessarily have to be sold in printed form between the two cardboard covers: It can also find an audience as an e-book or audiobook, be offered in downloadable chapters or segments,

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INNOVATIONS

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PRODUCTS

CUSTOMIZATION IDEAS

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CREATIVITY



Hartmut Ostrowski, Chairman & CEO, Bertelsmann AG

DIGITIZATION

or even without an ending, with a call to the Internet community to write their own final pages. And just imagine what you can do with a crowd-pleasing show format or a quality magazine – there are no limits to the imagination or entrepreneurial prowess. The key is to be where your audience is: at all times, on all platforms, on all channels.

All of Bertelsmann's companies and divisions are embracing the opportunities of digitization, each according to its own priorities and strate-

gies. They do have a common denominator, though: All activities have a strict customer focus and are resolutely entrepreneurial.

They require a good instinct for the market and the right mix of ideas, audacity, and business prudence.

RTL Group's families of channels, for instance, have long since been turned into multimedia platforms that inform and entertain both viewers and users around the clock. "We move with our audiences," says Gerhard Zeiler, head of Europe's

biggest entertainment group. Random House follows lovers of books onto the Net, the iPhone, and the new e-book reading devices that are now poised to penetrate the mainstream market. At Gruner + Jahr, the response is "Expand Your Brand": Established magazine brands are extended into the virtual world, where they motivate readers to interact. The many hundreds of sites and offerings are variously linked with one another, some of them on an international level; titles like →

IDEAS

MEDIA

INNOVATIONS

→ "Geo" or "Eltern" have worldwide fan communities on the Net.

The international media and communications services provider Arvato, which primarily serves major business customers, combines Web-based solutions and traditional services into comprehensive process chains. In the business community in particular, digital applica-

plant, paper doesn't even play a role until, at the end of all the work processes, the final product is ready to print. In the television business, new broadcasting studios, such as those of M6 in Paris, are completely digitized, as is the shipping of programmes or the archives – not only the handling gets faster and easier, but often also the quality increases, as with the brilliance and sharpness of the images in High Definition Standard.

process comes to better understand new markets and businesses, while the companies involved benefit from their association with a major corporation – a classic win-win situation.

Bertelsmann brings its many brands online and uses the Net as a platform. In this digital ocean, these strong, well known brands are beacons that help users orient themselves.

An international group like Bertelsmann is not expected to act as a trailblazing trendsetter in the virtual world, with its culture of upstarts and startups. But always being involved early with new opportunities and trends and motivated to help drive their development – that is closer to Bertelsmann's vision for itself in the digital world.

WEB-BASED SOLUTIONS

www.bertelsmann.com ■

KNOW-HOW

INTERNET

tions are more in demand than ever – especially when they can be combined with call centers, logistics hubs and data centers all over the world.

Finally, the Internet and digitization give Direct Group's media clubs the opportunity to establish closer and more individual communications with their approximately 15 million customers – who appreciate the opportunity to take action not only in club shops and through catalogues, and bookstores, but on the Net.

A brief look at the machine compartments of an Arvato printer, the Blu-ray disc production facilities, or one of RTL Group's high-tech broadcasting centers immediately reveals how digitization hasn't just changed products and consumer behavior, but affected work processes. In modern-day printing presses, several meters long and with complex controls resembling those of a major power

Whether new technologies, new processes or new business ideas – impulses for advancing the digital business come from both the inside and the outside, through interaction with customers or as the logical evolution of an existing business.

At Bertelsmann, small venture-capital teams search for innovative technologies and services in Europe, Asia, and the U.S. that hold out the promise of shaping the digital future. The Bertelsmann Digital Media Investments (BDMI) fund invests for a few years, gets involved in the business, and in the

COMPREHENSIVE PROCESS CHAINS

ONLINE

INTERNATIONAL
TRENDS

Media 360°



Modern, fast, and extremely innovative – that’s how the French see M6. When Métropole Télévision was launched on March 1, 1987, digitization was still in its infancy. Today, the group services all analogue and digital channels from its new broadcasting center located in its Parisian headquarters.



CONTENT

TV,

Internet, and mobile services: media 360°. These days, a broadcasting group’s business proposition is a multilayered mix only hinted at by the technical term “diversification.” Merchandising, teleshopping, and online shops. Interactive platforms, 24/7 services, music and video libraries, plus rights trading. Mobile calling plans with added value. Thomas Valentin, Deputy Chairman of the Executive Board and head of M6 Group’s networks and content, is quite out of breath from outlining the developments of recent years. The program and development professionals have launched new content and



Completely networked and totally digital: the M6 Group's new broadcasting center

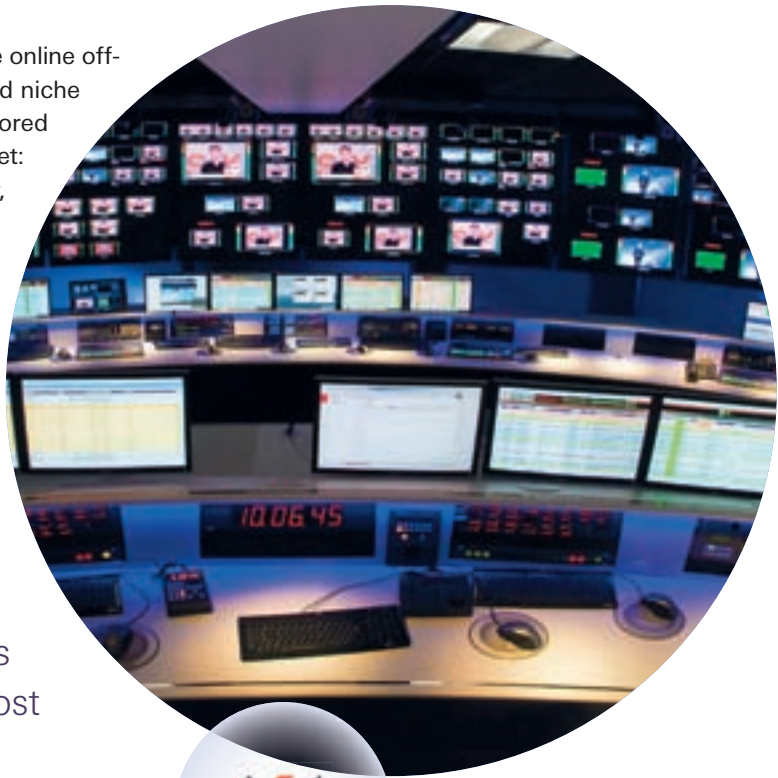


offerings practically by the week. The fast pace in the digital businesses generates high attention and creates both popularity and loyalty, especially among younger demographics.

Content is used across several media. The online off-shoots of the various TV broadcasters and niche channels are populated with custom-tailored content prepared specifically for the Internet: Thanks to this content, and image transfer, the "Turbo.fr" (cars), "Deco.fr" (interior decoration) and "Teva.fr" (women) portals scored impressive user numbers from the start. The same is true for M6 Boutique, the group's shopping channel: Already, it generates 25 percent of its revenues online. The online shop "Mistergooddeal.com" gets 250,000 visits a day.

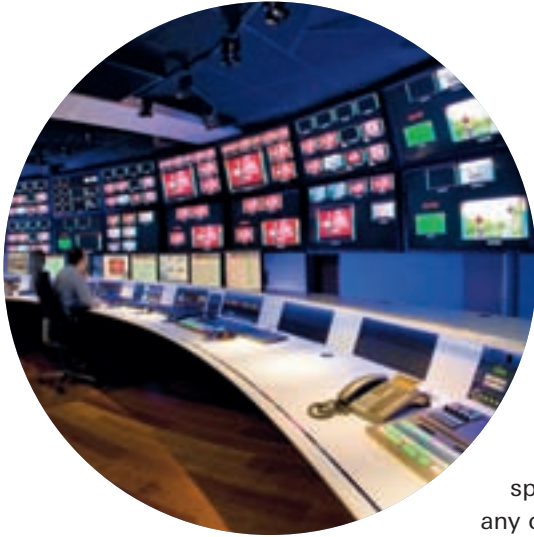
M6 Web, the multimedia subsidiary of the group, is now one of the country's most successful online content providers.

Month after month, Director General Valéry Gerfaud and visitor records. M6 Replay has developed into a real crowd-channel makes most of M6's TV programming available online, free of charge for seven days after the TV broadcast, often within an hour after the broadcast. Nine months after its launch in March 2008, nearly two million fans had already used the service on a monthly basis, and 40 million videos have been watched.



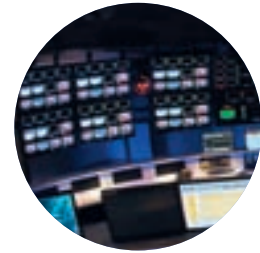
his team report new pleaser: The Internet

One click, and the "Un dîner presque parfait" is there to brighten up a rainy Sunday afternoon, or the latest episode of "Nouvelle Star" for relaxing after a long day at work.



360°

M6 Replay has proven so popular that now users are to be given the opportunity to watch missed programs on their mobile devices as well. Its partner in this venture is Orange, the telecom provider with whom M6 has for years operated the "M6 Mobile" calling plan, which now has over 1.5 million subscribers, most of them young. Another new service is poised to revolutionize access to mobile Internet. "3G+M6 Mobile" is a UMTS USB stick that creates a high-speed mobile Internet connection from any computer. Nicolas de Tavernost, CEO of Groupe M6, sees this as nothing less than "mobile Internet access for all." "M6 Mobile" subscribers get special terms, of course.



Innovations are the key to success, and digitization supplies the necessary toolkit.

The new broadcasting, which went into operation in December 2008, serves all channels and platforms, analogue and digital: cable, satellite, and digital-terrestrial television DTT. Not to mention online platforms, mobile services, and video-on-demand. Complete digitization and the linking of all workstations are also prerequisite to the already-initiated switch of all programs to High Definition. Right next door to the new broadcasting center, the company's own digital lab digitizes all formats, including commercials, to be able to feed them smoothly into the fully-digital production process. Thomas Valentin sums it up as follows:

"The world is spinning ever faster, there are no limits. Our message is: No matter what you're doing – we're there with you. And that is true not only for young people, but for everyone."

www.m6.fr, www.rtl-group.com ■



Reading Books

Where and How You Want

Random House is the largest trade book publishing group in the world, with more than 120 imprints in 19 countries. Each year, it sells 500 million printed books. It is also the world's largest trade publisher of electronic books. Although the business with e-books still represents a very modest fraction of its overall sales, its monthly growth rates are encouraging in both unit sales and revenues.

Sony's latest e-book reader model was introduced in the U.S. market in fall 2008. Sales swelled during the Christmas shopping season, as did sales of its rival product, Amazon's Kindle. Random House's U.S. e-book catalogue currently offers more than 10,000 titles; by the middle of 2009 that number is expected to

2008 total sales of e-books in the U.S.
→ +400 %

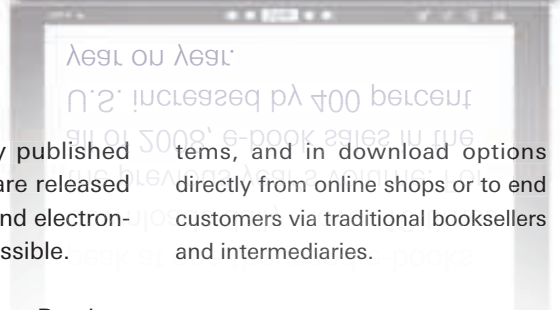
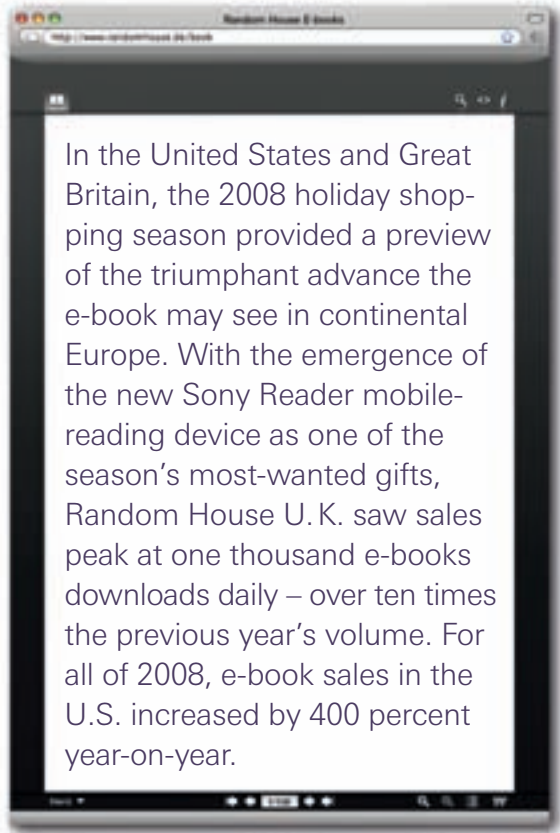
grow to 15,000. Newly published Random House books are released simultaneously in print and electronic versions whenever possible.

In Germany, Verlagsgruppe Random House currently offers more than 1,000 titles as e-books. In this land of

→ 1,000 titles as e-books
in Germany alone

poets and philosophers, the launch of the new reading devices may provide a similarly powerful stimulus to sales of electronic books. As the major trade publishing partner, Random House will offer many fiction and non-fiction bestsellers for the Sony Reader and other reading devices along with a broad range of backlist titles.

The technological infrastructure for e-books requires investment in areas such as people and storage space, as well as for expanded data-management systems and server interfaces, distribution and payment sys-



These are all elements in the systematic digitization and multi-distribution strategy that Random House has been pursuing internationally for years.



Random House CEO Markus Dohle is convinced that these investments will pay off. He sees e-books as offering exciting new opportunities that will provide access to wider readership and create greater book sales for Random House – a huge opportunity for growth. “We give customers the books they want and the format they want it in,” promises Dohle. Thus, in the United States readers can already enjoy titles such as Christopher Paolini’s fantasy trilogy the inheritance cycle on their iPhones or iPod touch devices. Of course, it is also imperative to Dohle that the rights and interests of the author and publisher are preserved.

“The value of the content has to be respected and protected in the virtual world just as well as in the print one.”

Those who love books also like to interact with one another. Random House’s online marketing websites and e-commerce platforms have given rise to numerous communities with well-populated forums and weblogs. One example is the literature blog “Transatlantik.de,” which includes audio clips, a newsletter, podcasts, videos, and relevant links.



Online magazines offer reading and listening samples, details on readings and events, and recommendations for movie aficionados. In the U. K., Random House launched “Authorsplace.co.uk,” an online toolkit which allows any published author to create and update their own personal Web pages, including blogs, book extracts and links to buy.

The publisher leverages these intensive online relations with customers and bibliophiles for promotions. Excerpts from many eagerly awaited books by popular authors can be downloaded for a limited time prior to the public release of the complete work. The ensuing word-of-mouth promotion has been proven to boost sales of the printed book.

Random House Audio in the U.S. initiated a viral online game to spark additional interest in Stephenie Meyers’ mega-seller “Twilight.” Random House Children’s Books staged an exciting dragon game based on Paolini’s latest novel, “Brisinigr.” During the 2008 pre-holiday



U.S. shopping season, “Facebook” and “Myspace” profiles were developed to support consumer-oriented campaigns that sought to establish books as the ideal gift in consumers’ minds. Links led to videos of Random House authors extolling the pleasures of reading.

Random House launched a digital search and browse service in the United States and Germany in 2007 and in the U. K. in 2008: “Insight” lets readers search for content and browse Random House books online. Booksellers and libraries can also integrate the tool in their own websites, thereby enabling their customers to enjoy the content-sampling experience with Random House titles.

www.randomhouse.com ■



A GOOD ADDRESS FOR STRONG WOMEN

“Brigitte” is younger than it ever was. The classic women’s magazine brand has succeeded in transferring its unique profile to the digital realm and now inspires new, potentially younger target groups.

For Brigitte Huber and Antje Dittrich, the two driving forces behind “Brigitte.de,” the revised website is simply a “good address for strong women.” Always on the cutting edge and “always with a new take on the chorus of life,” says Huber, Chief Editor of New Media and also Deputy Editor-in-Chief of the print version of “Brigitte.” Her dual function ensures that the online presence doesn’t turn into a one-way street: “We have high-quality content on all channels and we want to leverage our synergies.”

That could mean that topics being discussed in online community forums or in the “Bfriends” social network might become attractive for the print issue. Or vice versa. For instance, when traffic to the online wardrobe or the mobile “Figure Coach” increases, this often has to do with an article in the printed edition.

Credibility and competence have become hallmarks of “Brigitte.”

Any publication that has an online fashion director and employs a staff of eight to deal with letters to the editor clearly takes its readers seriously – and gets exuberant responses in return. The same is true for the “Brigitte Young Miss” website “Bym.de.”



“We bring people together who have at least one thing in common – an interest, a passion, an idea, and a goal,” Brigitte Huber says, describing the secret behind the strong loyalty that keeps readers coming back, online as well. ““Brigitte.de’ is often the first point of contact with the ‘Brigitte’ brand,” adds Antje Dittrich, Brigitte’s Deputy Publishing Director and Managing Director of G+J Woman New Media GmbH. She points out that there is a maximum 20 percent overlap between the website’s users and the magazine’s readers, meaning the “Brigitte” brand offers an attractive reach for cross-media offerings.

www.brigitte.de, www.bym.de, <http://bfriends.brigitte.de> ■



Making a Play for the Games Industry

MMORPG – this rather ungainly acronym makes sense only if you're familiar with "World of Warcraft," "Age of Conan," "Second Life," and the like. Millions of people around the world meet on the Internet to compete with others in virtual game worlds.



Meeting point 3D-Lobby: Chatting, shopping or testing games is explicitly welcome

To understand what it is that Arvato is doing with its EEIS service in Gütersloh, it helps to know what "World of Warcraft" is: a Massively Multiplayer Online Role-Playing Game, or MMORPG for short. This is the generic term used for all computer and console games that can be played online simultaneously by several, sometimes thousands of players. A small team of experts at Arvato has launched a comprehensive MMO solution that will allow them to get in on these mega-selling acts and meet the challenges that the games industry faces through progressive digitization. Arvato has served the industry for many years as a replication and distribution partner, and – like the new warehouse in Gütersloh – new, integrated services →

→ along the digital supply chain offer a great opportunity to profit from massive growth rates in the games industry.

The industry has a fundamental problem. The market is burgeoning, and developers can barely keep up. It takes between 24 and 48 months for a new online game to achieve market readiness, after investments of anything from five to 60 million euros, depending on the complexity.

Around the time of the market launch and thereafter, the developers and publishers need a reliable service partner to handle all other tasks such as technology, administration, and business processes.

And that is exactly what the IT specialists in Gütersloh provide in the form of Electronic Entertainment Infrastructure Services (EEIS). The client gets it all from a single source – as a full-service package or by leasing individual modules, depending on his requirements. For the developer this means:

Investment security, cost-efficiency, and flexibility.



The services experts have been tapping into the new market for Arvato for two years now. They found various products and services in the company which they are now offering as a self-contained system through EEIS. For instance, "TinCat" – an online network engine that has been used since 1996 by various computer games like "The Settlers" ("Die Siedler") – organizes network traffic management. Arvato Systems acquired the engine in 2008. The "TinCat" control center manages chat systems, makes auction platforms available, and organizes buddy-list functions. Upon request, the



client can install 2D or 3D entry pages, known as lobbies, at the entrance to the game, where other players can enter to take a look around. The player's avatars interact here; market stands can be put up and purchases such as virtual swords can be made.

Naturally, EEIS also offers payment processing and forwards the most important data to the games manufacturer for individualized client support. This helps the manufacturer to target in-game advertising for products to be sold in the digital world – for virtual or real money. The Arvato network allows players in more than 60 countries to pay online or via SMS. EEIS ensures secure payment transfer for single admissions to the gaming world, purchases during the game, and monthly subscriptions.

www.e-eis.com ■



GEO & GEO-Travel Community.

interact discover plan

The typical "Geo" reader travels a great deal and likes to report on his or her exciting adventures and unique impressions. Daniel Olzien describes the Internet activities of the "Geo" group – which has been online with its wide range of titles since 1996 – as an "online complement to the printed edition and a meaningful enrichment of the brand."

The project manager of "Geo.de" launched the "Geo travel community" in 2008. Readers and users can publish their travel experiences here, draw on other people's experience as they plan their own trips, and interact. One very useful added benefit is the **climate database**, which provides exact meteorological data about every place on earth. Another popular "Geo.de" feature is the **"Geo Audio" travel podcast**, which gets more than 200,000 downloads a month. The podcast features "Geo" reporters talking about their travel experiences ("Traveling with your ears").

www.geo.de, www.geo-reisecommunity.de ■



POWERED by Arvato

Anyone looking to buy Microsoft products will find impeccable service at the Microsoft Store. In Europe, the online shop's success is built on expertise and digital technology furnished by Arvato.

Michael Konopka, Head of E-Commerce at Arvato Digital Services, is about to move from Westphalia in Germany to Valencia in sunny Los Angeles County – and he's clearly de-

lighted at the prospect. Valencia is the center of action for the new Electronic Software Download line of business, which is hoped to extend Arvato's worldwide e-commerce value chain. Konopka has for years managed one of Arvato's key accounts: the software giant Microsoft in Redmond. When Microsoft wanted to develop a European online shop system for its products, it asked its service providers in Gütersloh:

Can you handle this? Do you want to? Of course they did! **The Microsoft Store (www.microsoftstore.com) went live in June 2008, and Arvato Digital Services made its debut as a retailer – including shouldering the risk that comes with being a retail customer's business partner.**

After premiering in Germany and the U.K., the Microsoft Store now also offers customers in France, Spain, and the Netherlands the opportunity to shop online for all the latest Microsoft software and accessories.



IT

LOGISTICS

FINANCIAL SERVICES

CUSTOMER SERVICE

CUSTOMERS RELATIONSHIP
MANAGEMENT

ONLINE-MARKETING

Microsoft's license management department is integrated in the purchase process. Products are distributed as secure downloads directly to the customer's PC or mailed out upon request. The work this involves isn't apparent at first glance: **a global e-commerce value chain, including IT, logistics, financial services, customer service, customer relationship management and online-marketing.**

The centralized IT platform is designed to be flexible and extensible, so that additional territories and new offerings can easily be added in the future. **Michael Konopka emphasizes the "spirit of solutions" behind the project: "We build the platforms the way our partners need them."**

www.microsoftstore.com
www.arvatodigitalservices.com ■

5 Stars from the Community

About one million of the three million members in Germany's Der Club Bertelsmann are registered online – and the number is rising. During the 2008 holiday shopping season, revenues generated by e-mail campaigns increased by around 50 percent.

Patricia Jäger from Euskirchen is over the moon: "A beautiful book – received it today and I am delighted with the great pictures and texts!" She has just finished submitting a customer rating, giving the book five stars. Her customer review is now online, extolling the virtues of "365 x One Day in Germany."

says that the group's media clubs would leverage the community spirit on the Internet even more intensely in the future.

Already, there are more than 30,000 member reviews posted on the German Club's page.

The addition of user-generated content offers a big advantage: Club members trust the opinion of other



The book was published due to the huge success of an idea Der Club had. In its newsletter, members were asked to submit their favorite photograph of a day in Germany. The response was overwhelming. Now a picture book designed as a perpetual calendar gives the reader a glimpse of real life in Germany.

This is the sort of activity Direct Group CEO Fernando Carro means when he

Club members, and this positive impact on buying behavior results in higher sales.

A 24-hour delivery guarantee before Christmas, gift-wrapping service or delivery of the online order to any Club shop are other services in the multi-channel distribution approach.



By the end of 2008, online sales contributed nearly 12 percent to the German Club's total revenue.

Theoretically, Fernando Carro could send a personal message to each and every one of Direct Group's 15 million customers, on various channels. One-to-one marketing is a hot topic among direct-marketing specialists. But one of the big questions all of the group's media clubs always keep their eye on it: at what point individualized online advertising messages generate more benefit than cost.

www.derclub.de ■

Virtual Pearl Divers

Small, select,
but with huge leverage –

that could easily be the motto for Richard Sarnoff. He and his team at Bertelsmann Digital Media Investments (BDMI), a €50 million venture capital fund, make investments in promising online and mobile companies in Europe, the U.S., and Asia. Candidates must have successfully completed their startup phase, have an experienced management team, and offer good prospects for an attractive return on investment.



Bertelsmann initially invests between one and three million euros, becomes a partner for three to five years, and takes a seat on the Board.

The objective is not to secure options to buy digital up-and-comers, but rather to get to know innovations, new businesses and markets from the inside, to gain a knowledge edge, and to set up contacts with cooperation partners in the Bertelsmann divisions.

It's a sustainable approach that is already bearing fruit. The "pearl divers" at BDMI have already acquired 18 holdings, most of them in the U.S. They include shopping communities for exclusive brands, mobile and online gaming platforms, Web-based platforms for licensing content, a company that turns TV series into online role-playing games, and a mobile social network called "Qeep."

Citing the example of "Qeep," BDMI Principal Jan Nils Borgstädt – who was an entrepreneur himself not so long ago – explains why it's so exciting to work with company founders: "You sit together for hours at a time brainstorming and going through various strategies. When the jointly hatched projects take off →

→ quickly, you share a great sense of pride." Like when the hit rates skyrocketed after the traditional marketing budget was switched to a viral online campaign.

BDMI works closely with Bertelsmann Asia Investments, a \$100 million fund set up in 2008. (See page 19 for more information.)

www.bdmifund.com ■



simple as can be

Do you know so-and-so? And who knows whom? In any event, more than 5.5 million Germans over the age of 14 now know the Internet platform "Wer-kennt-wen.de." The online community was founded by Patrick Ohler and Fabian Jager in 2006, who were students of computational visualistics at the University of Koblenz-Landau at that time. They came up with the idea of a free online platform limited to the basic needs of interpersonal relationships in the Internet: finding new contacts, reconnecting with old friends, creating photo albums, and posting thoughts in blogs and forums. This focus on the

essentials is the founders' recipe for success: easy, straightforward functionality, simple for anyone to use. Even Web newcomers can immediately find their way around the rapidly growing social network. Its perpetually rising user numbers ensure high net reach, which has made it an interesting proposition for the advertising world. In 2008, RTL Interactive purchased a 49 percent stake in "Wer-kennt-wen.de." The remaining 51 percent were acquired at the beginning of 2009.



For a free platform for all: Fabian Jager (l.) and Patrick Ohler.

www.wer-kennt-wen.de, www.rtl-interactive.de ■





Fun to Learn!

Ever since the Internet startup Scoyo moved into the “New Flora,” a theater building in Hamburg, fascination and fast-paced action, creativity and rousing emotions have been the order of the day both upstairs and down.



Scoyo makes learning fun. The online-based learning platform lets children go on cool adventures as they review their classroom material.

T

he team at the Bertelsmann subsidiary Scoyo has developed a new online platform that helps children improve their learning results on the net- and finally puts an end to stressful homework sessions. Let's put the fun in learning, is Scoyo's motto.



Only – it's not that easy to bring the subject material for grades one to seven onto computer monitors, because in Germany education falls under the jurisdiction of the federal states. 16 federal states = 16 different curricula. So, with the support of education experts, media pedagogues and researchers of several German universities, Scoyo has drawn up a curriculum that is adaptable by state.

Each click takes the young learner on a voyage of discovery. Learning modules take about 15 minutes each, and may feature such things as planets which have been covered in



“befuddlement slime” by aliens. The slime can only be gradually removed by correctly completing tasks taken from the curricula of grades one to four. Students in grades five through seven are served cool adventures with their lessons: Biology involves the “Scoutbots robots,” chemistry the offbeat “Tomokos” – a slightly “different” Japanese family.



And German becomes a breeze with the “Urbanos.” In developing the characters and their worlds, the Scoyo team worked with producers like



Gerhard Hahn, a professor for animation at the University of Film and Television in Potsdam and the successful director and producer of animated movies like “Asterix in America.” In this way, imaginative online worlds centering on German, mathematics, physics, biology and chemistry, English and social studies will replace rote learning with “game-based online learning.”

The product developed by the online-based learning platform's experts has been tested by hundreds of children. The young users reviewed lessons at their own pace, →

→ took tests, and prepared for classroom exams. The connection between fun and learning has been proved again and again, and a study by the University of Duisburg-Essen has even provided scientific proof.



A separate parent's access lets Mom and Dad monitor what their little ones are up to on "Scoyo.de."

After all, Scoyo is a paid offering that parents subscribe to on behalf of their children. They can request reports that show where

their child's strengths and weaknesses lie, and are given insight into their child's learning progress upon request.

www.scoyo.de ■



CHINA DISTANCE EDUCATION LEARNING

THE VAST APPEAL OF VIRTUAL LECTURE HALLS

BERTELSMANN PARTICIPATES IN CHINA'S BOOMING VOCATIONAL-EDUCATION SECTOR



Internet connectivity in China has surpassed even the U.S. when it comes to sheer numbers. The online realm has long become a fixture of daily life in China, having conquered one area after another – including education. "China has a very pronounced culture of education and learning," reports Annabelle Long, who combs the Chinese media market for potential investment targets on behalf of the Bertelsmann Asia Investments fund. In early 2008, she found a suitable contender in China Distance Education Learning (CDEL), the country's market leader in online education.



Since becoming a co-investor, Bertelsmann has participated in the stormy growth of a company that helps some three-quarters of a million Chinese a year earn a professional degree, license, or certification, acquire additional job skills or learn a language. CDEL operates 14 websites, each dedicated to a specific industry, profession or subject area ranging from accounting to tax legislation, from health to construction and IT. Lectures are accessed on the Internet as audio and video recordings, course contents and tutors are available online, and there are forums for interacting with fellow course participants. Additional printed materials for

at-home use round off the course offerings. "This type of learning and education is less expensive and much easier to integrate in the daily routine than going to school somewhere," says Long, explaining CDEL's success. The company is listed on the New York Stock Exchange since July, 2008.

FOR BERTELSMANN, THE CDEL STAKE IS AN EXCELLENT OPPORTUNITY TO NOT ONLY PARTICIPATE IN THE DEVELOPMENT OF A SUNRISE INDUSTRY BUT TO ALSO GAIN INSIGHTS INTO INNOVATIVE BUSINESS MODELS THAT ARE SUCCESSFUL UNDER THE PARTICULAR CONDITIONS OF THE CHINESE MARKET.

www.cdeledu.com ■

WWW.



rtl-group.com

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www.bertelsmann.com

Group Management Report

Bertelsmann delivered a solid performance in fiscal year 2008. Revenues from continuing operations totaled €16.1 billion, unchanged from last year's level (previous year: €16.2 billion). The economic environment deteriorated significantly during the second half of 2008. This was a key factor in a decline in operating EBIT from continuing operations to €1,568 million, compared to €1,717 million in 2007. Net income came in at €270 million, below last year's figure of €405 million. Fiscal year 2008 saw extensive portfolio management geared toward achieving a sustained growth acceleration and greater profitability for Bertelsmann. Sale of the 50 percent stake in Sony BMG and of a large portion of the direct-to-customer activities bundled within Direct Group are shown separately as discontinued operations in line with IFRS 5. The implications of the economic crisis for the economy and the trends in Bertelsmann's businesses are difficult to assess at present. Bertelsmann is diversified, enjoys a solid financial position and has adequate liquidity and unutilized credit facilities.

Business and Economic Conditions

Description of Business and Organizational Structure

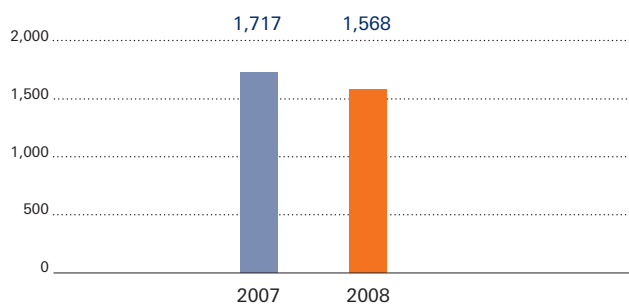
Bertelsmann's core business consists of media content, as well as media-related production and services operations.

Bertelsmann AG is an unlisted stock corporation under German law, with a two-tier system of management and governance. Bertelsmann AG acts as an operational management holding company for the corporation. It controls the Group's business policy and strategic management. The Executive Board is responsible for the entrepreneurial management of the Group. The Bertelsmann AG Articles of Association and resolutions adopted by the Group Executive Board, Supervisory Board and the Annual General Meeting

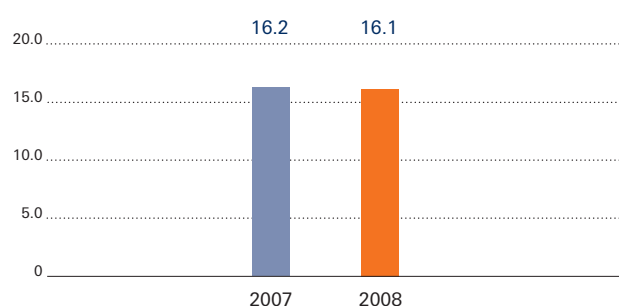
form the basis for corporate governance and management in accordance with strategy, Group targets and corporate culture. Internal financial management and reporting are conducted on the basis of the Group's organizational structure, consisting of the five divisions RTL Group, Random House, Gruner + Jahr, Arvato, and Direct Group.

RTL Group businesses concentrate on television, radio and TV production. RTL Group is the leading European entertainment network, with 45 television and 32 radio stations in eleven countries. The group's television operations include the Mediengruppe RTL Deutschland (includes RTL, Vox, Super RTL), M6 in France and RTL channels in

Operating EBIT in € millions



Revenues in € billions



the Benelux region. In addition, the wholly owned subsidiary Fremantle Media makes RTL Group one of the world's largest independent producers of TV content. RTL Group is a listed company in Brussels and Luxembourg.

New York-based Random House Inc. is the world's largest trade book publisher. Encompassing over 120 independent publishing houses, including Knopf and Doubleday in the U.S., Ebury and Transworld in the U.K. and Siedler and Goldman in Germany, Random House has a global presence. Random House publishes hardcover and paperback fiction and nonfiction for adults and children in 19 countries in five different languages.

Based in Hamburg, the Gruner + Jahr media company is Europe's leading magazine publisher. The company publishes over 500 magazines, newspapers and websites in more than 30 countries. One of its most significant international businesses is Prisma Presse, France's number two 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 international media and communications service provider Arvato operates in over 35 countries worldwide through its Arvato Services, Arvato Print, Arvato Digital Services, and Arvato Systems units. Headquartered in Gütersloh, Arvato is one of Europe's largest media and communications service providers. The company's business activities include customer loyalty programs, logistics services, supply chain management, call and service center activities, gravure and offset printing, optical storage media production, IT services, address and database management and direct media sales.

Following a strategic realignment, the media clubs, bookstores, Internet activities, and publishing and distribution companies bundled within Direct Group are now focused on their core European markets. The company's clubs include such popular brands as Der Club in Germany, France Loisirs in France and Círculo de Lectores in Spain. Direct Group is based in Gütersloh.

Strategy

Bertelsmann's core businesses are media content and media-related production and services. While developing the existing businesses further, Bertelsmann is focusing on moving into new growth markets.

The portfolio is balanced in terms of revenue sources. Revenues are generated by media content, advertising, direct-to-customer businesses and media services (including production revenues). In addition, the broad geographic diversification of its businesses cushions economic risks. Businesses that tend to follow a steady market-growth pattern are complemented by units that are subject to cyclical influences to a greater extent.

The core markets are Western Europe (in particular Germany, France, Spain, U.K.) and the U.S. Over 95 percent of Bertelsmann's revenues stem from these markets. At the same time, the Group invests the most in these areas. Investment activity centers on businesses with high organic growth potential. In the long term, Bertelsmann is working to strengthen its presence in large growth markets such as Russia, China, and India.

Most of the businesses hold leading positions in attractive markets. The portfolio is currently built around more mature markets. Therefore, the Executive Board is working on plans to enter new growth markets like education through in-house development, acquisition of selected businesses or purchase of holdings. Bertelsmann withdrew from low-growth markets with the sale of the 50 percent stake in the Sony BMG joint venture and Direct Group North America.

The Executive Board is focused on safeguarding and strengthening the company in view of the rapid overall economic decline since the second half of 2008. Initial precautions have already been taken with the implementation of restructuring measures in specific businesses, cautious investment activities and set-up of liquidity reserves. In order to enable an appropriate response, scenarios have been developed and measures have been identified that can be implemented depending on how the markets and businesses develop.

Bertelsmann continues to strive to accelerate organic growth for the Group by optimizing the portfolio, investing in growth businesses and promoting innovation. The worldwide economic crisis will cause a delay in achieving these goals.

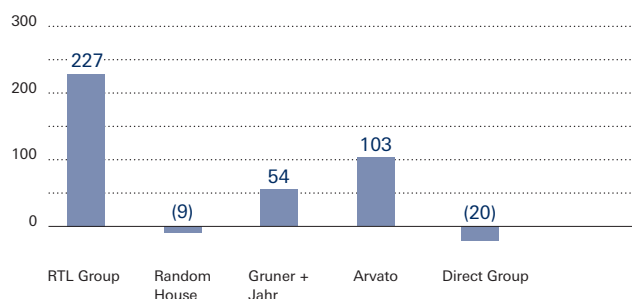
Bertelsmann's objective is to maintain 100 percent control over its businesses. In certain justified cases, however, it may be prudent or necessary to involve minority shareholders. Currently, 100 percent control is not held over two divisions (RTL Group, Gruner + Jahr).

Controlling Systems

Bertelsmann's primary financial objective is to enhance the enterprise value by steadily increasing its profitability. The key performance indicator for assessing the profitability of business operations and the return on invested capital is Bertelsmann Value Added (BVA). This focus on enterprise value is reflected in the management of Group operations and of its strategic investments and portfolios; as an element within the management compensation system, it is integral to all business activities.

BVA is calculated as the difference between net operating profit after tax (NOPAT) and the cost of capital. NOPAT is defined as operating EBIT less a uniform tax charge of 33 percent in the Group. 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. Invested capital is calculated on the basis of the Group's operating assets less non-interest-bearing operating liabilities. The present value of operating leases is also factored into invested capital. In fiscal year 2008, BVA from continuing operations decreased from €173 million to €88 million. The main reason for the decline in BVA, although this was partly offset by lower invested capital and the associated reduction in the cost of capital, was the lower operating result.

BVA by Divisions 2008 in € millions*



*Before corporate/consolidation

Another key performance indicator alongside BVA is operating EBIT. Operating EBIT is calculated before financial result and taxes, and adjusted for special items. This procedure yields a normalized, sustainable performance indicator that helps to improve predictability and comparability. Operating EBIT from continuing operations came to €1,568 million in the year under review.

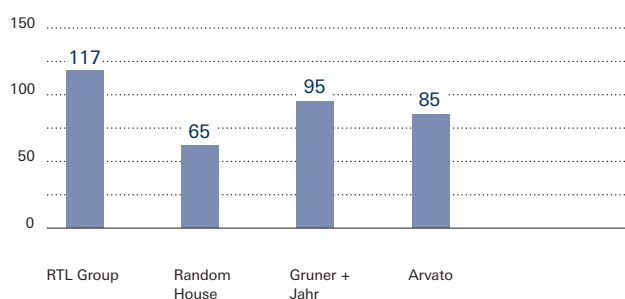
Operating free cash flow also plays a major role within the Bertelsmann financial management system, as measured applying the cash conversion rate. This is calculated as the ratio of operating free cash flow to operating EBIT, and serves as a measure of cash generated from business activities. Operating free cash flow does not reflect 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 maintain a cash conversion rate of 95 to 100 percent as a long-term target. For fiscal year 2008, the cash conversion rate from continuing and discontinued operations was 105 percent (previous year: 95 percent).

Bertelsmann's internal financial targets are likewise part of the management and controlling system (see section "Net Assets and Financial Position").

Significant Events in the Fiscal Year

Hartmut Ostrowski took over as Bertelsmann AG Executive Board Chairman on January 1, 2008. He was succeeded in his former positions as Chairman of the Arvato AG Executive Board and member of the Bertelsmann AG Executive Board by Rolf Buch.

Cash Conversion Rate by Division 2008 in percent*



*Before corporate/consolidation; Direct Group with negative cash conversion rate

In February 2008, a U.S. court definitely approved a prior settlement between Bertelsmann and U.S. class-action plaintiffs in the dispute over the former music file-sharing platform Napster. An out-of-court settlement reached in December 2007 over purported Sony Music claims was set in writing in March 2008. These two settlements conclude with finality the dispute, underway since 2003, over financial support provided by Bertelsmann to the former music file-sharing platform Napster.

In the spring of 2008, Bertelsmann AG issued six-year promissory notes in the amount of €500 million. These issues were followed in September 2008 by a €100 million placement of a three-year promissory note.

In May 2008, as part of the strategic objective of a strong investment in Asia, the newly launched fund Bertelsmann Asia Investments (BAI) took a strategic 4.5 percent stake, which has since been increased to 11.46 percent, in the company China Distance Education Learning (CDEL). CDEL is a provider of online educational products in the Chinese market. BAI also purchased shares in a venture capital fund that invests in Chinese companies active primarily in the media, Internet, software, and high-tech sectors.

Markus Dohle has been Chairman and CEO of Random House and a member of the Bertelsmann AG Executive Board since June 1, 2008. Mr. Dohle succeeded Peter Olson, who resigned effective May 31, 2008.

In July 2008, Bertelsmann sold Direct Group North America to Najafi Companies, based in Phoenix, Arizona. This unit operates book, music, and DVD clubs in the U.S. and Canada. The transaction closing was on August 11, 2008. It was also decided in July 2008 to concentrate Direct Group operations on the German- and French-speaking countries and southern Europe.

In August 2008, Bertelsmann and Sony Corporation reached a deal for Sony to acquire Bertelsmann's 50 percent stake in Sony BMG Music Entertainment (Sony BMG). Both partners had established Sony BMG as a joint venture in August 2004. It was agreed as part of the deal that Sony BMG would continue to contract with a Sony production subsidiary and Bertelsmann media service provider Arvato Digital Services in the former proportion, agreements with Arvato being extended by up to six years. The transaction was closed on October 1, 2008.

In the fourth quarter of 2008, Bertelsmann realigned the Bertelsmann Music Group's business around the management of music rights. In this connection, Bertelsmann acquired selected catalogue rights formerly held by Sony BMG. These comprise the works of more than 200 artists. The catalogues will continue to be distributed by Sony Music.

On December 23, 2008, Bernd Kundrun, Bertelsmann AG Executive Board member and Executive Board chairman of Gruner + Jahr, resigned from the Bertelsmann AG Executive Board.

Overall Economic Developments

According to the Deutsche Bundesbank, the global economy was still accelerating slightly at the start of 2008, but this trend did not continue over the course of the year. The worsening of the financial crisis in September heralded an uncommonly severe downturn, particularly in the final quarter. The global economy tailed off in comparison with 2007.

Nearly all economic indicators were negative according to the University of Kiel's Institute for the World Economy, in line with the perceived global downturn. According to the OECD, Germany's economic performance was primarily driven by exports, which were up 4.2 percent year-on-year for the whole of 2008 but had fallen off dramatically at year's end. Private consumption stagnated in 2008 as rising food and energy prices hindered real income growth.

Developments in Relevant Markets

Economic and industry-specific conditions resulting from the financial crisis affected Bertelsmann's businesses to varying extents and with different timing.

The European TV advertising markets showed a general decline in 2008. Economic developments severely affected the TV advertising markets, especially from the third quarter. The TV market in Germany contracted slightly by around 2 percent in 2008. Much greater declines in TV advertising were seen in Spain, the U.K. and France, each market being down by 5 percent or more. In contrast, the TV advertising market in the Netherlands grew by around 2 percent. Book markets stagnated overall in 2008 in the U.S., Germany, and the U.K. In particular, the book market in the U.S. suffered from falling consumer confidence, especially in the second half of the year. Due to the economic crisis, the magazine advertising markets fell sharply in Germany and France. In 2008, the European and U.S. printing markets were largely stable or down only slightly.

Regulatory Environment

Bertelsmann has television and radio operations in several European countries that are subject to regulation. Bertelsmann occupies leading market positions in many of its lines of business, and thus may have limited potential for growth through acquisition due to antitrust legislation. Because our profit participation certificates and bonds are publicly listed, Bertelsmann is required to comply in full with applicable capital market regulations. The economic crisis did not alter the regulatory environment for Bertelsmann AG.

Research and Development

In terms of the creation of marketable products and services, research and development (R&D) is an integral part of Bertelsmann's business strategy. The Bertelsmann divisions mainly conduct these activities. The divisions know most about customer requirements as well as technological innovations and their viability.

The development of new, high-revenue TV formats and the identification of relevant technological and programming trends are a priority for RTL Group. New digital distribution concepts are also being actively tested. UFA's new UFA Cinema unit has now ventured into movie planning and production. In addition to discovering and promoting authors, Random House also focuses on publishing new works. Digital approaches have been incorporated into this business, as shown by the increasing availability of e-books. Gruner + Jahr is continuing with its strategic initiative "Expand Your Brand," involving the expansion of popular brands into other environments, such as the Internet. At Arvato, R&D efforts are being concentrated on creating new business models. Value-added services are being developed around specific customer needs.

The newly developed online-learning platform Scoyo in the Corporate division entered the marketing phase in January 2009. The new company BMG Rights Management has been a music rights management and licensing service provider to artists and songwriters since its establishment in the fourth quarter of 2008.

Innovative strength is becoming an increasingly critical driver of organic growth and is thus highly important for the Group. Alongside market-oriented divisional R&D activities, continuing education and training programs are provided throughout the Group, parallel to the promotion of knowledge transfer and collaboration across all divisions and business units. Investments in R&D are not recorded separately due to the varying R&D involvement and requirements of Group companies.

Results of Continuing Operations

The following earnings analysis is based on segment reporting (primary reporting format), thus concerning continuing operations as of December 31, 2008. The continuing operations of Bertelsmann are RTL Group, Random House, Gruner + Jahr, Arvato, and Direct Group businesses in German- and French-speaking countries and southern Europe (Italy, Portugal, and Spain).

The previous year's figures were adjusted in line with IFRS 5 to factor out discontinued operations. With the exception of Direct Group, the remaining divisions are directly comparable with the figures reported in the previous year.

Revenues

Bertelsmann AG revenues from continuing operations were nearly unchanged from the previous year at €16.1 billion (previous year: €16.2 billion). This minimal decrease was primarily due to exchange rate effects. In addition to organic growth of 1.3 percent, portfolio and other effects had an impact of 0.3 percent. Exchange rate effects, especially in relation to transactions in the dollar zone and the U.K., were a factor in this development at -2.1 percent.

Both RTL Group and Arvato posted higher revenues year-on-year. The other divisions recorded slightly declining revenues. The Mediengruppe RTL Deutschland and production subsidiary Fremantle Media were the key drivers behind the increase in revenues at RTL Group to €5.8 billion (previous year: €5.7 billion). Offset printing and fast-growing service

businesses generated a revenue increase for the Arvato division to €5.0 billion (previous year: €4.9 billion). Revenues declined for Random House from €1.8 billion to €1.7 billion due to exchange rate effects and operational factors, including title shifts and the major economic downturn felt in the U.S. and U.K. A substantially declining advertising market as a result of the worsening economy was responsible for Gruner + Jahr revenues declining to €2.8 billion (previous year: €2.8 billion). Direct Group revenues were down from last year, at €1.3 billion (previous year: €1.3 billion).

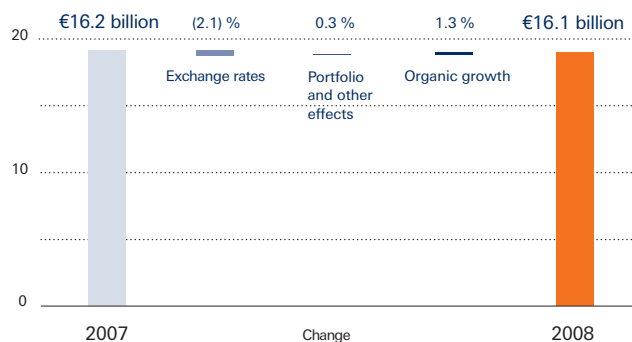
Overall, Bertelsmann was able to partially cushion the impact of the gathering crisis in fiscal year 2008 thanks to the diversification of its businesses.

There were only minor changes in the geographical breakdown of revenues from continuing operations compared to fiscal year 2007. While the share of revenues from Germany was down slightly to 36.3 percent from 36.6 percent in the previous year, the revenues share generated by other European countries amounted to 47.7 percent (previous year: 47.1 percent). At the same time, the share of revenues attributable to the U.S. declined as a percentage of total revenues from 12.1 to 11.7 percent, while the rest of the world accounted for 4.3 percent (previous year: 4.2 percent). This means that the proportion of total revenues attributable to countries other than Germany increased slightly from 63.4 percent to 63.7 percent. The percentage of revenues derived from the four business categories (content, advertising, direct-to-customer, and media services including production revenues) also remained largely unchanged compared to fiscal year 2007.

Revenues by Division

in € millions			2008			2007	
	Germany	International	Total	Germany	International	Total	
RTL Group	2,131	3,643	5,774	2,089	3,618	5,707	
Random House	259	1,462	1,721	240	1,597	1,837	
Gruner + Jahr	1,269	1,500	2,769	1,296	1,535	2,831	
Arvato	2,178	2,815	4,993	2,278	2,639	4,917	
Direct Group	287	972	1,259	292	1,016	1,308	
Total revenues by division	6,124	10,392	16,516	6,195	10,405	16,600	
Corporate/Consolidation	(270)	(128)	(398)	(259)	(150)	(409)	
Consolidated revenues	5,854	10,264	16,118	5,936	10,255	16,191	

Revenue Breakdown



Operating EBIT and Operating EBITDA

In fiscal year 2008, Bertelsmann generated operating EBIT of €1,568 million (previous year: €1,717 million). Return on sales was lower year-on-year at 9.7 percent (previous year: 10.6 percent).

The RTL Group result amounted to €927 million compared to €978 million in the previous year. Taking into account a €96 million fine against IP Deutschland imposed in the previous year by the German Federal Cartel Office, the operating EBIT of RTL Group increased year-on-year despite programming investments by M6 in the Euro 2008 soccer championships.

Random House likewise posted lower operating EBIT due to unfavorable exchange rate effects, title shifts, higher author costs and write-downs of receivables from a previous-year figure of €173 million to €137 million for the period under review. The slumping advertising business across Europe starting in the third quarter of 2008 due to the economy

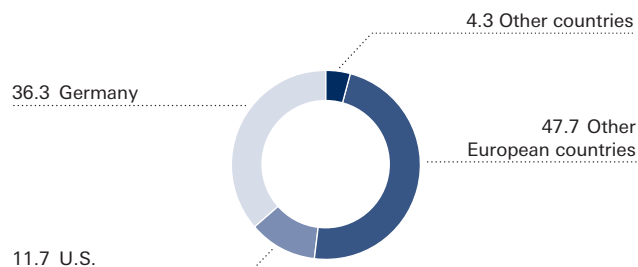
in combination with measures to optimize cost structures led to a decline in operating EBIT for Gruner + Jahr to €225 million, coming after last year's €264 million. Media service provider Arvato posted slightly higher operating EBIT for 2008 of €369 million (previous year: €366 million). Nearly all Arvato business units contributed to this rise. Direct Group earnings came in higher year-on-year at €22 million (previous year: €18 million).

Operating EBITDA from continuing operations declined year-on-year in 2008 to €2,130 million from €2,292 million one year ago.

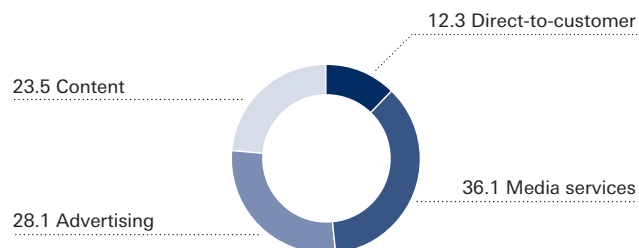
Special Items

Special items affecting continuing operations in 2008 totaled €-676 million compared to a previous €-409 million. These comprise impairments in the total amount of €-502 million, capital gains and losses totaling €-1 million as well as restructuring expenses and other special items of €-173 million. Results and the market situation in the U.K. led to an impairment in the amount of €-337 million by the TV channel Five. Further impairments amongst others were also carried out for the radio activities of RTL Group in Germany and at Direct Group. Net capital gains and losses came to €-1 million. Capital gains of €16 million from numerous minor transactions were offset by €-17 million in losses, among other things from the sale of RTL Shop. Other special items totaling €-173 million were primarily attributable to restructuring measures and severance payments, and were shared by all divisions. They represented efforts to adjust to economic developments, including cost-cutting initiatives and organizational realignment, particularly at Random House and Gruner + Jahr.

Consolidated Revenues by Region in percent



Revenues by Category in percent*



* Based on total from divisions not including Corporate/Consolidation

Results Breakdown

in € millions	2008	2007
Operating EBIT by division		
RTL Group	927	978
Random House	137	173
Gruner + Jahr	225	264
Arvato	369	366
Direct Group	22	18
Total Operating EBIT by division	1,680	1,799
Corporate/Consolidation	(112)	(82)
Group Operating EBIT	1,568	1,717
Special items	(676)	(409)
EBIT (earnings before interest and taxes)	892	1,308
Financial result	(427)	(458)
Earnings before taxes from continuing operations	465	850
Income taxes	(52)	(50)
Earnings after taxes from continuing operations	413	800
Earnings after taxes from discontinued operations	(143)	(395)
Net income	270	405
of which: Share of profit of Bertelsmann shareholders	142	216
of which: Minority interest	128	189

Results of Discontinued Operations

Discontinued operations, which are reported separately in the 2008 Annual Report, comprise certain Direct Group operations slated for disposal in addition to the 50 percent stake in the joint venture Sony BMG deconsolidated as of October 1, 2008. These include operations in Australia, China, the U.K., New Zealand, the Netherlands and Belgium, North America, and Eastern Europe. Direct Group North America, deconsolidated upon sale on July 31, 2008, is also included under discontinued operations.

Revenues

Revenues from discontinued operations totaled €1,404 million, compared to €2,567 million for last year. This decline was primarily attributable to the Sony BMG and Direct Group businesses that were included in the reporting up until their respective deconsolidation dates. In addition, there were revenue declines driven by other operational declines and exchange rate effects stemming from the high proportion of U.S. dollar business. The organic decline in discontinued operations amounted to -10.3 percent.

Operating EBIT, Special Items and EBIT

Operating EBIT from discontinued operations was significantly lower year-on-year at €-21 million compared to a previous €94 million. After special items totaling €-94 million (previous year: €-445 million), EBIT from discontinued operations came to €-115 million (previous year: €-351 million). Special items include a total €14 million gain on the sale of Direct Group North America and the Sony BMG joint-venture stake.

Net Income

Group EBIT totaled €892 million (previous year: €1,308 million), based on operating EBIT from continuing operations after special items in the amount of €-676 million. The net financial result improved to €-427 million compared to €-458 million for last year, primarily due to the redemption of loans. Net financial result also includes distributions of €76 million (previous year: €76 million) on Bertelsmann AG profit participation certificates. Income tax expense increased slightly to €-52 million (previous year: €-50 million). Tax expense was low, as in the previous year, and resulted primarily from an increase of deferred taxes in the U.S. in the period under review. After-tax earnings from discontinued operations thus totaled €-143 million (previous year: €-395 million).

Net income for fiscal year 2008 decreased from €405 million in the previous year to €270 million. Minority interests in net income amounted to €128 million (previous year: €189 million). The share of Bertelsmann AG shareholders was €142 million (previous year: €216 million). Distribution of a dividend of €120 million to the shareholders of Bertelsmann AG is intended for fiscal year 2008.

Assets and Financial Analysis

Financial Guidelines

The primary objective of Bertelsmann AG's financial policy is to achieve a balance between financial security, return on equity and growth. Accordingly, the Group's financing policy is based on the requirements of a "BBB+/Baa1" credit rating, and qualitative/quantitative criteria pertaining thereto. Credit ratings and transparency are of great importance to Bertelsmann's financial security and independence.

The Bertelsmann Group is centrally financed by Bertelsmann AG and its financing company Bertelsmann U.S. Finance LLC. Bertelsmann AG is thus responsible for providing sufficient liquidity to Group companies. Bertelsmann AG also manages the issuance of guarantees and letters of comfort for Group companies. The Group forms a single financial unit, thereby optimizing capital procurement and investment opportunities.

Bertelsmann utilizes a financial control system employing quantitative financial targets concerning the Group's economic debt and, to a decreasing extent, its capital structure. Key financial target is a dynamic leverage factor calculated as the ratio of economic debt to operating EBITDA (after modifications), and limited to a maximum of 3.0. Economic debt is defined as net financial debt plus provisions for pensions, profit participation capital and present value of operating leases.

Financial Targets

	Target	2008	2007
Leverage factor: Economic debt/Operating EBITDA ¹⁾	< 3.0	3.2	3.1
Coverage ratio: Operating EBITDA/Financial result ¹⁾	> 4.0	4.9	5.0
Equity ratio: Equity to total assets (in percent)	> 25.0	31.0	28.2

¹⁾ After modifications

Maturity Structure of Financial Debt in € millions



As of December 31, 2008, the Group had a leverage factor of 3.2 (December 31, 2007: 3.1). Net financial debt was reduced by €837 million in the fiscal year and totaled €3,445 million as of December 31, 2008 (December 31, 2007: €4,282 million). Economic debt totaled €6,627 million, down €1,093 on the previous year. The decrease was mainly attributable to proceeds from the sale of the 50 percent stake in the Sony BMG joint venture. Due to the declining trend in operating result, the reduction in economic debt did not lead to an improvement in the leverage factor compared with fiscal year 2007.

A further key financial target is a coverage ratio of more than 4, which for the year under review was 4.9 (previous year: 5.0). This metric is calculated as the ratio of operating EBITDA to the financial result. The Group's equity ratio increased year-on-year from 28.2 percent to 31.0 percent.

Financing Activities

One major financing measure conducted in the first half of 2008 was the issuance of six-year promissory notes for €500 million in the spring of 2008. The funds were appropriated in part to pay down existing credit lines in June.

In September, Bertelsmann AG issued an additional €100 million in three-year promissory notes.

These moves were made in view of the deteriorating situation on the world's capital markets, securing pre-financing of maturities due in fiscal year 2009. In consideration of the uncertain duration of the economic crisis and economic

outlook, at this time Bertelsmann does not anticipate any material impact from interest rate changes in terms of financing costs in view of the company's medium- to long-term financing strategy.

Rating

Bertelsmann has been rated "Baa1" by Moody's and "BBB+" by Standard & Poor's (S&P) since 2002, both investment-grade ratings. Moody's rates the outlook as stable, while S&P rates it as negative. Bertelsmann's short-term credit quality has been rated "P 2" by Moody's and "A 2" by S&P. Credit ratings for bond issuers facilitate access to global capital markets and are an essential element of Bertelsmann's financing security.

Credit Lines

The Bertelsmann Group has access to floating-rate and fixed-interest credit lines based on various contractual agreements. A syndicated credit line has been in place since October 2004, which was last extended in 2005 and expires in 2012. Bertelsmann AG and its foreign financing company Bertelsmann U.S. Finance LLC can utilize these 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. These credit lines ensure that Bertelsmann has a financial reserve of approximately €1.7 billion in total, which can be freely used for business activities. As of December 31, 2008, Bertelsmann had no outstanding balances from existing credit lines (previous year: €198 million).

Bonds, Promissory Notes, U.S. Private Placements

Nominal interest, issuer, due date	Type	Effective interest rate in %	Issue volume in millions
3-month EURIBOR + 10 basis points 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
5.65 % Bertelsmann AG 08/11	Promissory note	5.79	EUR 100
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
5.05 % Bertelsmann AG 08/14	Promissory note	5.17	EUR 500
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

The Bertelsmann cash flow statement is calculated based on EBIT. In the year under review Bertelsmann generated net cash from operating activities of €1,789 million (previous year: €1,463 million). This increase was largely based on considerably lower tax payments and lower payment-relevant special items compared with fiscal year 2007. The Group's sustainable operating free cash flow adjusted for non-recurring items was €1,624 (previous year: €1,714), resulting in a cash conversion rate of 105 percent compared with 95 percent for the previous year (see "Management and Controlling Systems" above for definition).

As a result of the proceeds from the sale of the 50 percent stake in Sony BMG, the cash flow from investing activities of €-416 million was better than the previous year (€-626 million). Proceeds from the disposal of investments totaled €608 million (previous year: €285 million). These proceeds were offset by purchase price pay-

ments for the acquisition of consolidated investments (net of acquired cash and cash equivalents) totaling €-310 million (previous year: €-292 million). As a result of the reduction of financial debt, cash flow from financing activities was €-917 million in the period under review (previous year: €-654 million). Dividends totaling €288 million were paid to Bertelsmann AG shareholders and minority shareholders of consolidated subsidiaries (previous year: €249 million). As of December 31, 2008, the Bertelsmann Group had cash and cash equivalents of €1.6 billion (previous year: €1.1 billion).

In the cash flow from operating activities, discontinued operations accounted for €87 million (previous year: €127 million). In the cash flow from investing activities, €579 million (previous year: €-2 million) is attributable to discontinued operations. The cash flow from financing activities contains €-33 million (previous year: €-30 million) from discontinued operations.

Cash Flow Statement (Summary)

in € millions	2008	2007
Cash flow from operating activities	1,789	1,463
Cash flow from investing activities	(416)	(626)
Cash flow from financing activities	(917)	(654)
Change in cash and cash equivalents	456	183
Currency effects and other changes in cash and cash equivalents	(4)	(38)
Cash and cash equivalents at the beginning of the year	1,131	986
Cash and cash equivalents at the end of the year	1,583	1,131

Off-Balance Sheet Liabilities

The volume of off-balance sheet liabilities decreased slightly compared to the previous year. They include contingent liabilities and other financial commitments, almost all of which result from operating activities conducted by the divisions.

Investments

At €1,095 million, Bertelsmann total investments during fiscal 2008 exceeded those of last year (previous year: €1,032 million). The majority of the total €389 million investment in property, plant and equipment (previous year: €463 million) stemmed from Arvato. An amount of €238 million was invested in intangible assets (previous year: €171 million), stemming principally from RTL Group. An amount of €158 million was invested in financial assets (previous year: €106 million). Purchase price payments for consolidated investments (less cash and cash equivalents) increased to €310 million for the period under review, compared to €292 million in the previous year. Most of this amount stemmed from RTL Group, which acquired a 66.6 percent stake in the Greek company Alpha Media Group for €125 million. In July 2008, Arvato invested €45 million in the acquisition of Spanish call center operator Qualytel.

An amount of €30 million represented investments in discontinued operations (previous year: €43 million).

Investments

in € millions	2008	2007
RTL Group	415	337
Random House	30	15
Gruner + Jahr	138	124
Arvato	314	298
Direct Group	60	129
Corporate/Other	108	86
Continuing operations	1,065	989
Discontinued operations	30	43
Total	1,095	1,032

Consolidated Balance Sheet

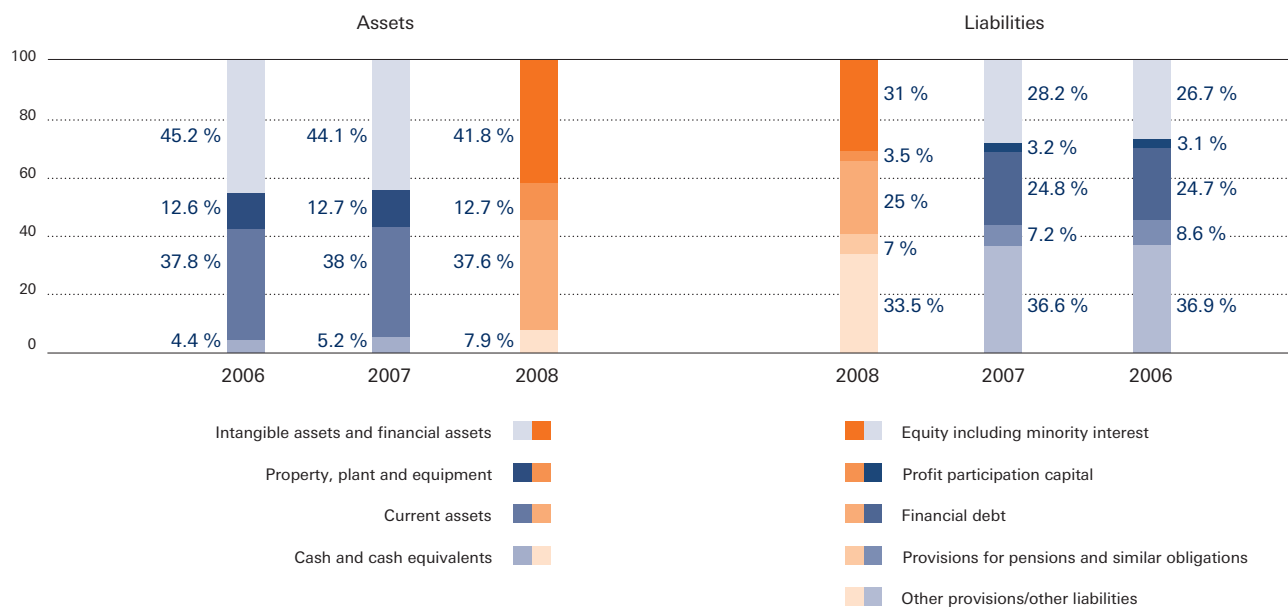
Total assets came to €20.1 billion as of December 31, 2008 (December 31, 2007: €21.8 billion). Shareholders' equity increased from €6.1 billion to €6.2 billion for an equity ratio of 31.0 percent (previous year: 28.2 percent). Shareholders' equity attributable to Bertelsmann AG shareholders was €5.1 billion (previous year: €5.0 billion). Provisions for pensions declined from €1,558 million to €1,409 million. The decrease in provisions for pensions was due in part to the deconsolidation of Sony BMG and Direct Group North America.

Profit Participation Capital

As of December 31, 2008, the notional amount of the Group's profit participation capital was unchanged year-on-year at €516 million. Including the premium, profit participation capital totaled €706 million, as in the previous year. The 2001 profit participation certificates (ISIN DE0005229942) account for 97 percent of notional profit participation capital, while the 1992 profit participation certificates (ISIN DE0005229900) account for the remaining 3 percent.

The 2001 profit participation certificates are officially listed for trading on the Frankfurt and Düsseldorf stock exchanges, their price being quoted as a percentage of nominal value. The trading price of the profit participation certificates has been affected by general events on the capital markets, which exhibited great volatility and increasing risk premiums. In fiscal year 2008, the highest trading price in Frankfurt was 235.31 percent, while the lowest price was 135.00 percent.

Balance Sheet



Under the terms and conditions of the profit participation certificates, the payout for each full fiscal year is 15 percent of 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 2008.

Due to their low volume, the 1992 profit participation certificates are only traded to a limited extent in Frankfurt. In fiscal year 2008, the trading price in Frankfurt peaked at 145.00 percent, while the lowest price was 90.00 percent. Payouts on the 1992 profit participation certificates are based on the Group's return on total assets, which is not used as an internal performance indicator. As the return on total assets for fiscal year 2008 was 4.12 percent (previous year: 4.45 percent), the payout on the 1992 profit participation certificates for fiscal year 2008 will be 5.12 percent of their notional value (previous year: 5.45 percent).

The payout distribution date for both profit participation certificates is expected to be May 6, 2009; the approximate total distribution is €76 million. Under the terms and conditions of the profit participation certificates, the auditors appointed by Bertelsmann AG are responsible for verifying whether 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

Despite increasingly difficult TV and radio advertising markets in several European countries, Europe's leading entertainment network RTL Group grew its revenues by 1.2 percent overall to €5.8 billion (previous year: €5.7 billion) – thanks to ad sales in Germany, which increased against the market trend, and continued strong revenue growth at the TV production arm Fremantle Media.

RTL Group's operating profit amounted to €927 million, compared to the previous year's €978 million (-5.2 percent). On a comparable basis (taking into account a €96 million fine imposed on IP Deutschland by the Federal Cartel Office in 2007), RTL Group's operating profit increased by 5.0 percent despite a difficult market situation and programming investments made by the French channel M6 in connection with the Euro 2008 soccer championships. Return on sales reached 16.1 percent (previous year: 17.1 percent). At the end of the year, RTL Group had 12,360 employees (December 31, 2007: 11,392).

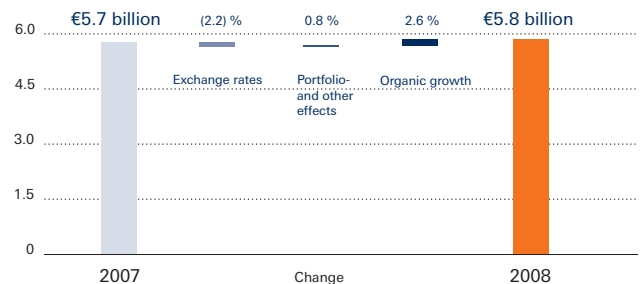
The Mediengruppe RTL Deutschland outperformed the German TV advertising market and significantly increased its share of the net market. The German family of channels generated growing revenues and profits. Its audience shares decreased slightly in a year of major sporting events which were televised by the country's public broadcasters; however, in the 14- to 49-year-old demographic, the Mediengruppe RTL Deutschland remained the clear market leader.

The international production firm Fremantle Media continued on a steep growth curve, especially thanks to its successful U.S. business. It expanded its operations internationally.

In France, Groupe M6 kept its revenues nearly stable in a significantly decreasing TV advertising market. Profits were down as a result of the program investment for the Euro 2008 soccer championships; this resulted in record viewer ratings for M6's live broadcasts of the football matches. Despite the accelerated audience fragmentation in France, the combined total audience share of the main channel M6 and the free DTT channel W9 increased year-on-year.

The British channel Five saw a substantial impairment of goodwill (€337 million) in 2008, reflecting a revised outlook for the U.K. television advertising market.

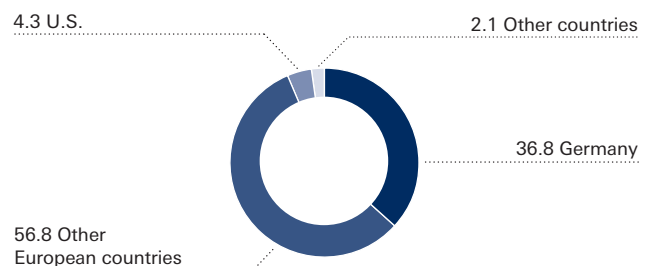
Revenue Breakdown



RTL Group continued its strategic focus on strengthening its families of channels, increasing non-advertising revenues, and expanding into promising growth markets. The company also pursued its goal of reaching viewers on all available channels and platforms in order to fully exploit the opportunities opened up by digitization. The digital channels launched by RTL Group in several European countries showed a positive development. The group expanded its online portfolio, along with activities such as catch-up TV and branded mobile offerings.

During the period under review, RTL Group acquired a majority stake in the Greek broadcasting group Alpha Media, which includes the country's main channel Alpha TV. In Germany, the rapidly growing social network "Wer-kennt-wen.de" was bought up step by step, and is now a wholly owned subsidiary, while the home-shopping channel RTL Shop was sold. RTL Group also re-entered sports rights trading in 2008, setting up a new agency under the well-established name of UFA Sports.

Revenues by Region in percent*



* Without intercompany revenues

Random House

Random House, the world's largest trade book publisher, reported a drop in revenues and operating EBIT for 2008. Return on sales was 8.0 percent (previous year: 9.4 percent).

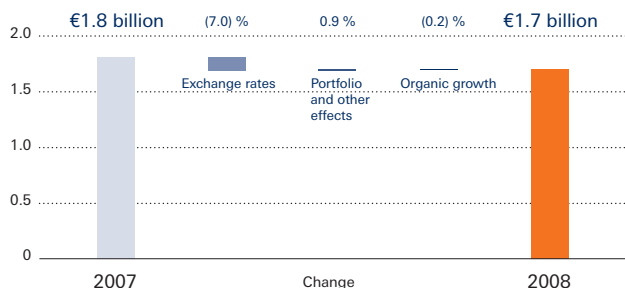
Random House's revenues fell by 6.3 percent to €1.7 billion (previous year: €1.8 billion), primarily due to negative exchange rate effects. Adjusted for these and for acquisitions, revenues remained stable despite declining consumer confidence and flat book markets due to the global economic crisis. Declines in North America, especially in the second half of the year, were largely offset by higher book sales and increased market shares in key European markets.

Operating EBIT declined by 20.8 percent during the period under review, from €173 million to €137 million, further reflecting developments in the economy, the marketplace and currency exchange rates, as well as higher author costs. The publishing group had 5,779 employees at the end of the year (December 31, 2007: 5,764).

The 2008 business year brought a management changeover at the corporate level and a realignment of the publishing divisional structure in the U.S. On June 1, 2008, Markus Dohle became Chairman and CEO of Random House. In December, five adult publishing groups were merged into three units (Crown Publishing Group, Knopf Doubleday Publishing Group and Random House Publishing Group); Random House Children's Books remained unaffected by the reorganization. These measures resulted in significant one-time costs. The company also signed new third-party sales and distribution agreements and stepped up its digital publishing activities, including a comprehensive e-book expansion. The measures will position Random House for long-term sustainable growth. The company plans to intensify its market and customer focus while continuing to invest in publishing quality.

The year's biggest bestseller was Christopher Paolini's novel "Brisinger," which in just over three months sold more than four million copies for Random House in North America, Germany and the U.K. In the U.S., Random House imprints placed 265 titles on the "New York Times" national bestseller lists, including 25 at number one. Among them were "The Appeal" by John Grisham, TV news icon Barbara Walters' memoirs "Audition," and hardcover and paperback editions of "The Audacity of Hope" and "Dreams from My Father" by U.S. President Barack Obama. E-book sales increased tremendously. The e-book list will be expanded to 15,000 new and backlist titles by the end of 2009. The Random House

Revenue Breakdown



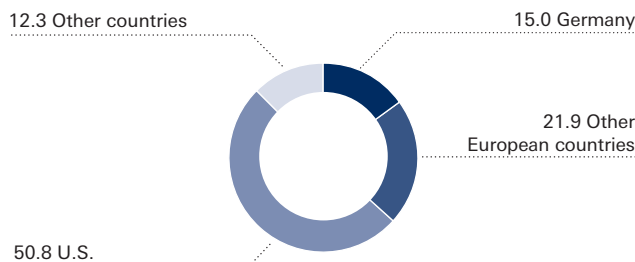
Group U.K. again placed more titles on the "Sunday Times" bestseller lists than any other publisher, and increased its market share during the period under review.

In the German-speaking countries, Verlagsgruppe Random House generated record revenues, resulting in a higher market share. The year's bestsellers included nonfiction by Helmut Schmidt and Richard David Precht and fiction by Elizabeth George and Charlotte Link. Random House Mondadori also delivered a strong performance in the Spanish-speaking territories, including the million-copy bestselling Ken Follett fiction hardcover, "Un mundo sin fin."

During the year, Random House acquired several publishing companies, including Prestel-Verlag and the Hugendubel Verlage in Germany as well as Watson-Guption Publications in the U.S. In South Africa, a merger of Random House South Africa and Struik Publishing created Random House Struik, an immediate market leader.

Random House authors won a number of prestigious awards in 2008, including a National Book Award (Fiction) in the U.S. for "Shadow Country" by Peter Matthiessen. Nine of the "Ten Best Books of 2008" chosen by the "New York Times Book Review" were Random House, Inc. titles.

Revenues by Region in percent*



* Without intercompany revenues

Gruner + Jahr

The leading European magazine publisher Gruner + Jahr recorded a year-on-year decline in revenues in 2008, with operating EBIT also lower. Return on sales amounted to 8.1 percent (previous year: 9.3 percent).

A slump in advertising in the second half of the year and continuing consumer restraint led to a 2.2 percent decline in revenues to €2.8 billion (previous year: €2.8 billion). Germany, Spain, France and Poland were the primary markets affected. G+J saw business improve in China year-on-year.

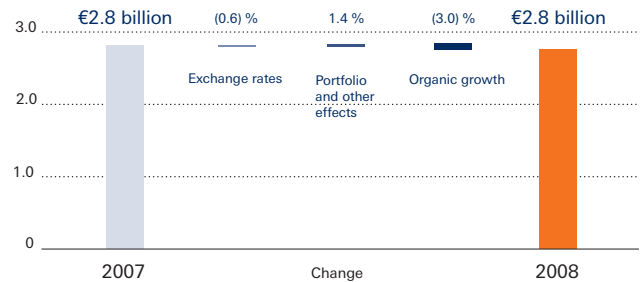
Operating EBIT came in at €225 million (-14.8 percent) versus €264 million last year. This decline was also mainly due to muted advertising spending in consequence of the global economic crisis. The number of employees was 14,941 at year-end (December 31, 2007: 14,448).

Gruner + Jahr responded to the adverse market conditions principally with cost control measures and by reviewing its international magazine portfolio. The publications “Park Avenue” in Germany, “Gala” in the Netherlands, “Life & Style” in Russia and “Bien dans ma vie” in France were discontinued due to the lack of business prospects. Significant one-time charges accrued in the period under review through these steps. The consumer electronics unit of Motor Presse Stuttgart and the magazine “Frau im Spiegel” were sold in the course of the fiscal year.

At the beginning of 2008, Gruner + Jahr acquired the second half of “Financial Times Deutschland.” The company’s German business publications will be produced by a shared editorial office in Hamburg from now on, the former business editorial offices in Munich and Cologne being closed. Gruner + Jahr continued to invest in new magazines, pressing forward vigorously with the expansion of its many websites. In France the new women’s monthly “Femmes” was launched, while G+J’s Chinese joint venture Boda launched its own monthly magazine entitled “Baby World.” The “Geo” magazine brand expanded into six countries – India, Brazil, Finland and the three Baltic countries. With the acquisition of the performance marketing company Ligatus, Gruner + Jahr strengthened its online marketing.

Funds were invested in Internet portals such as “Brigitte.de” in the women’s segment as part of the strategic “Expand Your Brand” initiative. This website for the “Brigitte” family of brands experienced major traffic growth during the

Revenue Breakdown

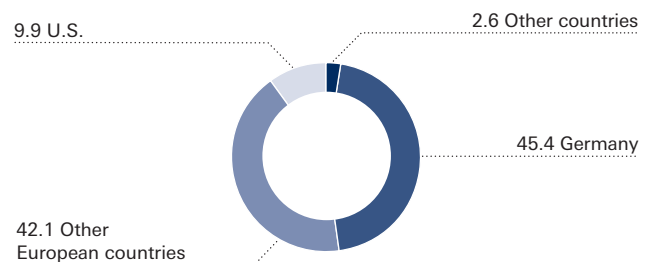


period under review, enhancing its market position considerably. The websites of French subsidiary G+J Prisma Presse saw a jump in visitor numbers. Gruner + Jahr also launched the “Parenting Network,” a multinational online project targeted at parents. G+J EMS posted a double-digit percentage gain in Internet advertising revenues for the period under review, ahead of the market average.

G+J’s core publications in Germany and France were stable despite the difficult market. “Gala,” “Neon,” “Brigitte Woman” and others performed well in Germany, along with “Voici” and Prisma Presse’s TV magazines in France.

In the holdings business, Dresdner Druck- und Verlagshaus (Sächsische Zeitung) developed in a pleasingly stable manner in 2008. The print business in the U.S. was considerably and negatively impacted by the recession in the U.S. newspaper market. The Prinovis gravure joint venture was impacted by the strong volume decline in Continental Europe. In addition, a decision to shut down the Darmstadt plant was made at the beginning of 2008.

Revenues by Region in percent*



* Without intercompany revenues

Arvato

International media and communications service provider Arvato posted higher revenues and operating EBIT in fiscal year 2008. Return on sales amounted to 7.4 percent (previous year: 7.4 percent).

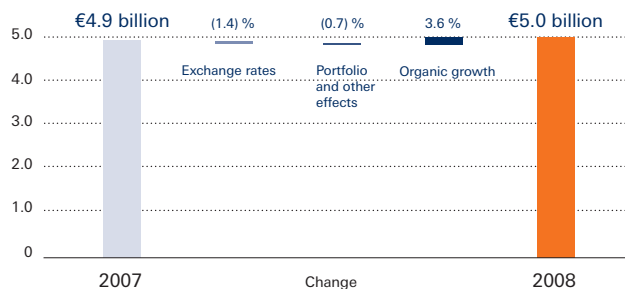
Revenues increased by 1.5 percent to €5.0 billion (previous year: €4.9 billion). All three of the company's major business units – Arvato Print, Arvato Services, and Arvato Digital Services – contributed to this outcome. Growth was generated, primarily on an organic basis, through new services, customer acquisition and increased international activity. In this context, operating EBIT rose by 0.8 percent to €369 million (previous year: €366 million). The number of employees rose to 62,591 at year-end (December 31, 2007: 51,846).

Printing services unit Arvato Print performed well on balance, generating revenue and earnings increases despite tough conditions in its core markets. The offset printing business performed strongly, as the Mohn Media Group pushed its development as an integrated service provider relating to print production, staying on track for growth. The Prinovis gravure joint venture was impacted by the strong volume decline in Continental Europe. In addition, a decision to shut down the Darmstadt plant was made at the beginning of 2008.

The service businesses bundled under Arvato Services benefited from continuation of the trend towards outsourcing, good financial services business and from strong, stable service center demand. The unit also posted higher revenues and earnings. The acquisition of call center service provider Qualytel improved the unit's market position in Spain and South America, while the "Germanycard" ("Deutschlandcard") multi-partner program got off to a promising start in Germany. There was increased cooperation with the public sector in the United Kingdom as Arvato Services won the Sefton Metropolitan Borough Council as its second British municipal customer.

The newly realigned storage media unit Arvato Digital Services likewise posted higher revenues and earnings year-on-year, due mainly to stronger business in the U.S. Demand declined in Europe overall and Germany in particular, especially in the fourth quarter. DVD output increased again over the previous year, while CD production declined slightly due to persistent weakness of the music industry. Market share was gained in both segments even as the

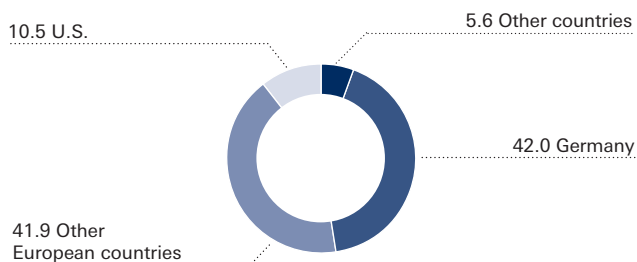
Revenue Breakdown



market shrank thanks to increasing concentration on offering integrated storage media solutions. In Germany and the U.S., Arvato Digital Services further increased production capacity for the high-resolution Blu-ray format. Services for high-tech companies were also systematically expanded. Measures included assuming assets and customers from a former competitor.

The two non-core businesses Arvato Mobile and Empolis were sold at fiscal year-end. One-time charges were incurred in 2008 for the mobile communications unit, now sold, and at Prinovis. The direct sales organization Inmediaone performed below expectations in 2008 due to sales staff shortages, but IT service provider Arvato Systems generated ongoing growth.

Revenues by Region in percent*



* Without intercompany revenues

Direct Group

The club and bookselling businesses operated by Direct Group – which, following a strategic restructuring, are now focused on the German- and French-speaking territories, Spain and Portugal, Italy and the Ukraine – recorded a dip in revenues and improved operating EBIT for 2008 in these markets. Return on sales improved to 1.7 percent (previous year: 1.4 percent).

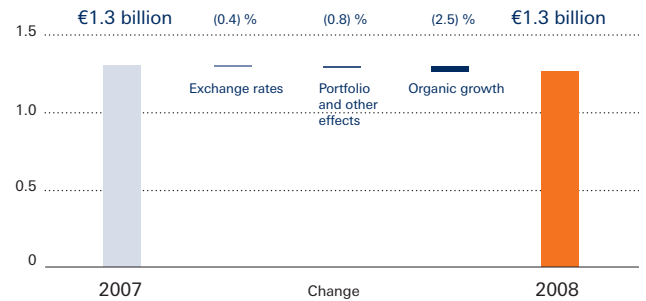
At about €1.3 billion, revenues from the continuing operations were 3.7 percent below previous year (€1.3 billion). The clubs and bookstores were able to stand their ground relatively well in flat book markets. Losses in the traditional club business (with purchase commitment) were largely compensated through diversification businesses.

Operating EBIT increased to €22 million (previous year: €18 million). Cost management, an expanded product range and growth in Eastern European markets more than compensated for the negative economy, especially in Spain and France. At the end of the year, 9,268 persons were employed (December 31, 2007: 10,050),

In line with the new strategic direction, the club businesses in North America, the U.K. and the Netherlands/Flanders were sold during the period under review. The club activities in Asia, including the book club and the 21st Century bookselling chain in China, were discontinued for lack of economic prospects. For other smaller clubs in markets outside the new strategic focus, the sales process was still ongoing at the reporting date.

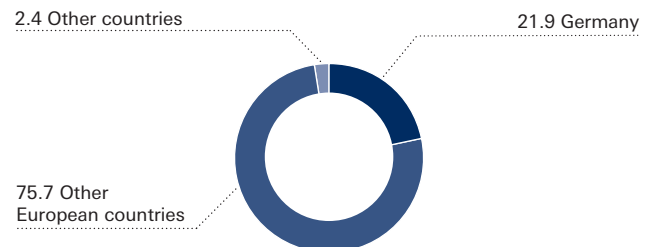
The clubs in Germany and France report a largely stable performance in 2008. The German club turned a slight profit for the third year running, primarily thanks to growing customer uptake of its offers beyond books and music such as travel, insurance and mobile services. In France, Direct Group pursued the integration of the former Librairies Privat and Forum Alsatia bookselling chains under the Chapitre.com umbrella. In Spain, the group advanced the establishment of a bookselling chain under the name of Bertrand, an established brand in neighboring Portugal. In Portugal itself, Direct Group acquired the historic Pergaminho publishing group. During the year under review, significant restructuring costs were incurred for the club and retail operations in France and the Iberian peninsula.

Revenue Breakdown



Direct Group continued to counter the ongoing decline in club membership in its core markets by strategically expanding the value chain tying in to its clubs, including increased online activities. It also tested softer alternatives to the traditional purchase commitment model, especially in the German-speaking countries.

Revenues by Region in percent*



* Without intercompany revenues

Corporate

The Corporate division, which includes the Bertelsmann Group Corporate Center and Corporate Investments, reported an operating EBIT of €-111 million for 2008 (previous year: €-91 million).

Higher expenses resulted principally from an absence of positive non-recurring items from the previous year and from one-time expenses in connection with the “Create Your Own Career” recruiting initiative, planning and execution of the Ricordi exhibition “That’s Opera” and involvement in the second “Du bist Deutschland” social marketing campaign, aimed at improving attitudes towards children. Bertelsmann also made a larger donation to aid victims of the devastating earthquake in China that occurred in May 2008. Start-up losses were incurred at the Group level for the Scoyo online learning platform.

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

Corporate Center activities in 2008 focused mainly on portfolio management and new fund investments. In particular, the Corporate Center directed the disposal of Direct Group North America and other club businesses in marginal markets as well as the exit from the Sony BMG joint venture. Joint venture partner Sony acquired Bertelsmann’s 50 percent stake in Sony BMG. Proceeds and profits from this transaction are reported separately (discontinued operations/BMG). Bertelsmann retained selected music catalogues from the joint venture comprising the works of over 200 artists. These created the foundation for a new music rights business, BMG Rights Management. This new company, held for the time being under Corporate Investments, began operations successfully in the fall.

During the period under review the venture capital fund Bertelsmann Digital Media Investments (BDMI) invested in holdings including the Chinese teen portal “Yoho,” the U.S. transaction service provider Image Span and the e-commerce portal Buy VIP. Since inception, BDMI thus has invested into 18 holdings. The fund Bertelsmann Asia Investments (BAI) made an initial investment in the online educational service “China Distance Education Learning” before increasing its stake to 11.46 percent. BAI also purchased shares in a venture capital fund that invests in Chinese companies in the media, Internet, software and high-tech sectors.

The number of employees in the Corporate division was 1,144 at year-end (December 31, 2007: 990). The increase was driven primarily by developing Scoyo and BMG Rights Management as well as additional human resources for China activities.

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 various Corporate Center functions (see page 56).

Dividend payouts by subsidiaries and proceeds from services provided to subsidiaries constitute the main sources of income. At the close of fiscal year 2008, Bertelsmann AG's shareholder equity totaled €7.4 billion (previous year: €6.6 billion). Total assets for Bertelsmann AG came to €14.2 billion (previous year: €12.9 billion). Net income of €1,059 million was recorded (previous year: €466 million), and retained income of €1,265 million (previous year: €501 million).

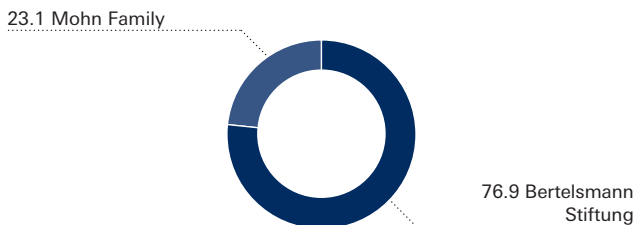
Shareholder Structure

The Bertelsmann Stiftung foundation holds 76.9 percent of Bertelsmann AG shares, the other 23.1 percent being held indirectly by the Mohn family. Bertelsmann Verwaltungsgesellschaft (BVG) controls all voting rights at the Bertelsmann AG Annual General Meeting.

Employees

As in the past few years, Bertelsmann registered an increase in its workforce in 2008. At year-end, Bertelsmann had a total 106,083 employees worldwide (previous year: 94,490) in its continuing operations. This increase of 11,593 employees is attributable to acquisitions in addition to organic growth and other factors. At the end of the fiscal year, the company had 1,412 trainees in Germany (previous year: 1,287).

Ownership Structure – Shares in percent



Bertelsmann views its partner-like relationship between management and staff as absolutely essential for business success. Cultivating this partnership-oriented corporate culture is the top HR priority at Bertelsmann. The following key issues were focused on in fiscal year 2008:

Guidelines for conducting annual employee reviews were revised in 2008, building upon the revised Guidelines for Management adopted in 2007. The annual employee reviews are to be structured as a dialogue on performance and development.

In October 2008, Bertelsmann AG implemented the Bertelsmann Code of Conduct as a binding policy of legal compliance and business ethics applicable to all Bertelsmann companies worldwide (see also page 20 of the Annual Report).

Bertelsmann University celebrated its ten-year anniversary in 2008. The “State-of-the-art Innovation for Growth” forum gave managers an opportunity to interact with external and internal best-practice and research experts. “Innovation Jump Start” is designed to develop skills in the area of customer-focused systematization of innovation processes, its 70 participants emerging as Innovation Coaches to support innovation processes within their own areas.

Bertelsmann AG has been a leader in the area of employee profit sharing since 1970. In 2008, the 15,000-plus employees of German Bertelsmann companies received profit-sharing payouts totaling €11.3 million for the previous year. RTL Group, Gruner + Jahr and many Bertelsmann companies outside Germany operate their own models. Starting in fiscal year 2008, Group profit sharing amounts will be calculated applying the same criteria as for management compensation.

Corporate Responsibility

As one of the four Bertelsmann Essentials, a sense of social responsibility has been firmly anchored within the company corporate culture of Bertelsmann AG for decades. Since 1974, Bertelsmann has regularly published a Social Report, providing an account of our commitment and activities without relation to our financial performance targets. In 2007, Bertelsmann started reporting how it exercises its responsibility towards employees, the environment and social and economic issues in the Bertelsmann corporate responsibility portal (www.bertelsmann.com/responsibility).

Climate change is one of the biggest challenges of the 21st century, and is increasingly shaping social thinking and action. An international forum with experts from all divisions jointly develops strategic approaches to environmental and climate protection issues at Bertelsmann.

Other Information

Annual General Meetings

Resolutions on the appropriation of net retained profits and the election/reelection of Supervisory Board members were adopted at the Bertelsmann AG Ordinary General Meeting held May 30, 2008. Two new Supervisory Board members were additionally appointed in Extraordinary General Meetings held on June 23, 2008 and November 10, 2008. Details concerning changes in the makeup of the Supervisory Board are provided in the Report by the Supervisory Board on page 138.

Significant Events After the Balance Sheet Date

The club businesses of Direct Group in the U.K. were sold to German private equity firm Aurelius with effect from January 1, 2009. Also on January 1, 2009, Dutch private equity firm Clearwood acquired the businesses of Direct Group in the Netherlands and Belgium. These businesses were included in discontinued operations on December 31, 2008.

In addition, Bertelsmann sold Arvato Mobile to Mondia Ltd, Dubai in January 2009.

Bernd Buchholz took over as Executive Board Chairman of Gruner + Jahr on January 6, 2009. Mr. Buchholz succeeds Bernd Kundrun, who resigned.

In January 2009 Bertelsmann AG issued a five-year bond with a 7.875 percent coupon in a €500 million transaction.

In February 2009 RTL Group bought out its partners' shares in the social network "Wer-kennt-wen.de." The same month saw the sale of Empolis, an Arvato subsidiary.

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. Bertelsmann uses an integrated risk management system for early warning purposes that has become an integral part of the management and control structure. This system undergoes continual development and is integrated into the regular reporting process. It covers all Group divisions and profit centers. In order to ensure compliance with legal and operational requirements, a Corporate Risk Management Committee meets at regular intervals. The effectiveness of the risk early warning system was reviewed in the context of the audit of the annual financial statements. The 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 Internal Audit team also monitors the appropriateness and functional capability of the risk management system. The risk monitoring system is fundamentally suitable for the early identification of developments which could endanger the Group as a going concern.

Risk Management Process

The risk management process complies with recognized national and international norms, being organized into the sub-processes identification, quantification, control and monitoring. One major element of risk identification is the annual risk inventory, an aggregate tracking of significant strategic and operational risks from the profit center level upwards, moving progressively from the divisional up to the Group level. A follow-up inventory of the most significant risks is additionally conducted at Group level on a semiannual basis. This approach ensures that risks are addressed at the point where they arise. Once identified and quantified, risks are assessed in view of the corresponding countermeasures to determine the net risk position. A three-year risk assessment horizon is applied to enable the timely implementation of risk management measures. Risk monitoring is conducted by Group management on an ongoing basis. Ad hoc reporting requirements ensure that significant changes in the risk situation during the course of year are brought to the attention of the Executive Board.

Significant Risks

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

Bertelsmann is exposed to various forms of financial risk. These include interest rate and currency risks in particular. 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 currency derivatives mainly to hedge recorded and future transactions involving foreign currency risk. 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 Eurozone. The resulting translation risk is managed based on economic debt in relation to operating EBITDA. Bertelsmann orients itself long-term around the maximum leverage factor permitted 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 managed on two levels, by selecting appropriate fixed interest rate periods for the originated financial assets and liabilities affecting liquidity, and through the use of interest rate derivatives. The liquidity risk is regularly managed and monitored on the basis of the planning calculation. Credit facilities at banks as well as appropriate liquidity provisions form a sufficient risk buffer for unplanned payments. Counterparty risks exist in the Group in invested cash and cash equivalents and in the default of a counterparty in derivatives transactions. Financial transactions and financial instruments are only concluded with a firmly defined group of banks with an excellent credit rating. Against the background of the economic crisis, Bertelsmann has extended its internal guidelines on investment of cash and cash equivalents. To enable reduction of the investment volume in the event of a changed credit rating, some of the investments are made on a very short-term basis (see also further explanatory remarks on "Risk Management" in section 26 of the "Notes").

The risk position of Bertelsmann and the divisions was affected significantly by the global economic crisis in fiscal year 2008. A universal economic downturn is anticipated for 2009. With a view to economic developments, initial precautions have already been taken, by implementing restructuring measures in specific businesses, practicing caution with regard to investment, and set up of liquidity reserves. In order to enable an appropriate response, sce-

narios have been developed and measures identified that can be implemented depending on developments in the markets and businesses. Significant risks thus accrue to the divisions due to the deteriorating economic situation.

RTL Group is exposed to a risk of the economic downturn precipitated by the financial crisis causing advertising revenue to fall more sharply than expected. As a result, TV broadcasters may also curb expenditure on programming generated by the TV production subsidiary Fremantle Media. By diversifying its revenue base, RTL Group strives to reduce its reliance on the advertising markets. Customer accounts and creditworthiness are continuously reviewed.

For Random House, the economic crisis may lead to declining consumer spending by customers worldwide. Additionally, there is an increased risk of losing major customers due to insolvencies, especially in the U.S.

Gruner + Jahr perceives operative risks in the slump in advertising business across all markets, particularly in Germany as well as in many other European advertising markets since the second half of 2008. In response, extensive restructuring measures have been adopted. Gruner + Jahr's U.S. subsidiary Brown Printing is also exposed to risks related to economic developments which could lead to a significant decrease in earnings. In addition, Gruner + Jahr has identified the risk that income in the distribution market (amendment of the German Federal Data Protection Act) and in the advertisement market (possible advertising restrictions in the automotive, food and print advertisement sectors) may be threatened at both national and European level.

Arvato expects to be impacted indirectly by the economic crisis. However, there could be capacity underutilization, principally for Arvato Print and Arvato's replication operations (Arvato Digital Services), which require high capacity utilization to break even. Pricing pressure created by overcapacity would negatively impact earnings and margins. However, based on its diversified spectrum of services and global setup, Arvato is confident of being able to offset regional and industry-specific economic risks to a certain extent. If the political debate about an amendment of the German Federal Data Protection Act that arose in Germany in 2008 leads to a change in the law, the data business at Arvato Infoscore and the direct distribution business at Inmediaone may be affected by this. It is not possible to foresee more precise effects of this at present.

Direct Group is subject to risk associated with declining purchasing power due to the economy and negative changes in consumer spending behavior. Furthermore, all clubs are subject to the primary risks of the club business: insufficient customer acquisition, revenue per customer and customer retention. Heightened competition also poses a major challenge for clubs as new distribution channels arise. Furthermore, direct marketing may be adversely affected by changes to consumer legislation.

In addition, unfavorable economic developments are affecting Bertelsmann in the form of increased customer default risk due to bankruptcy, as credit insurers have been significantly reducing credit limits. Because of the broad diversification of Group businesses, there are now no concentration risks stemming from dependency on individual suppliers or customers. The Group's financial position is solid, with adequate liquidity through the year 2010 in the form of cash and credit lines.

Significant Changes Compared with the Previous Year

The Group's risk position has improved over the status outlined in the 2007 Risk Report through the sale of certain Direct Group businesses (in particular Direct Group North America) and the 50 percent stake in Sony BMG. However, operational risks have increased as the global economic crisis has deepened; last year the extent of the crisis was unforeseen, inasmuch as it had even become manifest.

Overall Risk

No risks endangering the continued existence of the company arose for Bertelsmann in fiscal year 2008. Equally, from today's viewpoint, no substantial risks are apparent that could threaten the Group's continuing existence. Over the short to medium term Bertelsmann will be exposed to the operational risks outlined above due to the global economic crisis.

Opportunities

Bertelsmann continually examines the technological opportunities and challenges in the media and service markets. Bertelsmann sees particular growth potential in Asian markets, and plans are in place to solidify position further over the next few years. Opportunities are also perceived for entering new growth markets, such as education. In-house development efforts as part of the innovation initiative, such as the Scoyo online learning platform, present business opportunities. Ongoing R&D efforts on all levels help to identify, analyze and advance potential areas of growth.

A number of emerging opportunities for Bertelsmann divisions are outlined below. RTL Group TV channels in Germany and France enjoy opportunities for stronger market growth and improved development of special-interest channels, particularly in France. At Random House, successful debut publications present opportunities. Gruner + Jahr has moderate opportunities in specific markets through the potential for increasing advertising revenues and copy prices. At Arvato, the successful development of new businesses, particularly in the service sector, creates additional opportunities. Direct Group has opportunities through increased cooperation with other businesses.

Bertelsmann's potential opportunities will undoubtedly be impacted by the adverse economic developments forecast. Given the diversification of the portfolio of businesses and its entrepreneurial potential, Bertelsmann still sees itself in a position to convert business opportunities into profits for the Group successfully over the medium to long term.

Outlook

The economic crisis has intensified since the second half of 2008. According to the University of Kiel's Institute for the World Economy, a phase of robust expansion for the global economy came to an end in 2008. In its monthly report for January 2009, the European Central Bank (ECB) observed that the latest indicators confirm a pronounced, synchronized downturn of the global economy.

The crisis situation now felt globally is set to further deteriorate in 2009, an opinion shared by the Deutsche Bundesbank, the University of Kiel's Institute of the World Economy, and the OECD. The recession will deepen in both the U.S. and the Eurozone despite the passage of economic stimulus packages. The German Institute for Economic Research (DIW) projects the Eurozone economy will contract by 0.8 percent in 2009. The U.K. can expect an even greater contraction. The DIW is forecasting the U.S. economy to shrink by 2 percent in 2009. China, however, is expected to post positive growth, albeit at a highly restrained rate of around 6.5 percent.

The DIW predicts the German economy will transition from expansion into a phase of recession. For 2009, the DIW sees gross domestic product declining by somewhat more than one percent. This strong weakening in the forecast period is based upon the poor outlook for German exports, rising consumer prices, decreased consumer spending and an unfavorable unemployment scenario.

Bertelsmann expects negative effects on the economy and business climate will be felt in 2009 due to the economic crisis. In particular, major declines in income are expected in the relevant advertising markets. It must be taken into account here that the advertising market responds procyclically and therefore responds more strongly to an economic downturn than to a change in GDP. Online advertising is again likely to post faster growth than traditional media market advertising in 2009. Expectations are modest for the book and printing segments in the regional core markets. The global media industry will continue to be crucially shaped by the progressive digitization of content and distribution channels as well as associated fragmentation in the years ahead. On the other hand, the Bertelsmann service businesses could benefit in the medium term from an accelerating trend towards outsourcing as a result of the crisis.

As Bertelsmann enters a cyclical economic downturn, planning for fiscal year 2009 is subject to considerable uncertainty.

Bertelsmann anticipates an overall decline in sales and operating results in fiscal year 2009. The extent to which outcomes vary from the previous year will depend on the severity and length of the recession. Acquisitions are not anticipated to contribute significantly to revenues, as no major investments or acquisitions are planned for 2009 in view of the uncertain situation. The Executive Board's top priority now is actively safeguarding and strengthening the company as the economy rapidly cools off. Existing businesses are undergoing continuous review to identify further optimization potential, and cost structures are likewise being optimized and brought into alignment with business expectations. Bertelsmann believes that its diversified portfolio of businesses and the measures already introduced or prepared will soften the blow of the combined financial crisis and economic downturn. At this time, economic conditions are expected to begin stabilizing in 2010, leading to a revenue and earnings recovery relative to fiscal year 2009. Individual divisions are anticipated to be impacted to varying degrees by the potentially adverse economic developments.

In view of the difficult economy, RTL Group is preparing for a decrease in net advertising revenue across all countries and resulting impacts on revenues and earnings. Against this backdrop, RTL Group will concentrate on its core businesses while reviewing its cost basis and structures. Random House

expects a challenging market environment in its core markets in 2009 in view of the economic crisis which could affect revenues and earnings. Gruner + Jahr anticipates lower revenues and earnings from advertising in European markets compared to fiscal year 2008 while the economic crisis lasts. Arvato believes its service businesses will be only marginally impacted by the economic crisis, and expects slightly higher revenues year-on-year for fiscal 2009 and earnings at or slightly below the level seen in fiscal 2008. An uncertain outlook for the printing business and at Arvato Digital Services businesses makes precise estimates difficult, however. Direct Group foresees a difficult business environment in 2009 with lower revenues and earnings compared to the previous year.

Despite the economic uncertainty, target financial parameters remain unchanged – in particular the maximum leverage factor of 3.0. The Group's ability to adhere to these parameters in fiscal year 2009 depends on the severity of the economic impact on Bertelsmann businesses resulting from the economic crisis.

It is likewise impossible to make reliable statements regarding profit participation certificate distributions for fiscal year 2009.

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. The severity of the economic impact resulting from the economic crisis on Bertelsmann businesses cannot be reliably assessed at this time. All statements regarding potential economic developments and effects of the economic crisis represent opinions advanced on the basis of information currently available. Should underlying suppositions fail to apply and/or further risks arise, actual results may differ from those expected. Accordingly, no assurances can be provided concerning the accuracy of such statements.

Consolidated Financial Statements

Consolidated Income Statement

in € millions	Notes	2008	2007
Revenues	1	16,118	16,191
Other operating income	2	606	559
Change in inventories		(75)	(43)
Own work capitalized		254	235
Cost of materials		(5,405)	(5,425)
Royalty and license fees		(746)	(765)
Personnel costs	3	(4,462)	(4,420)
Amortization of intangible assets and depreciation of property, plant and equipment	4	(562)	(575)
Other operating expenses	5	(4,218)	(4,128)
Results from investments accounted for using the equity method	6	47	75
Income from other participations	6	11	13
Special Items	7	(676)	(409)
EBIT (earnings before interest and taxes)		892	1,308
Interest income		97	126
Interest expenses		(325)	(383)
Other financial expenses and income	8	(199)	(201)
Financial result		(427)	(458)
Earnings before taxes from continuing operations		465	850
Income taxes	9	(52)	(50)
Earnings after taxes from continuing operations		413	800
Earnings after taxes from discontinued operations		(143)	(395)
Net income		270	405
attributable to:			
Share of profit of Bertelsmann shareholders		142	216
Minority interest		128	189

Reconciliation to Operating EBIT (Continuing Operations)

in € millions	Notes	2008	2007
EBIT from continuing operations		892	1,308
Special Items	7		
– Impairment of goodwill, other intangible assets with indefinite useful life, other financial assets and assets held for sale		502	246
– Capital gains/losses		1	(238)
– Other special items		173	401
Operating EBIT from continuing operations	28	1,568	1,717
Operating EBITDA from continuing operations	29	2,130	2,292

Consolidated Balance Sheet

in € millions	Notes	12/31/2008	12/31/2007 adjusted
Assets			
Non-current assets			
Goodwill	10 11	6,391	7,273
Other intangible assets	10 12	791	1,113
Property, plant and equipment	10 13	2,559	2,767
Investments accounted for using the equity method	10 14	496	553
Other financial assets	15	742	666
Trade accounts receivable	17	7	17
Other accounts receivable and other assets	17	366	337
Deferred tax assets	9	1,105	908
		12,457	13,634
Current assets			
Inventories	16	1,827	2,079
Trade accounts receivable	17	2,685	3,126
Other accounts receivable and other assets	17	1,300	1,569
Other financial assets	15	16	14
Current income tax receivable		136	199
Cash and cash equivalents	18	1,583	1,131
		7,547	8,118
Assets held for sale		128	41
		20,132	21,793
Equity and Liabilities			
Equity			
Subscribed capital	19	1,000	1,000
Capital reserve		2,345	2,345
Retained earnings		1,763	1,625
Shareholders' equity		5,108	4,970
Minority interest		1,123	1,171
		6,231	6,141
Non-current liabilities			
Provision for pensions and similar obligations	20	1,409	1,558
Other provisions	21	139	132
Deferred tax liabilities	9	156	188
Profit participation capital	22	706	706
Financial debt	23	4,017	4,788
Trade accounts payable	24	71	91
Other liabilities	24	754	691
		7,252	8,154
Current liabilities			
Other provisions	21	412	447
Financial debt	23	1,011	625
Trade accounts payable	24	2,794	3,488
Other liabilities	24	2,054	2,584
Current income tax payable		290	322
		6,561	7,466
Liabilities included in assets held for sale		88	32
		20,132	21,793

The figures of the previous year were adjusted due to completion of the Radio 538 business combination.

Consolidated Cash Flow Statement

in € millions	2008	2007
EBIT (earnings before interest and taxes)	777	957
Taxes paid	(231)	(491)
Depreciation and write-ups of non-current assets	1,138	1,288
Capital gains/losses	1	(250)
Change in provisions for pensions	(46)	(63)
Change in other provisions	22	(49)
Other effects	36	(15)
Change in net working capital	92	86
Cash flow from operating activities	1,789	1,463
– thereof from discontinued operations	87	127
Investments in:		
– intangible assets	(238)	(171)
– property, plant and equipment	(389)	(463)
– financial assets	(158)	(106)
– purchase price for consolidated investments (net of acquired cash)	(310)	(292)
Proceeds from disposal of investments	608	285
Proceeds from disposal of non-current assets	110	187
Contribution to pension plans	(39)	(66)
Cash flow from investing activities	(416)	(626)
– thereof from discontinued operations	579	(2)
Proceeds from bonds and promissory notes	599	651
Redemption of bonds and promissory notes	(96)	(50)
Change in other financial debt	(791)	(732)
Interest paid	(365)	(461)
Interest received	87	130
Proceeds from release of currency and interest swaps	–	155
Change in shareholders' equity	(14)	(24)
Dividends to Bertelsmann shareholders and minorities	(288)	(249)
Additional payments to minorities and partnerships (IAS 32)	(49)	(74)
Cash flow from investing activities	(917)	(654)
– thereof from discontinued operations	(33)	(30)
Change in cash and cash equivalents	456	183
Currency effects and other changes in cash and cash equivalents	(4)	(38)
Cash and cash equivalents 1/1	1,131	986
Cash and cash equivalents 12/31	1,583	1,131

Details of the cash flow statements are set out in note 27.

Change in Net Financial Debt

in € millions	2008	2007
Net financial debt 1/1	(4,282)	(4,582)
Cash flow from operating activities	1,789	1,463
Cash flow from investing activities	(416)	(626)
Interest, dividend and changes in equity, additional payments (IAS 32)	(629)	(678)
Currency effects and other changes in net financial debt	93	141
Net financial debt 12/31	(3,445)	(4,282)

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

Consolidated Statement of Recognized Income and Expense

in € millions	2008	2007
Currency translation differences	99	(204)
Net change in fair value of available-for-sale securities	(16)	12
Net change in fair value of available-for-sale securities transferred to profit or loss	–	(6)
Net change in fair value of cash flow hedges	35	(51)
Net change in fair value of cash flow hedges transferred to profit or loss	28	15
Actuarial gains and losses on defined benefit plans	23	160
Income and expenses recognized directly in equity	169	(74)
Net income	270	405
Recognized income and expense	439	331
attributable to:		
Bertelsmann shareholders	308	151
Minority interest	131	180

Details of the statement of changes in equity are set out in note 19.

Segment Reporting – Primary Format (Continuing Operations)

	RTL Group		Random House		Gruener + Jahr		Arvato	
in € millions	2008	2007	2008	2007	2008	2007	2008	2007
Consolidated revenues	5,762	5,699	1,718	1,835	2,741	2,805	4,634	4,540
Intercompany revenues	12	8	3	2	28	26	359	377
Divisional revenues	5,774	5,707	1,721	1,837	2,769	2,831	4,993	4,917
Operating EBIT	927	978	137	173	225	264	369	366
Special items	(418)	(19)	(50)	3	(55)	(36)	(65)	(92)
EBIT	509	959	87	176	170	228	304	274
Return on sales ¹⁾	16.1%	17.1%	8.0%	9.4%	8.1%	9.3%	7.4%	7.4%
Scheduled depreciation and amortization	167	170	29	36	81	84	228	231
Impairment losses	385	144	(1)	–	12	49	43	94
thereof in special items	379	135	(1)	–	11	47	36	90
Investments ²⁾	415	337	30	15	138	124	314	298
Segment assets	6,619	7,114	1,783	1,803	1,800	1,794	3,250	3,256
Segment liabilities	2,196	2,247	690	711	657	626	1,508	1,543
Invested capital	4,423	4,867	1,093	1,092	1,143	1,168	1,742	1,713
Results from investments accounted for using the equity method	46	60	–	–	6	14	–	(1)
Investments accounted for using the equity method	442	466	3	1	12	31	6	4
Employees (closing)	12,360	11,392	5,779	5,764	14,941	14,448	62,591	51,846
Employees (average)	11,687	11,160	5,810	5,790	14,779	14,485	57,093	50,254

¹⁾ Operating EBIT as a percentage of divisional revenues.

²⁾ Including purchase price payments, less acquired cash and cash equivalents.

³⁾ Corporate including remaining BMG operations.

Secondary Format (Continuing Operations)

	Germany		Other European countries		USA		Other countries		Group	
in € millions	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Consolidated revenues	5,854	5,936	7,689	7,623	1,875	1,958	700	674	16,118	16,191
Assets	6,973	7,127	7,110	7,540	1,949	1,909	481	476	16,513	17,052
Liabilities	2,061	1,981	2,626	2,813	600	555	168	160	5,455	5,509
Invested capital	4,912	5,146	4,484	4,727	1,349	1,354	313	316	11,058	11,543
Investments ¹⁾	280	262	662	529	63	165	60	33	1,065	989

Details of the segment reporting are set out in note 28.

¹⁾ Including purchase price payments, less acquired cash and cash equivalents.

Income Statement
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Notes

Direct Group		Total Divisions		Corporate ³⁾		Consolidation/Other		Total Group	
2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
1,244	1,294	16,099	16,173	19	18	–	–	16,118	16,191
15	14	417	427	1	–	(418)	(427)	–	–
1,259	1,308	16,516	16,600	20	18	(418)	(427)	16,118	16,191
22	18	1,680	1,799	(111)	(91)	(1)	9	1,568	1,717
(83)	(1)	(671)	(145)	1	(260)	(6)	(4)	(676)	(409)
(61)	17	1,009	1,654	(110)	(351)	(7)	5	892	1,308
1.7%	1.4%	10.2%	10.8%	–	–	–	–	9.7%	10.6%
26	27	531	548	18	19	–	–	549	567
72	–	511	287	8	31	1	4	520	322
72	–	497	272	7	31	1	4	505	307
60	129	957	903	88	84	20	2	1,065	989
645	737	14,097	14,704	2,491	2,460	(75)	(112)	16,513	17,052
324	349	5,375	5,476	111	126	(31)	(93)	5,455	5,509
321	388	8,722	9,228	2,380	2,334	(44)	(19)	11,058	11,543
1	(2)	53	71	(6)	4	–	–	47	75
16	13	479	515	17	34	–	1	496	550
9,268	10,050	104,939	93,500	1,144	990	–	–	106,083	94,490
9,472	10,115	98,810	91,804	1,142	970	–	–	99,983	92,774

Notes

General Principles

The Bertelsmann AG consolidated financial statements for the year ended December 31, 2008 are prepared in accordance with International Financial Reporting Standards (IFRS) as applicable in the EU and accord with 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.

The consolidated financial statements are prepared in euros; all amounts are stated in millions of euros (€ millions). 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 regis-

tered headquarters is: Carl-Bertelsmann-Strasse 270, 33311 Gütersloh. The main activities of Bertelsmann AG and its subsidiaries are presented in detail in the Management Report.

Effects of Applying New Accounting Standards

The following IASB pronouncements were applicable by the Bertelsmann Group for the first time in fiscal year 2008:

- Amendments to IAS 39 and IFRS 7:
 - Reclassification of Financial Instruments
- IFRIC 11: IFRS 2 – Group and Treasury Share Transactions
 - Only insignificant effects resulted from first-time application of the amendments to IAS 39 and IFRS 7. The first-time application of IFRIC 11 had no effect on the Bertelsmann Group.

Effects from the Future Compulsory Application of Accounting Standards

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) have issued the following new or amended accounting standards and interpretations, the application of which is not yet compulsory for the Bertelsmann's consolidated financial statements for fiscal year 2008.

- Improvements to IFRS
- Amendments to IAS 1: Presentation of Financial Statements: A Revised Presentation
- Amendments to IAS 23: Borrowing Costs
- Amendments to IAS 27: Consolidated and Separated Financial Statements
- Amendments to IAS 32 and IAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation
- Amendments to IAS 39: Financial Instruments: Recognition and Measurement: Eligible Hedge Items
- Amendments to IAS 39: Reclassification of Financial Assets: Effective Date and Transition
- Amendments to IFRS 1 and IAS 27: Cost of an Investment in a Subsidiary, Jointly-Controlled Entity or Associate
- Revised IFRS 1: First Time Adoption of IFRS
- Amendments to IFRS 2: Share-based Payment: Vesting Conditions and Cancellations
- Revised IFRS 3: Business Combinations
- IFRS 8: Operating Segments
- IFRIC 12: Service Concession Arrangements
- IFRIC 13: Customer Loyalty Programs
- IFRIC 14: IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
- IFRIC 15: Agreements for the Construction of Real Estate
- IFRIC 16: Hedges of a Net Investment in a Foreign Operation
- IFRIC 17: Distributions of Non-Cash Assets to Owners

There is no early adoption of these standards and interpretations. The EU has not yet recognized the following accounting standards and interpretations: amendments to IAS 27, IAS 39, revised IFRS 1, revised IFRS 3, IFRIC 15, IFRIC 16 and IFRIC 17.

The improvements to IFRS chiefly concern terminological clarifications for existing rules. Only clarifications pertaining to IAS 38 had a significant effect on the Bertelsmann Group, as a result of which sales promotion-related items (e.g. catalogues) must already be expensed if the respective company has received the services or are able to access the goods. The company thus has to recognize catalogue costs already upon delivery or upon receiving access, and not only upon distribution to the customer. Accordingly, some Bertelsmann Group companies recognize these expenses earlier.

Components of income resulting in neither profit nor loss but recorded in "Other Comprehensive Income" will not be disclosed on the Consolidated Statement of Changes in Equity after the adaptation of IAS 1. In the future a separate breakdown is to be provided beneath the income statement. The other provisions are not expected to change significantly the presentation of the components of the consolidated financial statements.

The amendments to IAS 23 will likewise 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 applicability of amended IAS 32 and IAS 1 will not trigger any changes in relation to the report-

ing of minority interests in partnerships included in the Bertelsmann AG consolidated financial statements.

As the management approach is already being used for the determination of segments, the future applicability of IFRS 8 will not bring any significant changes.

The application of IFRIC 13 will mean that customer loyalty programs in which rebates are offered must be accounted for as multi-component agreements in the future. The portion of income representing the rebate amount is measured at fair value and recognized as an accrued liability until the rebate is redeemed by the customer or expires. For Bertelsmann Group companies that offer loyalty points or have similar customer loyalty programs, the application of IFRIC 13 results in a time shift in the recognition of revenues. First-time application of IFRIC 13 is retroactive. Deferred revenues recognized from unredeemed rebates issued in previous years are offset by a reversal of provisions created in previous years.

The application of IFRS 3 (revised 2008) and amendments to IAS 27 to the Bertelsmann consolidated financial statements will be compulsory starting in 2010 if adopted by the EU. These rules have a major effect on the presentation of business combinations, especially in cases of phased share acquisition and increasing/decreasing stakes.

Further amendments to IAS 39, IFRS 1 and IFRS 2 and interpretations to IFRIC 12, IFRIC 15, IFRIC 16 and IFRIC 17 applicable in the future are relevant to Group transactions to some extent but are not likely to have a material impact.

Consolidation

Consolidation Methods

All subsidiaries that are controlled either directly or indirectly by Bertelsmann AG in accordance with IAS 27 and conduct 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 remain unchanged in comparison with the previous year.

Material jointly controlled companies within the meaning of IAS 31 are proportionately consolidated. Material associates as defined by IAS 28 are consolidated using the equity method. This is generally the case for voting rights between 20 and 50 percent. Voting rights of less than 20 percent are accounted for using the equity method in ac-

cordance with IAS 28.7(a). See note 32 for a listing of major subsidiaries and participations. Accounting and valuation policies are applied uniformly for all consolidated financial statements within the Bertelsmann Group. 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 liabilities. 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 1,086 companies (previous year: 1,262). Of this figure, 915 (previous year: 918) are fully consolidated.

51 joint ventures are proportionally consolidated (previous year: 208). 120 associated companies are consolidated using the equity method (previous year: 136). A total of 222 (previous year: 308) 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 27 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 33 have elected to be exempted from the preparation, audit and publication of financial statements for 2008 as set out in section 264 (3) and 264b 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 as of December 31, 2007	370	892	1,262
Additions	35	85	120
Disposals	48	248	296
Consolidated as of December 31, 2008	357	729	1,086

Acquisitions and Disposals

The consideration paid for acquisitions in fiscal year 2008 less cash and cash equivalents acquired amounted to €310 million. Acquisition costs for these acquisitions in the sense of IFRS 3 totaled €335 million. The largest acquisition in the year under review was the 66.6 percent majority interest acquired in the Greek radio and TV provider Alpha Media Group by RTL Group in December 2008. The Greek company operates national TV broadcaster Alpha TV, regional broadcaster Cosmos TV in Thessaloniki, radio stations Alpha 98.9 and Palmos 98.8 and the inhouse production firm Plus Productions. The transaction was approved by the Greek antitrust regulator on December 2, 2008 and constitutes a business combination in terms of IFRS 3, as RTL Group gained control of Alpha Media Group on December 16. Subtracting out cash and equivalents acquired in the deal, a purchase price of €125 million was paid in the year under review. A provisional goodwill of €131 million has been recognized.

Since initial consolidation, Alpha Media Group has contributed €4 million to Group revenues and €-2 million to consolidated EBIT. If consolidated as of January 1, 2008, Alpha Media Group would have contributed €98 million to revenues and €-37 million to EBIT.

In September 2008 Arvato AG acquired Spanish call center provider Qualytel Teleservices S.A. The Qualytel Group is Spain's largest independent call center operator and number three in the Spanish market overall. The cost per IFRS 3 was €53 million, including transaction costs of €1 million and an earn-out purchase price component of

€9 million. Financial liabilities totaling €10 million were assumed. Thus far €35 million in purchase price payments have been remitted. Qualytel was founded in 1998. The Qualytel acquisition closed the gap in Arvato's Spanish-speaking customer service; the company now covers all relevant languages in the segment (English, French, German, Spanish). In addition to goodwill of €33 million, customer contracts with a useful life of five years valued at €14 million were recognized as assets. Since initial consolidation, Qualytel has contributed €64 million to Group revenues and €3 million to consolidated EBIT. If consolidated as of January 1, 2008, the company would have contributed €129 million to revenues and €2 million to EBIT.

A number of smaller acquisitions with a total volume of €140 million were also implemented in the year under review. The resulting goodwill amounted to €85 million. Other intangible assets determined as part of purchase price allocation per IFRS 3 totaled €25 million.

The preliminary reporting of the Radio 538 business combination between RTL Netherlands and John de Mols Talpa Media Holding in September 2007 was completed in fiscal year 2008. The previous-year figures have been adjusted accordingly. This led to the restatement of goodwill and minority interests, both increased by €17 million.

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	Alpha Media Group		Qualytel Teleservices		Other		Total	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
Non-current assets								
Goodwill	-	131	-	33	-	85	-	249
Other intangible assets	-	-	-	14	6	31	6	45
Property, plant and equipment	18	18	7	7	4	4	29	29
Other non-current assets	-	-	-	-	7	7	7	7
Current assets								
Inventories	19	19	-	-	7	7	26	26
Cash and cash equivalents	6	6	-	-	18	18	24	24
Other current assets	59	59	29	29	24	24	112	112
Liabilities								
Provisions for pensions and similar obligations	6	6	-	-	-	-	6	6
Financial debt	-	-	10	10	9	9	19	19
Other liabilities	94	94	17	17	13	13	124	124

Fair value is primarily measured using the market price-oriented method. In this method, assets and liabilities are measured at prices observed in active markets. If measurement using the market price-oriented method is not feasible, the capitalized value-oriented method is to be applied. This measures fair value of asset/liabilities as the present value of future net cash flows.

Sales proceeds of €608 million after cash and financial debt transferred in the transaction were generated from disposals and other disposals of equity interest. The two main disposals involved Bertelsmann's interest in the music joint venture Sony BMG and the North American direct-to-customer company Direct Group North America.

In a deal signed August 5, 2008 Bertelsmann sold its 50 percent interest in the music joint venture Sony BMG established in August 2004 to the joint venture partner Sony Corporation. The sale transaction was executed on October 1, 2008 upon receiving approval from the antitrust regulator. The joint venture agreement with Sony originally provided for a five-year partnership. Upon conclusion of the deal, detailed provisions were implemented for exiting the venture at the end of the five-year joint management period. However, the shareholders also implemented an option allowing for negotiation of early termination at variance to the contractual exit provisions. In view of changes in the music market and subsequent to thorough consideration of the advantages and disadvantages of exiting the arrangement, in the first half of 2008 the Bertelsmann AG Executive Board decided to sell the interest in the Sony BMG joint venture to Sony Corporation by way of negotiated early

Since initial consolidation, total new acquisitions contributed a total €167 million to Group revenues and €-4 million to consolidated EBIT. If consolidated as of January 1, 2008, these would have contributed €343 million to revenues and €-43 million to EBIT. Goodwill captured from other acquisitions reflects latent synergy potential.

termination, thereby permitting concentration on specific growth segments. As part of the transaction Bertelsmann acquired certain European music rights catalogues from Sony BMG, created the foundation for a new Bertelsmann Group music rights management business. Sale proceeds of €835 million were generated for Sony BMG through the sale. The transaction generated a capital gain of €32 million. Sony BMG was reported under continuing operations until the deconsolidation date.

The direct-to-customer business Direct Group North America, part of Direct Group, was sold to the private investment firm Najafi Companies of Phoenix, Arizona in a deal signed July 11, 2008. The decision to sell this loss-making business was made in the first half of 2008 following a strategic review of the direct-to-customer business. The disposal decision was precipitated by declining CD and DVD sales, required capital and restructuring expenditures. The sale generated proceeds of €19 million. The transaction generated a capital loss of €-18 million.

Sony BMG and Direct Group North America were reported under discontinued operations until the deconsolidation date.

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	Direct Group North America	Sony BMG	Other	Total
Non-current assets				
Goodwill	-	551	6	557
Other intangible assets	15	311	2	328
Property, plant and equipment	25	50	-	75
Other non-current assets	3	107	3	113
Current assets				
Inventories	40	32	3	75
Cash and cash equivalents	8	250	14	272
Other current assets	104	374	63	541
Liabilities				
Provisions for pensions and similar obligations	29	96	-	125
Financial debt	10	47	4	61
Other liabilities	135	814	40	989

Discontinued Operations

In fiscal 2008 Bertelsmann AG initiated the sale of several operations that meet IFRS 5 requirements for recognition as discontinued operations. They include the 50 percent share in the music joint venture Sony BMG, which was sold to Sony Corporation under a contract dated August 5, 2008 and was previously recognized in the BMG division; the North American direct-sales business (Direct Group North America) was sold, under a contract dated July 11, 2008, to the private investor Najafi Companies of Phoenix, Arizona; and the club business in China, Australia, the U.K., New Zealand, the Netherlands/Belgium, Poland, Russia, the Czech Republic and Slovakia previously reported in the Direct Group division. The club business in the U.K. (BCA) was sold to German financial investor Aurelius effective January 1, 2009. Carrying the business at fair value less cost to sell in line with IFRS 5 resulted in an amortization amounting to €-36million.

The Netherlands and Belgium businesses (ECI) were bought by Dutch financial investor Clearwood on January 1, 2009. Carrying the business at fair value less cost to sell

in line with IFRS 5 resulted in recognition of a valuation allowance of €-10million.

Direct Group operations in China, Australia, New Zealand and Russia will be discontinued following intensive yet unsuccessful efforts to find a buyer in view of the dissatisfactory economic situation. The transaction with Sony Corporation was completed on October 1, 2008 upon the receipt of all required antitrust approvals. The contract with Najafi Companies went into effect in August of the year under review.

Income and cash flows for the above operations are reported separately in these financial statements in accordance with IFRS 5. Assets and liabilities of companies not yet sold as of the balance sheet date are also shown separately. Previous-year figures in the income and cash flow statements have been adjusted in accordance with IFRS 5.

Results of discontinued operations comprise the following:

Income Statement – Discontinued Operations

in € millions	2008	2007
Revenues	1,404	2,567
Income	36	51
Expenses	(1,461)	(2,524)
Operating EBIT from discontinued operations	(21)	94
Special items	(94)	(445)
EBIT (earnings before interest and taxes)	(115)	(351)
Financial result	(15)	(21)
Earnings before taxes from discontinued operations	(130)	(372)
Income taxes	(13)	(23)
Earnings after taxes from discontinued operations	(143)	(395)

Special items from discontinued operations totaled €-94 million, including among costs at the Direct Group operations in China and restructuring costs at Sony BMG (€-47 million combined) also impairments of club businesses in U.K. and the Netherlands (€-46 million). Also included are the capital gains from the sales of Sony BMG and

Direct Group North America totaling a net €14 million, and losses of €-14 million realized from the deconsolidation of Direct Group's China business.

Income taxes in the amount of €-1 million accrue on the capital gain realized through the sale of Sony BMG.

The table below shows the carrying amounts of material assets and liabilities from discontinued operations and the assets and liabilities classified as held for sale:

Assets and Liabilities Held for Sale

in € millions	12/31/2008	12/31/2007
Assets		
Non-current assets		
Goodwill	–	–
Other intangible assets	9	–
Property, plant and equipment	15	7
Other non-current assets	2	–
Current assets		
Inventories	30	2
Cash and cash equivalents	9	13
Other current assets	63	19
Equity and liabilities		
Non-current liabilities		
Provisions for pensions and similar obligations	6	–
Financial debt	2	–
Other non-current liabilities	–	–
Current liabilities		
Trade accounts payable	47	29
Other current liabilities	33	3

Proportionate Consolidation

The 51 (previous year: 208) proportionately consolidated joint ventures had the following effect on Bertelsmann Group assets, liabilities, income and expenses:

Effects of Proportionate Consolidation

in € millions	12/31/2008	12/31/2007
Non-current assets	52	1,085
Current assets	146	899
Non-current liabilities	10	165
Current liabilities	94	973
Income	1,157	1,887
Expenses	1,174	1,820

Currency Translation

In the Bertelsmann AG 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 at 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	
		2008	2007	12/31/2008	12/31/2007
U.S. Dollar	USD	1.4726	1.3749	1.3917	1.4721
Canadian Dollar	CAD	1.5563	1.4710	1.6998	1.4449
British Pound	GBP	0.7972	0.6861	0.9525	0.7334
Japanese Yen	JPY	152.56	161.71	126.14	164.93
Swiss Franc	CHF	1.5845	1.6429	1.4850	1.6547

Accounting Policies

Revenue and Expense Recognition

Revenues are recognized when the product/service has been provided and risks associated therewith transferred. This excludes revenues from transactions applying the percentage of completion method per IAS 11. These include income from services measured by percentage of completion, to the extent the point of completion thereof can be reliably determined at the balance sheet date. The percentage of completion is determined using the input-oriented method. Under the input-oriented method, contract costs accruing through the balance sheet date are applied as a percentage of total estimated contract costs (cost-to-cost method).

Goodwill

Goodwill arising from business combinations accounted for in accordance with IFRS 3 represents acquisition cost in excess of the Group's share of the fair value of 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 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).

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 of accrual. Dividends received from unconsolidated investments are recognized when the respective distribution is received. Revenues from services rendered are recognized based on their percentage of completion.

and the recoverable amount of the cash-generating units to which the goodwill has been allocated. Any impairment loss is immediately recognized in profit or loss. Impairment of goodwill, including impairment losses recognized in the previous interim period, may not be reversed. In the Bertelsmann Group, goodwill is tested for impairment at December 31 of each year, as outlined in the section "Impairment Losses" or if a triggering event arises.

Capitalized software is amortized over a period of between three and four years. Supply 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. Intangible assets with indefinite useful life are not amortized. Instead, they are subject to at least annual impairment testing and written down to their recoverable amount as applicable.

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 which is produced over a longer period of time also includes borrowing costs accrued up until the completion date. The amounts involved are insignificant to the Group. All other borrowing costs are expensed in the period accrued.

Maintenance costs are recorded as expenses 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 fair value less cost to sell or value in use. If it is not possible to allocate cash inflows to an asset, the relevant impairment losses are determined on the basis of cash flows attributable to the next highest cash-generating unit. Projected cash flows are based on internal estimates for three planning periods. Two additional planning periods

are applied in addition. For periods beyond this detailed horizon, a perpetual annuity is recognized, taking into account individual business-specific growth rates of between 0 and 4 percent. The applicable discount rate is generally the weighted average cost of capital (WACC) after 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. The latter does not apply to goodwill and intangible assets with an indefinite useful life.

- Buildings 20 to 50 years
- Plant, technical equipment and machinery five to 15 years
- Furniture, fixtures and other equipment three to twelve years

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

Leases

To the extent that the Bertelsmann Group assumes all the significant risks and rewards 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, and 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 contingent rents.

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. The beneficial ownership of leased assets lies with the lessee. 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:

- Held-to-maturity investments
- Available-for-sale financial assets
- Non-derivative and derivative financial assets held for trading
- Financial assets initially recognized at fair value through profit or loss
- Derivative financial assets used in hedging relationships
- Originated loans and trade account 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.

Held-to-maturity investments:

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 held-to-maturity investments 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, to the extent this can be reliably measured. The resulting unrealized gains and losses, including deferred taxes, are taken directly to equity. However, permanent impairment losses are recognized in profit or loss. The unrealized gains and losses taken directly to equity are recycled in profit or loss when the respective assets are sold.

If fair value cannot be measured, the corresponding equity investments and securities are either carried at amortized cost or measured on the basis of estimated discounted cash flows.

Non-derivative 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 not used in hedging relationships per IAS 39 are measured at their fair value; gains/losses on fair value changes are recognized in profit or loss.

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

This category contains financial assets that were classified as initially recognized at fair value through profit or loss. 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 result. In the year under review, only the RTL Group division holds financial assets belonging to this category.

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 probable credit risks using allowance accounts.

Cash and cash equivalents:

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

Impairment losses 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 profit or loss. 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 amortized 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 inter-company profits and are measured at the Group's manufacturing cost.

Inventories carried at cost are reviewed for possible write-downs at the end of the year. Net realizable value is applied for this purpose as of the balance sheet date. Net realizable value is defined as 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 apply. 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. one year). In particular, this includes

films and TV shows 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 or net realizable value.

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, documentaries 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 declining 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 inhouse 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.

In this method, revenues and gains on customer-specific contracts are recognized on the basis of the stage of completion of the respective project concerned. 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 carrying amount shown on 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 tax rates applied for computation are those applicable as of the balance sheet date and the date of reversal of temporary differences and use of tax loss carryforwards, respectively.

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 in-

vestments in foreign operations. 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.

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 portion of pension expense and the expected return on plan assets are reported under net financial expense.

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.

Liabilities

Trade payables and other originated financial liabilities are carried at amortized cost, non-current liabilities are discounted. Foreign-currency liabilities are translated at the exchange rate at the balance sheet date.

The Bertelsmann Group has not yet exercised the option of classifying financial liabilities initially recognized at fair value through profit or loss.

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 profit or loss 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 derivatives used to hedge future cash flows is recognized directly in equity under other comprehensive income. The amounts recognized in equity are then reversed to profit or loss when the hedged item is recognized in profit or loss. The ineffective portion of the changes

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

in the fair value of the hedging instrument is recognized in profit or loss.

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 profit or loss. On disposal of the investment, the changes in the fair value of the hedging instruments that are contained in equity are recognized in profit or loss.

4. Stand-alone derivatives (no hedge relationship): Changes in the fair value of derivatives, which do not meet the criteria for recognition as hedges, are recognized in profit or loss in accordance with the held-for-trading category and are therefore classified as at fair value through profit and loss. If the trade date and the settlement date are different, the settlement date is applied for the purposes of initial recognition of derivatives.

Share-Based Payment

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 vesting 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. Share options forfeited solely due to share prices not achieving the vesting threshold are excluded.

Non-Current Assets Held for Sale and Related Liabilities

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

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 assets, liabilities, income and expenses recognized. Amounts actually realized may differ from estimated amounts. The estimates and assumptions applied by the Bertelsmann Group pertain in particular to the measurement of pension obligations and plan assets, to the measurement of provisions and impairment losses on intangible assets (particularly goodwill) and property, plant and equipment, to the determination of uniform useful lives Group-wide and to the likelihood of realizing future tax benefits.

Estimates are also made regarding music and print product return volumes, as these have an impact on revenues to the extent return rights have been extended.

Some Bertelsmann companies that conclude long-term production contracts with customers and recognize revenues according to the percentage-of-completion method do have to estimate these figures.

Sales estimates and assumptions on future sales success are also made in connection with advances paid to authors to secure rights.

Furthermore, assumptions are made concerning the measurement of intangible assets in the context of the purchase price allocation of business combinations.

Assumptions and estimates also are made with regard to share-based payment, fair value calculation of unlisted financial derivatives, company valuation based on projected

cash flow or multiples and the classification of lease commitments.

These assets are no longer subject to depreciation/amortization.

cash flow or multiples and the classification of lease commitments.

Details of the assumptions applied in the accounting of pensions can be found under note 20. Provisions are estimated by Group management as to their amount and occurrence probability. Further details can be found under note 21 "Other Provisions." Details of the premises applied in testing intangible assets (including goodwill) and property, plant and equipment for impairment are presented in the notes 10 "Selected Non-Current Assets" and 11 "Goodwill." Estimations relating to the realizability of tax benefits are explained in note 9 "Income Taxes." Information on useful life can be found on page 77, section "Property, Plant and Equipment."

Assumptions regarding the classification of leases as finance or operating leases are discussed under note 23 "Financial Debt" and note 25, "Contingent Liabilities and Other Commitments." Conditions and assumptions concerning stock option plans are presented in greater detail in the section "Stock Option Plans at Subsidiaries" under note 19, "Shareholders' Equity."

Assumptions relating to unlisted financial derivatives and the determination of their fair value can be found under note 26 "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	2008	2007
Revenues from selling goods and merchandise	7,553	7,997
Revenues from providing services	7,330	7,055
Revenues from granting the use of assets	1,383	1,301
Gross revenues	16,266	16,353
Discounts	(148)	(162)
Revenues	16,118	16,191

Revenues from customer-specific construction contracts amounted to €23 million (previous year: €31 million).

2 Other Operating Income

in € millions	2008	2007
Extra and supplementary income	267	236
Prior-year income and reimbursements	144	149
Gains from disposals of non-current assets	29	39
Sundry operating income	166	135
	606	559

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.

3 Personnel Costs

in € millions	2008	2007
Wages and salaries	3,651	3,637
Statutory social security contributions	623	590
Profit sharing	75	82
Expenses for pensions and similar obligations	99	97
Other employee benefits	14	14
	4,462	4,420

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

in € millions	2008	2007
Amortization/Depreciation of		
– Intangible assets	192	190
– Property, plant and equipment	370	385
	562	575

5 Other Operating Expenses

in € millions	2008	2007
Administrative expenses	1,413	1,378
Consulting and audit fees	190	197
Foreign exchange losses	5	-
Advertising costs	608	635
Selling expenses	726	793
Allowances on current assets	218	186
Operating taxes	125	122
Losses on disposals of non-current assets	13	8
Sundry operating expenses	920	809
	4,218	4,128

Consulting and audit fees include fees of €8 million for audit of the consolidated financial statements. Of this amount, €4 million is for the audit itself, €2 million for other audit-related services and €2 million for other services.

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

Foreign exchange losses reported under other operating expenses (excluding amounts recognized in accordance with IAS 39) amounted to €-25 million in the year under review (previous year: €-7 million).

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

in € millions	2008	2007
Income from investments accounted for using the equity method	61	84
Expenses from investments accounted for using the equity method	(14)	(9)
Results from investments accounted for using the equity method	47	75
Results from other participations	11	13

Income from associates primarily relates to Antena 3 in the amount of €19 million (previous year: €40 million) and RTL II in the amount of €12 million (previous year: €3 million). Expenses from investments accounted for using the equity method relate to various companies. Goodwill impairments

of associates in the amount of €12 million (previous year: 0 million) is reported as a special item. As in the previous year, Bertelsmann had no interest in the contingent liabilities of associates.

7 Special Items

in € millions	2008	2007
Impairment of goodwill, other intangible assets with indefinite useful life, other financial assets and assets held for sale		
Five, RTL Group	(337)	(123)
Direct Group France	(50)	–
Radio Deutschland, RTL Group	(34)	–
Direct Group Portugal	(21)	–
Arvato Mobile, Arvato	(15)	–
Arvato Loyalty Services, Arvato	(9)	–
Prinovis	–	(70)
Windsong, Arvato (IFRS 5)	–	(39)
Other	(36)	(14)
Capital gains/losses		
RTL Shop, RTL Group	(13)	–
RTL Netherlands, RTL Group	–	134
Sportfive, RTL Group	(4)	66
Grupo Media Capital, RTL Group	–	33
Sale Fremantle Media Australia, RTL Group	4	–
Other	12	5
Other special items		
Restructuring, severance payments and other valuation allowances, Random House	(51)	–
Restructuring and severance payments, Gruner + Jahr	(35)	–
Restructuring and severance payments, RTL Group	(32)	–
Restructuring and severance payments, Prinovis	(20)	(61)
Restructuring and severance payments, Direct Group	(15)	–
One-time expense, Arvato Mobile, Arvato	(18)	–
Expenses for settlement of Music Publisher litigation, Corporate	–	(245)
IP Deutschland – antitrust authority fine, RTL Group	–	(96)
Other	(2)	1
	(676)	(409)

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. Special items totaled a net €-770 million in the year under review, of which €-94 million related to discontinued operations.

8 Other Financial Expenses and Income

in € millions	2008	2007
Defined benefit plans (pensions and other)	(56)	(54)
Dividend entitlement on profit participation capital	(76)	(77)
Minority interest of partnerships	(39)	(57)
Other	(28)	(13)
	(199)	(201)

9 Income Taxes

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

in € millions	2008	2007
Net earnings before income tax	335	478
Current income taxes from continuing operations	(262)	(356)
Current income taxes from discontinued operations	(13)	(23)
Deferred income taxes from continuing operations	210	306
Total income taxes	(65)	(73)
Net income after income taxes	270	405

Tax loss carryforwards of €447 million were utilized in the year under review (previous year: €176 million), reducing the Group's current tax expense by €-76 million (previous year: €-51 million). Of the tax loss carryforwards utilized, €183 million related to domestic corporate income tax, €194 million to domestic trade tax and €70 million to foreign

income tax. These amounts contain €88 million for tax loss carryforwards for which no deferred tax assets were recognized in the past. These concern €3 million in domestic corporate income tax, €48 million in domestic trade tax and €37 million in foreign income tax.

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

Deferred Taxes

in € millions	12/31/2008 Assets	12/31/2008 Liabilities	12/31/2007 Assets	12/31/2007 Liabilities
Intangible assets	361	144	628	238
Property, plant and equipment	18	169	35	150
Financial assets	12	22	12	27
Inventories	57	2	72	2
Accounts receivable	86	36	168	38
Advance payments and other assets	139	79	138	104
Provisions	301	90	302	58
Financial debt	31	79	63	5
Liabilities	12	3	18	5
Advance payments and other liabilities	53	20	95	29
Loss carryforwards/tax credits	2,686	-	2,545	-
Valuation allowances	(2,163)	-	(2,700)	-
Total	1,593	644	1,376	656
Netting	(488)	(488)	(468)	(468)
Carrying amount	1,105	156	908	188

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 projected 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 profits above that threshold.

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

in € millions	12/31/2008	12/31/2007
Tax loss carryforwards		
To be carried forward for more than 5 years	6,678	7,100
To be carried forward for up to 5 years	467	76
Temporary differences		
No carryforward limitations	157	1,482
Tax credits		
To be carried forward for more than 5 years	16	34

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	2008	2007
Net earnings before income tax	335	478
Income tax rate applicable to Bertelsmann AG	30.00 %	38.40 %
Expected tax expense	(101)	(184)
The tax effects of the following items led to differences between the expected and actual tax expense:		
Adjustment for differing national tax rates	27	72
Effect of tax rate and law changes	(5)	(63)
Non-tax-deductible impairments of goodwill	(137)	(162)
Tax-free disposal and merger gains	223	76
Current income taxes for previous years	42	27
Deferred income taxes for previous years	24	30
Valuation allowance on deferred tax assets, current year	(54)	187
Permanent differences	(62)	(44)
Other adjustments	(22)	(12)
Sum of adjustments	36	111
Actual tax expense	(65)	(73)

New tax rules went into effect in Germany with the enactment of the Corporate Tax Reform Act on January 1, 2008. The corporate income tax rate was lowered from 25 percent to 15 percent, while the solidarity surcharge remained 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 14.17 percent. This results in a future income tax rate of 30 percent for Bertelsmann AG. The reduction in the tax rate led to a lower level of actual tax expense.

In order to finance the tax cuts, the new “Zinsschranke” law was introduced to limit the deductibility of interest, among other things. Now interest expense is only tax-deductible up to 30 percent of taxable EBITDA.

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

Bertelsmann AG restated deferred tax assets as a result of the profit and loss transfer agreement concluded indirectly with RTL Group Germany effective January 1, 2008. Deferred tax assets of €63 million are recognized on the basis of earnings estimates for the next five years. The profit and loss transfer agreement also results in lower domestic taxes going forward. Deferred tax assets at Bertelsmann Inc. increased in consequence of restructuring in the U.S. A deferred tax income of €208 million is reported based on earnings estimated.

Effective Tax Rate

in percent	2008	2007
Corporation tax including solidarity surcharges	15.83	26.38
Trade tax	14.17	12.02
Effective income tax rate	30.00	38.40

10 Selected Non-Current Assets

in € millions	Goodwill adjusted	Other intangible assets	Property, plant and equipment	Investments accounted for using the equity method	Total
Acquisition/Production cost					
Balance as of 1/1/2008	7,723	3,695	7,155	865	19,438
Currency translation differences	(157)	(28)	(72)	(6)	(263)
Acquisitions	249	105	75	19	448
Disposals and reclassifications per IFRS 5	(842)	(776)	(302)	(4)	(1,924)
Additions	–	222	359	45	626
Disposals	–	(89)	(284)	(89)	(462)
Reclassifications and other changes	29	(11)	21	(10)	29
Balance as of 12/31/2008	7,002	3,118	6,952	820	17,892
Depreciation/Amortization					
Balance as of 1/1/2008	450	2,582	4,388	312	7,732
Currency translation differences	(28)	–	(5)	–	(33)
Acquisitions	–	60	46	–	106
Disposals and reclassifications per IFRS 5	(285)	(435)	(200)	–	(920)
Regular additions	–	203	374	–	577
Impairment losses	473	18	8	12	511
Disposals	–	(83)	(239)	–	(322)
Write-ups	–	(1)	(5)	–	(6)
Reclassifications and other changes	1	(17)	26	–	10
Balance as of 12/31/2008	611	2,327	4,393	324	7,655
Carrying amount as of 12/31/2008	6,391	791	2,559	496	10,237
Carrying amount as of 12/31/2007	7,273	1,113	2,767	553	11,706

The figures of the previous year were adjusted due to completion of the Radio 538 business combination.

11 Goodwill

Goodwill is attributable to the cash-generating units below as shown in the table following:

Goodwill and Other Intangible Assets with Indefinite Useful Life Broken Down by Cash-Generating Unit

in € millions	Goodwill		Other intangible assets with indefinite useful life	
	12/31/2008	12/31/2007 adjusted	12/31/2008	12/31/2007
RTL	4,956	5,264	121	121
thereof accounted at RTL Group	2,839	3,147	121	121
thereof accounted at Corporate	2,117	2,117	–	–
Random House	352	361	–	–
Random House North America	223	211	–	–
Random House U.K.	75	99	–	–
Random House Germany	42	36	–	–
Other	12	15	–	–
Gruner + Jahr	485	429	108	92
Gruner + Jahr Germany	230	187	51	50
Gruner + Jahr Austria	97	93	2	2
Gruner + Jahr Spain	51	51	3	3
Gruner + Jahr China	35	31	28	25
Other	72	67	24	12
BMG	–	551	–	–
Arvato	453	450	–	–
Arvato Print Ibérica	26	26	–	–
Infoscore	247	249	–	–
Arvato Services France	26	24	–	–
Qualytel	34	–	–	–
Other	120	151	–	–
Direct Group	145	218	4	3
Direct Group Portugal	–	19	3	3
Direct Group France	135	185	1	–
Other	10	14	–	–
	6,391	7,273	233	216

The figures of the previous year were adjusted due to completion of the Radio 538 business combination.

Intangible assets with the indefinite useful life primarily concern M6 trademark rights (€120 million), MPS trademark rights in France and Germany (€58 million) and advertising marketing rights (€28 million).

For the purpose of impairment testing (IAS 36), goodwill acquired in a business combination is allocated to the cash-generating groups that are expected to benefit from the synergies of the business combination. Goodwill is tested for impairment annually and whenever there is an indication for impairment as outlined in the section “Accounting Policies” and in the following illustrated approach. An impairment must be recognized when the recoverable amount of a cash-generating unit has fallen below its carrying amount. The recoverable amount is the higher of fair value less cost to sell or value in use; fair value less cost to sell first is calculated. If the result is above carrying amount, value in use is generally not computed. For assets held for sale, only fair value less cost to sell is applied as a yardstick. The internal value in use was chosen as the recoverable amount for RTL Group goodwill recognized at Corporate.

As long as an active market exists, market price or pricing in the most recent comparable transactions

applies as fair value. If there is no active market, fair value less cost to sell is generally calculated using the discounted cash flow method. Cash flows are projected based on internal estimates for three planning periods plus two additional planning periods. For periods beyond this planning horizon, cash flows are projected as a perpetual annuity based on individual business-specific growth rates of between 0 and 4 percent. The weighted average cost of capital (WACC) method is used for discounting using exclusively average after tax cost of capital. Managements estimates cash flow based on factors including economic conditions/risks, the regulatory environment, the competitive environment, market share, capital expenditure and growth rates. The estimates computed applying the respective discount rates reflect the short to medium-term market outlook for the cash-generating units. Material changes in the market or competitive environment thus may impair the value of cash-generating units.

The following discount rates and company/segment specific growth rates were applied during the year under review:

	Growth rate in % per year	Discount rate in % per year
RTL ¹⁾	0.1 – 3.5	7.8 – 9.15
Random House		
Random House North America	1.5	7.08
Random House U.K.	1.0	8.4
Random House Germany	1.0	8.4
Other	1.0	8.4
Gruner + Jahr		
Gruner + Jahr Germany	0.0	8.4
Gruner + Jahr Austria	1.0	8.4
Gruner + Jahr Spain	1.0	8.4
Gruner + Jahr China	4.0	8.4
Other	1.0 – 3.0	6.81 – 8.40
Arvato		
Arvato Print Ibérica	1.0	6.81
Infoscore	0.0	8.4
Arvato Services France	1.0	8.4
Quayltel	0.0	8.4
Other	0.0 – 1.5	6.81 – 9.29
Direct Group		
Direct Group Portugal	0.0	8.68
Direct Group France	0.0	8.68
Other	0.0 – 1.0	8.4

¹⁾ Discount rate for M-RTL, Ren-TV, RTL Croatia and Content Union: 12.9% - 17.9%; growth rate at Ren-TV: 7.0%

Goodwill impairments and impairments of intangible assets with an indefinite useful life recognized in the year under review totaled €-487 million, thereof €-12 million related to associates. Impairments of goodwill and other intangible assets with indefinite useful life are shown under "Special Items" on the income statement.

A goodwill impairment in the amount of €-337 million was recorded for U.K. TV businesses at December 31, 2008. This was precipitated by the following factors: a significant slowing in TV advertising market and lower market share gains in the increasingly fragmented U.K. TV market. Fair value less cost to sell, representing the present value of future cash flows was applied as the basis for assessing impairment. The assumptions on which the estimate future cash flows are based include the share of the net television advertising market, share of viewing and program costs. The costs and savings expected to arise from the restructuring program are also included in the forecast. A growth rate of 3 percent and a discount rate of 9.2 percent were applied in impairment testing. If the discount rate increased by one percentage point, the amount of impairment would increase by €56 million.

Direct Group France, which operates a traditional club, bookstore and Internet book selling businesses, posted a significant decline in revenues and earnings for the year under review. Management attributes this negative development in particular to the deterioration of economic environment in France. Integration of the club businesses and bookstores was also delayed, thus the envisioned cost savings were not yet obtained. Differing business models and IT systems hindered the integration process.

This unfavorable development led to an impairment loss amounting to €-50 million following the annual impairment test in accordance with IAS 36. Fair value less cost to sell was determined on the basis of the present value

of future cash flows. The planning for fiscal year 2009 adopted by the Executive Board in 2008 was used as the basis for projection. The forecasting assumptions applied are based on past experience and the future expectations of management. Against the original planning, additional risks were factored in for impairment testing purposes in view of the overall market decline caused by the economic crisis. A discount rate of 8.68 percent after tax was assumed. A perpetual annuity was assumed for planning periods beyond five years. A one-percentage-point rise in the discount rate would have increased the impairment on goodwill by €27 million, while a one-percentage-point decrease in the growth rate applied for the impairment test (i.e. sustained contraction of business by 1 percent) would have resulted in a €22 million increase in impairment.

Direct Group Portugal, a cash-generating unit of Direct Group comprised of a club business and book publishing, retailing and wholesaling operations, fell short of revenue and earnings estimates due to the softening economy and restrained consumer spending overall. Annual impairment testing per IAS 36 led to recognition of a €-21 million impairment. The full impairment amount was written against goodwill. Fair value less cost-to-sell was computed in this case as well as the present value of future cash flows, based on internal corporate planning for 2009 and factoring in additional risks. An after-tax discount rate of 8.68 percent was applied for discounting cash flows. Here too, a perpetual annuity was assumed for planning periods beyond five years.

An impairment of €-34 million, of which €-8 million related to associates, was also taken on radio operations belonging entirely to RTL Group Germany. The impairment resulted mainly from declining radio advertising in Germany and persistent structural problems due to the lack of a national radio market.

12 Other Intangible Assets

	Music and film rights	Other rights and licenses	Internally generated intangible assets	Advance payments	Total
in € millions					
Acquisition/Production cost					
Balance as of 1/1/2008	1,430	1,553	700	12	3,695
Currency translation differences	3	(47)	16	–	(28)
Acquisitions	69	36	–	–	105
Disposals and reclassifications due to IFRS 5	(526)	(149)	(100)	(1)	(776)
Additions	35	110	64	13	222
Disposals	(37)	(42)	(10)	–	(89)
Reclassifications and other changes	45	(32)	(20)	(4)	(11)
Balance as of 12/31/2008	1,019	1,429	650	20	3,118
Depreciation/Amortization					
Balance as of 1/1/2008	1,054	886	641	1	2,582
Currency translation differences	5	(21)	16	–	–
Acquisitions	53	7	–	–	60
Disposals and reclassifications due to IFRS 5	(222)	(133)	(79)	(1)	(435)
Regular additions	63	115	25	–	203
Impairment losses	6	11	1	–	18
Disposals	(36)	(37)	(10)	–	(83)
Write-ups	(1)	–	–	–	(1)
Reclassifications and other changes	6	(26)	3	–	(17)
Balance as of 12/31/2008	928	802	597	–	2,327
Carrying amount as of 12/31/2008	91	627	53	20	791
Carrying amount as of 12/31/2007	376	667	59	11	1,113

Other rights and licenses includes trademark rights, delivery rights, publishing rights, licenses and acquired software. In-

ternally generated intangible assets primarily relate to film and TV productions and internally generated software.

13 Property, Plant and Equipment

in € millions	Land, rights equivalent to land and buildings	Plant, technical equipment and machinery	Other equip- ment, fixtures, furniture and office equipment	Advance payments and construction in progress	Total
Acquisition/Production cost					
Balance as of 1/1/2008	2,132	3,543	1,408	72	7,155
Currency translation differences	(37)	(12)	(20)	(3)	(72)
Acquisitions	21	23	31	–	75
Disposals and reclassifications due to IFRS 5	(51)	(49)	(192)	(10)	(302)
Additions	27	108	106	118	359
Disposals	(86)	(101)	(94)	(3)	(284)
Reclassifications and other changes	36	63	27	(105)	21
Balance as of 12/31/2008	2,042	3,575	1,266	69	6,952
Depreciation/Amortization					
Balance as of 1/1/2008	889	2,516	983	–	4,388
Currency translation differences	(4)	13	(14)	–	(5)
Acquisitions	9	16	21	–	46
Disposals and reclassifications due to IFRS 5	(24)	(44)	(132)	–	(200)
Regular additions	62	195	117	–	374
Impairment losses	3	3	1	1	8
Disposals	(62)	(94)	(83)	–	(239)
Write-ups	(2)	(2)	(1)	–	(5)
Reclassifications and other changes	28	(4)	2	–	26
Balance as of 12/31/2008	899	2,599	894	1	4,393
Carrying amount as of 12/31/2008	1,143	976	372	68	2,559
Carrying amount as of 12/31/2007	1,243	1,027	425	72	2,767

14 Investments Accounted for Using the Equity Method

in € millions	12/31/2008	12/31/2007
Proportionate equity	169	212
Goodwill	327	341
	496	553

Total assets of investments accounted for using the equity method amounted to €1,612 million at December 31, 2008 (previous year: €1,888 million). These were partially offset by total liabilities of €1,036 million as at December 31, 2008 (previous year: €1,082 million). Revenues totaled €1,843 million (previous year: €2,073 mil-

lion). Net income totaled €171 million (previous year: €336 million).

These disclosures represent accounting totals for 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 which are listed at a stock-exchange are shown below. The fair values of these investments at December 31, 2008 were as follows:

Fair Values of Investments Accounted for Using the Equity Method

in € millions	12/31/2008	12/31/2007
Lycos Europe	–	28
Buch.de	8	11
Antena 3	192	437
	200	476

Because there was no longer significant influence, the investment in Lycos Europe was reclassified as an investment available-for-sale, rather than as an investment in an affiliated company.

15 Other Financial Assets

in € millions	At cost		At fair value		Total	
	12/31/2008	12/31/2007	12/31/2008	12/31/2007	12/31/2008	12/31/2007
Current						
Loans	15	13	–	–	15	13
Securities available-for-sale	1	1	–	–	1	1
	16	14	–	–	16	14
Non-current						
Loans	89	98	–	–	89	98
Investments in affiliates	25	27	–	–	25	27
Investments available-for-sale	67	41	56	39	123	80
Securities available-for-sale	4	19	31	26	35	45
Securities, initial recognition at fair value through profit or loss	–	–	470	416	470	416
	185	185	557	481	742	666

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 fair value in accordance with IAS 39. Of this item,

€363 million (previous year: €343 million) relates to the interest of M6 in Canal Plus, in which Vivendi Universal and TF1 also hold stakes.

The fair value measurement of securities classified as at fair value through profit or loss resulted in a total gain of €18 million (previous year: €17 million).

16 Inventories

in € millions	12/31/2008	12/31/2007
Program rights	1,004	1,123
Raw materials and supplies	169	157
Work in progress	110	123
Finished goods and merchandise	409	502
Advance payments	135	174
	1,827	2,079

Valuation allowances were recognized in the period under review on inventories in the amount of €124 million (previous year: €116 million). Inventories are written up again when the reason for recognizing valuation allowances

no longer applies. Write-ups were recognized on inventories in the amount of €73 million in the year under review (previous year: €78 million).

17 Receivables and Other Assets

in € millions	12/31/2008	12/31/2007
Non-current		
Trade accounts receivable	7	17
Other accounts receivable and other assets	366	337
Current		
Trade accounts receivable	2,684	3,123
Accounts receivable from royalties and licenses	1	3
Trade accounts receivable	2,685	3,126
Accounts receivable from participations	28	36
Advance payments for royalties and licenses	477	607
Other tax receivables	80	170
Securities available-for-sale	9	9
Derivative financial instruments	173	37
Prepaid expenses	143	183
Other receivables	390	527
Other accounts receivable and other assets	1,300	1,569

Advance payments for royalties and licenses principally account for €228 million of €366 million total other non-current receivables and other assets. 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	As of balance sheet date, neither impaired nor due	Not itemized impaired as of the reporting date and past due by					Gross of specific valuation allowances
		< 1 month	2-3 months	3-6 months	6-12 months	> 12 months	
Loans	94	-	-	-	8	-	23
Trade accounts receivable	1,976	295	184	64	58	55	230
Accounts receivable from royalties and licenses	1	-	-	-	-	-	-
Accounts receivable from participations	28	-	-	-	-	-	2
Other receivables	426	6	12	1	8	1	26
Non-current securities	64	-	-	-	-	-	42
Carrying amount as of 12/31/2008	2,589	301	196	65	74	56	323
Loans	108	1	-	2	-	-	23
Trade accounts receivable	2,458	384	186	60	36	17	296
Accounts receivable from royalties and licenses	2	-	-	-	-	-	-
Accounts receivable from participations	36	-	-	-	-	-	2
Other receivables	537	8	10	2	2	1	21
Non-current securities	46	-	-	-	-	-	7
Carrying amount as of 12/31/2007	3,187	393	196	64	38	18	349

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

Schedule of Valuation Allowances According to IFRS 7

	Previous year	Additions	Usage	Releases	Change of consolidation scope	Exchange rates	Year under review
in € millions							
Loans	(19)	(2)	1	–	(1)	–	(21)
Investments in affiliates	(599)	(29)	–	10	–	2	(616)
Investments available-for-sale	(67)	(12)	–	6	1	–	(72)
Securities	(7)	–	–	–	–	–	(7)
Trade accounts receivable	(293)	(128)	101	30	108	7	(175)
Accounts receivable from participations	(1)	–	–	–	–	–	(1)
Other receivables	(21)	(8)	2	4	–	–	(23)
Marketable securities and other short-term investments	–	–	–	–	–	–	–
Total 2008	(1,007)	(179)	104	50	108	9	(915)
Loans	(36)	(3)	10	11	(1)	–	(19)
Investments in affiliates	(596)	(7)	2	3	(2)	1	(599)
Investments available-for-sale	(81)	–	(4)	16	–	2	(67)
Securities	–	(3)	–	–	(4)	–	(7)
Trade accounts receivable	(328)	(190)	178	47	(17)	17	(293)
Accounts receivable from royalties and licenses	(24)	(1)	48	–	(25)	2	–
Accounts receivable from participations	(1)	–	–	–	–	–	(1)
Other receivables	(22)	(5)	(1)	6	1	–	(21)
Marketable securities and other short-term investments	–	–	–	–	–	–	–
Total 2007	(1,088)	(209)	233	83	(48)	22	(1,007)

18 Cash and Cash Equivalents

in € millions	12/31/2008	12/31/2007
Cash	1,169	587
Other securities	414	544
	1,583	1,131

19 Equity

Subscribed Capital

	12/31/2008	12/31/2007
Number of shares		
Ordinary shares	83,760	83,760
Total shares	83,760	83,760

Bertelsmann AG's subscribed capital totals €1,000 million, consisting of 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. All voting rights in the Annual General Meeting of Bertelsmann AG 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.

Consolidated Statement of Changes in Equity

in € millions	Subscribed capital	Capital reserve	Retained earnings	Other comprehensive income	Shareholders' equity	Minority interest	Total
Balance as of 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 as of 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 as of 12/31/2007	1,000	2,345	2,447	(822)	4,970	1,154	6,124
Balance as of 12/31/2007	1,000	2,345	2,447	(822)	4,970	1,154	6,124
Adjustment						17	17
Balance as of 12/31/2007 (adjusted)	1,000	2,345	2,447	(822)	4,970	1,171	6,141
Net income	–	–	142	–	142	128	270
Income and expenses recognized directly in equity	–	–	–	166	166	3	169
Transactions with equity holders							
Dividends	–	–	(120)	–	(120)	(172)	(292)
Business combinations and other changes	–	–	(50)	–	(50)	(7)	(57)
Balance as of 12/31/2008	1,000	2,345	2,419	(656)	5,108	1,123	6,231

Other Comprehensive Income

The change in other comprehensive income was as follows:

in € millions	Currency translation differences	Securities held for sale	Cash flow hedges	Actuarial gains and losses	Total
Balance as of 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 as of 12/31/2007	(530)	44	(45)	(291)	(822)
Change in fair value	6	(15)	41	(27)	5
Transferred to profit or loss	101	–	25	–	126
Change in scope of consolidation	–	–	–	33	33
Deferred income taxes	–	–	(14)	16	2
Balance as of 12/31/2008	(423)	29	7	(269)	(656)

Changes in the fair value of hedging relationships in place since the previous year amounted to €22 million in fiscal year 2008 (previous year: €-18 million). Another €19 million stemmed from new hedging relationships entered into (previous year: €-31 million). This was offset by the reversal

to income of OCI of €25 million (previous year: €14 million), which was recognized in other operating expenses.

The Group's share of the change in OCI at associates in the year under review was €-11 million (previous year: €9 million).

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

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.

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 options granted may be exercised on each of the second, third and fourth anniversaries of the initial grant date, 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 following table shows the changes in stock options in the year under review:

Options (RTL Group)

	Average exercise price in € per share	2008	Average exercise price in € per share	2007
in thousands				
Options outstanding at the beginning of the year	87	139	87	148
Options exercised/expired during the year	85	(9)	85	(9)
Options outstanding at the end of the year	87	130	87	139

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) 2008	Number of options (in thousands) 2007
August 2010	120.00	6	6
December 2010	85.24	123	132
May 2011	85.24	1	1
		130	139

On December 31, 2008 RTL Group shares closed on the Brussels Stock Exchange at €42.50.

Métropole Télévision (M6) Employee Stock Option Plan

Métropole Télévision has established an employee stock option plan open for directors and certain employees within the Group. The number of options granted to participants

is determined by the Board of Directors of Métropole Télévision, in accordance with the authorization given by the General Meeting of Shareholders.

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

Grant date	Number of options initially granted (in thousands)	Remaining options (in thousands)	Vesting conditions	Contractual option expiration ¹⁾
Stock option plans				
June 2001	551.80	0.00	4 years of service	7 years
June 2002	710.50	392.50	4 years of service	7 years
July 2003	713.50	457.00	4 years of service	7 years
November 2003	20.00	20.00	4 years of service	7 years
April 2004	861.50	567.50	4 years of service	7 years
June 2005	635.50	459.25	4 years of service	7 years
June 2006	736.70	584.25	4 years of service	7 years
May 2007	827.50	731.75	4 years of service	7 years
May 2008	883.83	870.73	4 years of service	7 years
Free share plans				
June 2006	480.47	0.00	2 years of service + performance conditions	
May 2007 ²⁾	188.30	171.21	2 years of service + performance conditions	
May 2008 ²⁾	280.72	277.32	2 years of service + performance conditions	
Total	6,890.37	4,531.51		

¹⁾ Contractual life of options corresponds to the vesting period (i.e. four years) plus three years (which represents the time frame during which the options can be exercised)
²⁾ The maximum number of free shares granted if the performance conditions are significantly exceeded would amount to 410,184. Such number could be reduced to zero if objectives are not met.

The price to be paid to exercise each of the remaining options is the average value of shares in Métropole Télévision on the Paris Stock Exchange over the 20 trading days pre-

ceding the date of grant with the exception of the management free share allocation plan.

The table below shows the change in stock options in the year under review:

Options (M6)

in thousands	Average exercise price in € per share	2008	Average exercise price in € per share	2007
Options outstanding at the beginning of the year	15	3,791	26	3,715
Options granted during the year	25	884	28	827
Options exercised during the year	-	-	22	(6)
Options expired during the year	28	(592)	34	(745)
Options outstanding at the end of the year	23	4,083	25	3,791

Approximately 449,000 free shares are still exercisable at year-end against 614,000 at the beginning of the year.

281,000 of free shares were granted in the course of the year. Of these, 433,000 were exercised and 14,000 forfeited.

The exercise terms for the stock options outstanding (in thousands) at the end of the year were as follows:

Stock Option Exercise Terms (M6)

Expiry date	Exercise price in €	Number of options (in thousands) 2008	Number of options (in thousands) 2007
Stock option plans			
2008	30.80	–	293
2009	28.06	393	440
2010	22.53	477	517
2011	24.97	568	623
2012	19.94	459	508
2013	24.60	584	631
2014	27.52	732	779
2015	14.73	871	–
		4,083	3,791
Free share plans			
2008		–	437
2009		171	177
2010		277	–
		449	614
Options outstanding at the end of the year		4,532	4,405
of which exercisable		1,401	1,834

On December 31, 2008, M6 shares closed on the Paris Stock Exchange at €13.85.

The fair value of services received in exchange for the stock options granted is measured as the fair value of stock options granted. The fair value of services received is estimated using

a binomial model. Free shares are valued at the share price at the grant date less discounted dividends, which employees are not entitled to receive during the vesting period.

Fair Value of Stock Options (M6)

	Stock option plans							Free share plans				Total
Grant date	7/25/2003	11/14/2003	4/28/2004	6/2/2005	6/6/2006	5/2/2007	5/6/2008	6/2/2005	6/6/2006	5/2/2007	5/6/5008	
Share price	23.66 €	25.07 €	24.97 €	20.17 €	24.63 €	26.55 €	15.22 €	20.17 €	24.63 €	26.55 €	15.22 €	
Exercise price	22.48 €	23.82 €	24.97 €	19.94 €	24.60 €	27.52 €	14.73 €					
Volatility	52.30 %	52.30 %	52.30 %	41.80 %	43.10 %	37.80 %	40.00 %					
Risk-free interest rate	3.05 %	3.54 %	3.32 %	3.24 %	4.02 %	4.40 %	4.39 %	3.24 %	4.02 %	4.40 %	4.39 %	
Expected return	4.58 %	4.32 %	4.34 %	5.24 %	3.81 %	3.99 %	6.30 %	5.24 %	3.81 %	3.99 %	6.30 %	
Liquidity discount	15 %	15 %	15 %	15 %	15 %	15 %	15 %	0 %	0 %	15 %	15 %	
Option life	6 years	6 years	6 years	6 years	6 years	6 years	6 years	2 years	2 years	2 years	2 years	
Personnel costs in € million												
2008	-	-	(0.8)	0.4	1.1	1.3	0.4	-	1.7	1.7	1.1	6.9
2007	1.0	-	1.9	0.9	1.3	0.9	-	0.4	5.2	1.6	-	13.3

Minority Interests

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

20 Provisions for Pensions and Similar Obligations

in € millions	12/31/2008	12/31/2007
Defined benefit plans	1,277	1,419
Obligations similar to pensions	132	139
	1,409	1,558

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, thus no provisions are recognized. Expenses for defined contribution plans in the amount of €33 million were recognized in the year under review (previous year: €34 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-type plans.

The provisions are calculated on using actuarial formulas in accordance with IAS 19. The amount of provisions depends on employees' length of service with the company and their pensionable salary. Provisions are computed using the projected unit credit method, in which increasing salary costs are assumed over the period of service, in contrast to the entry-age normal method. 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 assumed weightings have been applied:

Actuarial Assumptions

in percent	12/31/2008	12/31/2008	12/31/2007	12/31/2007
	Germany	Foreign	Germany	Foreign
Discount rate	6.0	5.8	5.3	5.4
Expected return on plan assets	5.4	5.8	6.5	5.6
Rate of salary increase	2.5	4.2	2.5	3.1
Rate of pension increase	1.9	0.9	1.9	1.2
Fluctuation	Experience values		Experience values	

Projected returns on plan assets are based exclusively on projections for the respective asset classes held. Historical data, economic forecasts, the interest rate outlook, inflation rates and stock market expectations are factored into expected plan returns. The majority of plan assets are managed by Bertelsmann Pension Trust e.V. under a contractual trust arrangement (CTA) for pension commitments of Bertelsmann AG and some German subsidiaries. Projected CTA plan returns are determined on the basis of the strategic asset allocation maintained in different asset classes.

Projected plan returns are determined applying a risk-free rate of return for total plan assets based on current long-term government bond yields. A risk premium return is also calculated for each asset class based on historical market returns and economic forecasting. The market indices applied reflect the plan assets being diversified by region, asset class and industry. Projected plan returns are reviewed regularly – annually at a minimum – and factor in projected contributions and distributions of plan assets.

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

in € millions	2008	2007
Defined benefit obligation on 1/1	2,695	2,995
Current service cost	50	61
New past service cost	2	(15)
Interest expenses	140	138
Actuarial (gains) and losses	(216)	(251)
Curtailments and settlements	(17)	(75)
Contributions to plan assets by employees	3	4
Benefits directly paid by employer	(95)	(94)
Benefits paid out of plan assets	(26)	(32)
Change of consolidation scope	(218)	23
Disposal due to IFRS 5	(55)	–
Currency translation differences	(64)	(67)
Other changes	7	8
Defined benefit obligation on 12/31	2,206	2,695
Fair value of plan assets on 1/1	1,282	1,217
Expected return on plan assets	80	79
Actuarial gains and (losses)	(227)	(57)
Settlements	(4)	(61)
Contributions by employer	42	164
Contributions by employees	3	4
Benefits paid out of plan assets	(26)	(32)
Change of consolidation scope	(117)	3
Disposal due to IFRS 5	(50)	–
Currency translation differences	(53)	(45)
Other changes	–	10
Fair value of plan assets on 12/31	930	1,282
Funded status	1,276	1,413

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

Net Pension Liability

in € millions	12/31/2008	12/31/2007
Defined benefit obligation of unfunded plans	1,020	1,160
Defined benefit obligation of funded plans	1,186	1,535
Total defined benefit obligation	2,206	2,695
Fair value of plan assets	(930)	(1,282)
Unrecognized assets due to the limit in IAS 19.58	–	3
Net liability recognized in the balance sheet	1,276	1,416
thereof provisions for pensions	1,277	1,419
thereof other assets	1	3

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.

Actuarial losses of €11 million (previous year gain: €194 million) were reported on the consolidated statement of recognized income and expense for the year under review, in addition to €1 million due to the asset ceiling prescribed by IAS 19.58 (previous year: €-2 million).

The statement of recognized income and expense shows cumulative actuarial losses of €-275 million (previous year: €-308 million).

A total of €3 million was transferred to Bertelsmann Pension Trust e.V. by Bertelsmann AG under the terms of the contractual trust arrangement (CTA) (previous year: €122 million). The transfer for the fiscal year and an amount of €97 million last year represent Bertelsmann AG corporate tax credits from the split-rate imputation methods formerly applied. The Group's current income tax receivables decreased in parallel with lower pension provisions.

Net liability breaks down by geographic region as follows:

Breakdown of Net Pension Liability by Region

in € millions	12/31/2008	12/31/2007
Germany	1,084	1,147
U.S.	75	127
Other European countries	113	134
Other countries	4	8
Net liability recognized in the balance sheet	1,276	1,416

Expenses for defined contribution plans in the amount of €100 million were recognized in the year under review (previous year: €94 million). Personnel costs of €40 million (previous year: €35 million) were recorded, along with other financial expenses of €60 million (previous year: 59 million). These expenses break down as follows:

Expenses for Defined Benefit Plans

in € millions	2008	2007
Current service cost	50	61
Interest expenses	140	138
Expected return on plan assets	(80)	(79)
Amortization of past service cost	2	(14)
Effect of curtailments or settlements	(12)	(12)
Net periodic pension expenses	100	94

The actual return on plan assets in the year under review was €-147 (previous year: €22 million).

The portfolio structure of plan assets is composed as follows:

in € millions	12/31/2008	12/31/2007
Equity instruments	262	460
Debt instruments	542	636
Property	3	3
Cash and cash equivalents	65	48
Other	58	135
Fair value of plan assets	930	1.282

Employer contributions to plan assets are expected to amount to €22 million in the next fiscal year.

Change in Net Pension Liability

in € millions	2008	2007
Net liability at the beginning of the year	1,416	1,779
Pension expense	100	94
New actuarial (gains) and losses recognized directly in equity	11	(194)
Effects of asset ceiling (IAS 19.58) recognized directly in equity	(1)	2
Pension payments	(95)	(94)
Contributions to plan assets	(42)	(164)
Change of consolidation scope	(102)	20
Disposal due to IFRS 5	(5)	-
Currency translation differences	(11)	(23)
Other effects	5	(4)
Net liability at the end of the year	1,276	1,416

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

in € millions	2008	2007	2006	2005
Experience adjustments occurred				
(Gains)/losses on defined benefit obligation	(72)	(12)	(4)	6
Gains/(losses) on plan assets	(227)	(57)	9	31

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

in € millions	2008	2007	2006	2005	2004
Defined benefit obligation	2,206	2,695	2,995	3,053	2,539
Plan assets	930	1,282	1,217	969	452
Funded status	1,276	1,413	1,778	2,084	2,087

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 €52 million (previous year: €83 million).

These obligations have also been calculated using international standards as described above. Scaled annual

increases of 9.1 percent were assumed for health care costs (previous year 9 to 9.4 percent). 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	12/31/2008	12/31/2007
Effect of one percentage point increase on pension cost	–	–
Effect of one percentage point increase on defined benefit obligation	4	3
Effect of one percentage point decrease on pension cost	–	–
Effect of one percentage point decrease on defined benefit obligation	(3)	(3)

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 profit or loss.

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 two to 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. Outsourced assets totaled €3 million at December 31, 2008 (previous year: €2 million).

21 Other Provisions

in € millions	12/31/2007		Additions	Releases	Usage	Other effects	Change of consolidation scope	12/31/2008	
		of which > 1 year							of which > 1 year
Taxes	4	–	5	–	(2)	–	–	7	–
Restructuring	58	7	119	(4)	(46)	(1)	(33)	93	4
Litigation	78	4	57	(21)	(10)	(1)	(13)	90	22
Onerous contracts	94	33	66	(27)	(24)	–	(15)	94	33
Deferred remuneration	58	51	33	(1)	(37)	3	(1)	55	53
Personnel, miscellaneous	16	–	23	(3)	(9)	(1)	2	28	–
Guarantees and warranties	6	–	12	(1)	–	–	–	17	–
Sales and distribution	18	–	6	(4)	(3)	(6)	–	11	–
Other	247	37	87	(33)	(108)	(13)	(24)	156	27
	579	132	408	(94)	(239)	(19)	(84)	551	139

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 €93 million (previous year: €58 million) are recognized

for various restructuring programs within the Bertelsmann Group.

Provisions for litigation shown in the amount of €49 million concern RTL Group companies.

22 Profit Participation Capital

in € millions	12/31/2008	12/31/2007
Par 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. At the balance sheet date, nominal profit participation capital was comprised of €499 million in 2001 profit participation certificates and €17 million in 1992 profit participation certificates. The 2001 and 1992 profit participation certificates are listed for public trading.

23 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		12/31/2008	12/31/2007
	12/31/2008	12/31/2007	Remaining term in years			
			1-5	> 5		
Bonds	804	–	1,452	1,631	3,083	3,904
Promissory notes	–	50	100	497	597	–
Liabilities to banks	148	508	93	5	98	600
Lease liabilities	30	29	130	79	209	230
Other financial debt	29	38	21	9	30	54
	1,011	625	1,796	2,221	4,017	4,788

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 February 2008, Bertelsmann AG issued a six-year promissory note with a volume of €250 million. The offering

was so well received by the market that two further transactions were included within the next few days, increasing the total issue volume to €500 million. The promissory notes bear a 5.05 percent coupon and mature at the same time. The notes were bought as private placement by institutional investors. The offering proceeds were partially used to repay financing drawn in 2006. In September, Bertelsmann AG issued an additional €100 million, three-year promissory note as a private placement.

At the balance sheet date, the Group had bonds, private placements and promissory note loans outstanding with a nominal volume of €4,514 million (previous year: €3,990 million).

The differences in carrying amount versus nominal value in the table below are attributable to trans-

action costs and discounts. The carrying amount of the €650 million floating rate note takes into account the buybacks of Bertelsmann AG with a total amount of €46 million. These notes repurchased in the secondary market will be held to maturity and reducing reported carrying amount and fair value.

Bonds and Promissory Notes

in € millions	Due date	Effective interest rate in %	Carrying amount 12/31/2008	Carrying amount 12/31/2007	Fair value 12/31/2008	Fair value 12/31/2007
4.40 % Bertelsmann Capital Corporation N.V. (€ 50 million promissory note) 03/08	02/07/2008	4.56	–	50	–	50
3M-EURIBOR + 10 bp. Bertelsmann AG (€ 650 million floating rate note) 07/09	03/05/2009	n.a.	604	650	604	647
4.375 % Bertelsmann U.S. Finance LLC (€ 200 million bond) 99/09	05/12/2009	4.53	200	200	201	199
4.69 % Bertelsmann U.S. Finance LLC (US\$ 100 million U.S. private placement) 03/10	04/17/2010	4.83	72	68	72	69
4.625 % Bertelsmann U.S. Finance LLC (€ 750 million bond) 03/10	06/03/2010	4.70	738	731	752	742
5.65 % Bertelsmann AG (€ 100 million promissory note) 08/11	10/17/2011	5.79	100	–	99	–
4.375 % Bertelsmann AG (€ 500 million bond) 06/12	09/26/2012	4.47	499	498	475	480
5.23 % Bertelsmann U.S. Finance LLC (US\$ 200 million U.S. private placement) 03/13	04/17/2013	5.38	143	136	145	139
5.05 % Bertelsmann AG (€ 500 million promissory note) 08/14	02/25/2014	5.17	497	–	492	–
5.33 % Bertelsmann U.S. Finance LLC (US\$ 200 million U.S. private placement) 03/15	04/17/2015	5.46	143	135	145	138
3.625 % Bertelsmann AG (€ 500 million bond) 05/15	10/06/2015	3.74	497	496	409	439
4.75 % Bertelsmann AG (€ 1,000 million bond) 06/16	09/26/2016	4.89	991	990	847	936
			4,484	3,954	4,241	3,839

The documentation for the bond offering by Bertelsmann U.S. Finance LLC and Bertelsmann AG in 2005 is within the framework of a base documentation for debt issuance programs.

The bonds issued by Bertelsmann AG in 2006 and 2007, the U.S. 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).

A new debt issuance program was implemented in April 2008. The program base documentation permits Bertelsmann AG and Bertelsmann U.S. Finance LLC to issue a total €4 billion in debt securities. No debt securities were issued as part of the program in the past fiscal year.

Documented hedging relationships between bonds and interest rate swaps per IAS 39 were dissolved in the preceding years.

The last fair value measurement of the bonds was performed at the date on which the hedging relationships were

dissolved. The difference between the nominal volume and the last fair value will be amortized over the residual term of the respective instruments. Amortization resulted in carrying amount increasing by €8 million in the year under review (previous year: €3 million). Similarly, the transaction costs and any agreed discount will also be reversed to interest income over the remaining term and reduce the carrying amount of the bonds. The reduction in nominal volume due to transaction costs and discounts amounted to €18 million at year-end (previous year: €18 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, 2008, the listed bonds had a cumulative fair value of €3,288 million (previous year: €3,443 million), a nominal volume of €3,554 million (previous year: €3,600 million) and a carrying amount of €3,529 million (previous year: €3,565 million). The quoted prices applied in determining the fair values are shown in the table below.

Quoted Prices

in percent	12/31/2008	12/31/2007
3M-EURIBOR + 10 bp. Bertelsmann AG (€ 650 million floating rate note) 07/09	99.881	99.527
4.375 % Bertelsmann U.S. Finance LLC (€ 200 million bonds) 99/09	100.275	99.552
4.625 % Bertelsmann U.S. Finance LLC (€ 750 million bonds) 03/10	100.200	98.876
4.375 % Bertelsmann AG (€ 500 million bonds) 06/12	94.993	96.057
3.625 % Bertelsmann AG (€ 500 million bonds) 05/15	81.744	87.793
4.75 % Bertelsmann AG (€ 1,000 million bonds) 06/16	84.721	93.575

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	Carrying amount as of 12/31/2008			Carrying amount as of 12/31/2007		
	Fixed interest	Floating rate	Total	Fixed interest	Floating rate	Total
Bonds	3,185	702	3,887	3,157	747	3,904
Promissory notes	597	–	597	–	50	50
	3,782	702	4,484	3,157	797	3,954

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	Carrying amount	Undiscounted cash flow			Total
		up to 1 year	1 to 5 years	over 5 years	
Fixed interest bonds and promissory notes	3,880	200	1,566	2,144	3,910
Floating rate bonds and promissory notes	604	604	–	–	604
Liabilities to banks	246	148	93	5	246
Lease liabilities	239	30	130	79	239
Other financial debt	59	29	21	9	59
Trade accounts payable	2,865	2,794	52	19	2,865
Liabilities to participations	22	22	–	–	22
Derivative financial instruments with hedge relation	52	52	–	–	52
Derivative financial instruments without hedge relation	25	25	–	–	25
Social security liabilities	104	103	1	–	104
Sundry liabilities	978	821	129	28	978
Balance as of 12/31/2008	9,074	4,828	1,992	2,284	9,104
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 as of 12/31/2007	10,574	5,235	3,190	2,185	10,610

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	179	534	215	928
Floating rate bonds and promissory notes	6	–	–	6
Liabilities to banks	13	4	1	18
Lease liabilities	15	26	14	55
Other financial debt	4	6	1	11
Interest derivatives	1	(3)	1	(1)
Balance as of 12/31/2008	218	567	232	1,017
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 as of 12/31/2007	252	560	254	1,066

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 €1,670 million (previous year: €1,372 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 12/31/2008	Drawn down 12/31/2008	Available credit facility 12/31/2008	Available credit facility 12/31/2007
< 1 year	470	–	470	62
1 to 2 years	–	–	–	110
2 to 3 years	–	–	–	–
3 to 4 years	1,200	–	1,200	–
4 to 5 years	–	–	–	1,200
> 5 years	–	–	–	–
	1,670	–	1,670	1,372

Lease Liabilities

Finance leases exist for the following assets:

Leased Assets

in € millions	12/31/2008		12/31/2007	
	Acquisition costs	Net carrying amount	Acquisition costs	Net carrying amount
Land, rights equivalent to land and buildings	35	34	34	34
Office, factory and other buildings	299	192	299	201
Machinery and technical equipment	11	6	13	6
Other property, plant and equipment	9	3	9	4
	354	235	355	245

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 ac-

tivities 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	12/31/2008			12/31/2007		
	Nominal value of lease payments	Discount amounts	Present value	Nominal value of lease payments	Discount amounts	Present value
Up to 1 year	39	9	30	40	11	29
1 to 5 years	167	37	130	189	48	141
Over 5 years	99	20	79	113	24	89
	305	66	239	342	83	259

24 Liabilities

in € millions	12/31/2008	12/31/2007
Non-current		
Trade accounts payable	71	91
Other liabilities	754	691
Current		
Trade accounts payable	2,794	3,488
Liabilities to participations	22	28
Tax liabilities	131	259
Derivative financial instruments	77	78
Social security liabilities	104	104
Personnel-related liabilities	457	600
Received advance payments	41	41
Prepaid expenses	279	316
Sundry liabilities	943	1,158
Other liabilities	2,054	2,584

Other non-current liabilities totaled €754 million (previous year: €691 million). This includes liabilities from minority shareholder put options in the amount of €110 million (previous year: €189 million), minority interests in partnerships of €218 million (previous year: €213 million) and derivative financial instruments of €0 million (previous year: €5 million).

Prepaid expenses include performance-linked government grants of €2 million. An amount of €17 million was received in the year under review and recognized as

income. This funding primarily concerned financing film projects of RTL Group subsidiaries.

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 €146 million (previous year: €57 million).

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

25 Off-Balance Sheet Liabilities

Contingent Liabilities and Other Commitments

in € millions	12/31/2008	12/31/2007
Guarantees	90	109
Rental and lease commitments	1,301	1,456
Other commitments	3,211	3,526
	4,602	5,091

The guarantees are offset by recourse rights amounting to €9 million. It is considered unlikely that the guarantees listed will be used.

Other commitments in the amount of €2,722 million pertain to RTL Group (previous year: €2,893 million). These concern supply agreements for (co-)productions and programming, contracts for TV licenses and broadcasting rights, and other rights and services. Random House reported other obligations in the amount of €404 million (previous year: €368 million). These represent the portion of obligations to authors for which no payments have yet been made, where future payments are contingent upon other events (such as delivery and acceptance of manuscripts).

RTL Group has arrangements for a remaining period of nine years in relation to sale and lease back transactions for an amount of €78 million (previous year: €106 million).

Under these arrangements, program rights have been sold to a special purpose vehicle and simultaneously leased back the assets under a finance lease arrangement that does not meet the definition of a finance lease under IAS 17. The cash received is placed in a “restricted bank account” in order to satisfy the lease payments and is not considered as an asset in accordance with SIC 27. Income received was recognized in the income statement when entering into these arrangements.

The following payment obligations exist from all of the Group's long-term rental commitments classified as operating leases:

Minimum Payments under Operating Leases

in € millions	12/31/2008	12/31/2007
Nominal amount		
< 1 year	281	317
1 to 5 years	595	680
> 5 years	425	459
	1,301	1,456
Present value	1,086	1,174

These commitments largely concern long-term tenancy and technical broadcasting facility leases. A present value amounting to €19 million can be allotted to discontinued operations. They are partially offset by expected minimum

lease payments from subleases with a nominal value of €85 million. Present values are calculated on the basis of country-specific discount rates and indicate the net payment currently required to cover the respective commitments.

26 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 initially recog- nized 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	
Measurement						
Loans	104	–	–	–	–	–
Investments in affiliates	–	25	–	–	–	–
Investments available-for-sale	–	67	56	–	–	–
Non-current securities	–	4	31	470	–	–
Trade accounts receivable	2,690	–	–	–	–	–
Accounts receivable from royalties and licenses	1	–	–	–	–	–
Accounts receivable from participations	28	–	–	–	–	–
Short-term securities available-for-sale	–	–	9	–	–	–
Derivative financial instruments	–	–	–	–	68	106
Other receivables	458	–	–	–	–	–
Cash	1,169	–	–	–	–	–
Other securities < 3 months	404	8	2	–	–	–
	4,854	104	98	470	68	106

The 5.1 percent interest in Canal Plus 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 was reported as €363 million (previous year: €343 million). The remaining assets classified as financial assets at fair

value through profit or loss relate to the interest in M-RTL Hungary (€44 million; previous year: €38 million) and structured financial products (€60 million; previous year: €35 million) at RTL Group S.A.

Liabilities

in € millions	Category according to IAS 39		Derivatives with hedge relation	Leases IAS 17
	Financial liabilities at amortized cost	Financial liabilities held for trading		
	At amortized cost	Fair value recognized in profit or loss		
Measurement				
Profit participation capital	706	–	–	–
Bonds and promissory notes	4,484	–	–	–
Liabilities to banks	246	–	–	–
Lease liabilities	–	–	–	239
Other financial debt	59	–	–	–
Trade accounts payable	2,865	–	–	–
Liabilities to participations	22	–	–	–
Derivative financial instruments	–	25	52	–
Social security liabilities	104	–	–	–
Personnel-related liabilities	559	–	–	–
Sundry liabilities	978	–	–	–
	10,023	25	52	239

Total 12/31/2008	Category according to IAS 39						Derivatives with hedge relation	Total 12/31/2007
	Loans and receivables	Available-for-sale		Financial assets initially recognized at fair value through profit or loss	Financial assets held for trading			
		At amortized cost	At cost					
104	111	-	-	-	-	-	111	
25	-	27	-	-	-	-	27	
123	-	41	39	416	-	-	496	
505	-	20	26	-	-	-	46	
2,690	3,140	-	-	-	-	-	3,140	
1	3	-	-	-	-	-	3	
28	36	-	-	-	-	-	36	
9	2	2	5	-	-	-	9	
174	-	-	-	-	32	5	37	
458	565	-	-	-	-	-	565	
1,169	587	-	-	-	-	-	587	
414	520	19	5	-	-	-	544	
5,700	4,964	109	75	416	32	5	5,601	

Total 12/31/2008	Category according to IAS 39				Derivatives with hedge relation	Leases IAS 17	Total 12/31/2007
	Financial liabilities at amortized cost	Financial liabilities held for trading					
706	706	-	-	-	-	706	
4,484	3,954	-	-	-	-	3,954	
246	1,108	-	-	-	-	1,108	
239	-	-	-	-	259	259	
59	92	-	-	-	-	92	
2,865	3,579	-	-	-	-	3,579	
22	28	-	-	-	-	28	
77	-	28	-	55	-	83	
104	106	-	-	-	-	106	
559	689	-	-	-	-	689	
978	1,365	-	-	-	-	1,365	
10,339	11,627	28	-	55	259	11,969	

Net Result from Financial Instruments

	Loans and receivables	Available- for-sale at cost	Available- for-sale at fair value recognized in equity	Financial assets initially recognized 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 instru- ments held for trading	Other currency effects
in € millions									
Dividends	–	11	–	–	–	–	–	–	–
Impairment/Disposal	(125)	(39)	–	–	15	–	–	–	–
Fair value measurement	–	–	–	18	–	(9)	–	–	–
Currency translation differences	–	–	–	–	–	19	–	115	(140)
Interest	56	–	–	–	(279)	–	–	(1)	–
Disposal	–	8	–	–	–	–	–	–	–
Net income 2008	(69)	(20)	–	18	(264)	10	–	114	(140)
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)

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

Financial Instruments**Financial Risk Management**

Bertelsmann is exposed to various forms of financial risk as a result of conducting international business operations. These include in particular the effects of exchange and interest rate movements. Bertelsmann's risk management activities are designed to effectively mitigate these risks.

The Executive Board establishes basic risk management policy, outlining general procedures for hedging currency and interest rate risk and the utilization of derivative financial instruments.

A Corporate Treasury and Finance department advises subsidiaries on operating risk and hedges risks using derivative financial instruments as necessary. 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 Corporate Treasury and Finance 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.

Interest Rate Risk

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

Liquidity Risk

Liquidity risks may arise through a lack of roll-over financing (liquidity risk in a narrower sense), delayed receipt of payment and unforeseen expenditure (budgeting risk). Budgeting risk concerns deviations in actual spending versus budget and reserve amounts. In a narrower sense, liquidity risk depends on the volume of debt due within a given period.

Liquidity risk is managed and monitored on an ongoing basis with reference to the budget for current and future

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. Money market securities and other financial instruments are transacted exclusively with a defined group of banks with an excellent credit rating ("core banks"). Bertelsmann has expanded internal policy restrictions concerning the investment of cash and cash equivalents since outbreak of the financial crisis. Core banks are constantly monitored on the basis of quantitative

A number of subsidiaries are based outside the Eurozone. The management of the resulting translation risk is based on the relationship of economic debt to operating EBITDA for significant currency areas. The objective is to achieve a reasonable relationship between economic debt and operating results for each major currency area in the long term; Bertelsmann uses the upper limits for leverage defined for the Group as a performance indicator.

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.

years. Planned and unplanned transactions (e.g. acquisitions) are tracked accordingly. The maturity profile of financial assets and liabilities is also reconciled on a regular basis. Budget risks are managed through effective cash management and constant monitoring of projected versus actual cash flows. Debt maturities are also diversified to ensure that rising financing costs do not have a short-term impact. Credit lines are additionally maintained for unplanned expenditures.

and qualitative criteria (e.g. rating, CDS spreads, stock price, etc.) and rated as to credit strength. Counterparty limits determined on the basis of credit ratings reflect cash holdings and positive fair value; limit adherence is monitored daily. Funds are invested very short-term, in some cases to preserve flexibility in the event of credit rating changes. Default risks arising from trade accounts payable are partially mitigated through credit insurance coverage.

Capital Risk Management

The financing 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 controls its financial targets based on financial parameters; these are key to the company's maintaining its independence and latitude of action. They form part of corporate control as part of the planning and ongoing monitoring processes. The key performance indicator for limiting economic debt within the Group is the leverage factor. The interest coverage ratio

is to remain above 4. The equity ratio is not to fall below 25 percent of total assets. Control of these ratios is based on IFRS guidelines, thus including 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 31.0 percent (previous year: 28.2 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 objectives 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 Corporate Treasury and Finance department are only made with banks approved by the Executive Board. The nominal volume is the total of all underlying buying and selling amounts.

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 (26 percent). Exchange rate risks relating to intercompany financing are generally hedged by concluding foreign exchange contracts. The volume of these transactions in the year under review was €648 million (32 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 as of 12/31/2008				Nominal amounts as of 12/31/2007			
	< 1 year	1–5 years	> 5 years	Total	< 1 year	1–5 years	> 5 years	Total
Currency derivatives								
Forward contracts and currency swaps	1,247	231	38	1,516	1,755	183	3	1,941
Currency options	4	4	–	8	–	5	–	5
Interest rate derivatives								
Interest rate swaps	120	381	33	534	74	1,082	36	1,192
	1,371	616	71	2,058	1,829	1,270	39	3,138

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 meth-

ods 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	
	12/31/2008	12/31/2007	12/31/2008	12/31/2007
Currency derivatives				
Forward contracts and currency swaps	1,516	1,941	101	(49)
Currency options	8	5	1	–
Interest rate derivatives				
Interest rate swaps	534	1,192	(5)	3
	2,058	3,138	97	(46)

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 as of 12/31/2008	Carrying amount as of 12/31/2007
Assets		
Forward contracts and currency swaps		
Without hedge relation	67	31
In connection with cash flow hedges	106	–
Currency options		
Without hedge relation	1	–
Interest rate swaps		
Without hedge relation	–	1
In connection with cash flow hedges	–	5
Liabilities		
Forward contracts and currency swaps		
Without hedge relation	25	25
In connection with cash flow hedges	47	55
Interest rate swaps		
Without hedge relation	–	3
In connection with cash flow hedges	5	–

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 (within one year) and between 25 percent and 85 percent of the longer-term (two to five 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 hedg-

ing instruments is parked in OCI until the effects of the hedged items are recognized in profit or loss. The portion remaining in OCI at December 31, 2008 will thus impact the income statement in fiscal years 2009 through 2014. The ineffective portion of cash flow hedges amounted to €-9 million as at December 31, 2008 (previous year: €11 million).

The table below shows gains and losses on hedged items and the related hedging instruments in connection with fair value hedges.

in € millions	2008	2007
Result from hedging instruments	–	22
Result from hedged items	–	(23)
	–	(1)

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 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 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	12/31/2008		12/31/2007	
	Shift +1 %	Shift -1 %	Shift +1 %	Shift -1 %
Cash flow risks	6	(6)	(11)	11
Present value risks (income statement)	(1)	1	4	(4)
Present value risks (equity)	7	(7)	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 euro versus all foreign currencies. A uniform depreciation of all foreign currencies would have resulted in a change in the carrying amount recognized by the Group of €-1 million (previous year: €-13 million), with €3 million (previous year: €-9 mil-

lion) relating to fluctuations in the U.S. dollar exchange rate on the basis of a net exposure of US\$45 million (previous year: US\$132 million).

Shareholders' equity would have declined by €-70 million (previous year: €-64 million) as a result of fluctuations in the fair values of documented cash flow hedges. Of this figure, €-72 million (previous year: €-60 million) relates to fluctuations in the U.S. dollar exchange rate on the basis of a documented cash flow hedge volume of US\$1,001 million (previous year: US\$886 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 €501 million and amounted to €500 million at the balance sheet date (previous year: €494 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: €15 million).

27 Cash Flow Statement

The Bertelsmann Group's cash flow statement has been prepared in accordance with IAS 7 and intended to facilitate analysis of 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 payment for out-of-court settlements in the legal proceedings concerning the former music file-sharing platform Napster in the amount of €67 million and a payment of €48 million relating to share deals by RTL's advertising time marketing company IP Deutschland that were rejected by the antitrust authorities.

The operational management of the Bertelsmann Group utilizes operating EBIT among other indicators, which is before 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.

28 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. The secondary

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 represents the balance of personnel expenses for service costs 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. Items in the consolidated cash flow statement thus 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. See section "Acquisitions and Disposals" concerning acquisitions made during the year under review. Significant disposals during the period are also described in that section. Financial debt of €19 million was assumed as part of acquisitions.

Cash flow from financing activities tracks changes in shareholders' equity affecting cash, changes in financial debt and net interest paid or received.

reporting format is broken down by the main geographical markets in which the Bertelsmann Group operates.

Segment Information

Segment reporting, comprising five 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 various segment data is the same that used in 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.

Operating EBIT is a key performance indicator for the Bertelsmann Group. 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 these are non-recurring. 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, thus simplifying forecasting and comparability. Special items include restructuring costs, severance payments as well as other valuation allowances in addition to capital gains, losses and impairments. 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. These consist of property, plant and equipment, intangible assets including goodwill, and financial assets. Also included are 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. Pensions and similar obligations, tax liabilities, financial debt or other non-operating liabilities and provisions are thus not included.

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	2008	2007
Operating EBIT	1,568	1,717
Special Items	(676)	(409)
EBIT	892	1,308
Financial result	(427)	(458)
Income taxes	(52)	(50)
Earnings after taxes from continuing operations	413	800
Earnings after taxes from discontinued operations	(143)	(395)
Net income	270	405
	12/31/2008	12/31/2007 adjusted
Segment assets	16,513	17,052
Cash and cash equivalents	1,583	1,131
Deferred tax assets	1,105	908
Other assets (not allocated) ¹⁾	931	2,702
Total assets	20,132	21,793
Segment liabilities	5,455	5,509
Equity	6,231	6,141
Profit participation capital	706	706
Provisions for pensions and similar obligations	1,409	1,558
Financial debt	5,028	5,413
Deferred tax liabilities	156	188
Other liabilities (not allocated) ²⁾	1,147	2,278
Total liabilities	20,132	21,793

¹⁾ Including assets from discontinued operations

²⁾ Including liabilities from discontinued operations

29 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 (Continuing Operations)

in € millions	2008	2007
Operating EBIT	1,568	1,717
Amortization/Write-ups of intangible assets	192	190
Depreciation/Write-ups of property, plant and equipment	370	385
Operating EBITDA	2,130	2,292

30 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					
2008					
Revenues	–	–	94	68	6
Other operating income	1	–	8	–	–
Cost of materials	–	–	(16)	(5)	–
Personnel costs	(1)	(26)	–	–	–
Other operating expenses	–	–	(5)	(1)	–
Financial result	–	(1)	1	–	–
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)	–	–	–
Consolidated balance sheet					
2008					
Other financial assets	–	–	9	10	–
Accounts receivable	–	–	15	36	4
Provisions for pensions	–	9	–	–	5
Liabilities	–	–	5	26	–
2007					
Other financial assets	–	3	7	24	–
Accounts receivable	–	–	36	37	–
Provisions for pensions	–	12	–	–	5
Liabilities	–	–	9	29	1

Transactions with related parties primarily relate to the provision of goods and services and other financial assets. These were conducted on arm's length terms. The resulting income and expenses are of subordinate importance to the Group.

The remuneration of the members of the Supervisory Board for 2008 amounted to €1,297,000 plus value-added tax. The total remuneration of the Executive Board in the year under review was €21,990,275, of which €7,510,574

related to Bertelsmann AG. Former members of the Executive Board and their surviving dependents received remuneration (pensions and severance payments) of €26,096,606, including €5,008,825 from Bertelsmann AG.

The provision for pension obligations to former members of the Executive Board amounted to €43,447,556. The members of the Executive Board and Supervisory Board are listed on pages 142 ff.

31 Events after the Balance Sheet Date

Bertelsmann sold its direct-customer businesses in the Netherlands and Belgium to Dutch financial investor Clearwood effective January 1, 2009. The club business in the U.K. was sold to German financial investor Aurelius effective January 1, 2009. These transactions are reported under discontinued operations in this Annual Report.

On January 1, 2009, Bertelsmann sold Arvato Mobile, a company specializing in digital entertainment content, to Digital Media Investments Mondia Ltd. headquartered in Dubai. This sale was followed effective January 1, 2009 by

the sale of Empolis, another Arvato subsidiary and a provider of enterprise content and knowledge management solutions.

On January 6, 2009, Bernd Buchholz, Executive Board member of Gruner + Jahr AG, was appointed CEO of Gruner + Jahr by the Supervisory Board. He succeeds Bernd Kundrun, who resigned as CEO on the same date.

On January 12, 2009, Bertelsmann AG issued a €500 million international bond. The bond has a five-year maturity and a 7.875 percent coupon.

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32 Major Subsidiaries and Participations as of December 31, 2008

RTL Group

Television		
Gute Zeiten - Schlechte Zeiten Vermarktungsgesellschaft mbH, Cologne	Germany	90.16 v
IP Deutschland GmbH, Cologne	Germany	90.16 v
N-TV Nachrichtensehen GmbH, Berlin	Germany	90.16 v
RTL 2 Fernsehen GmbH & Co. KG, Munich	Germany	32.37 e
RTL Disney Fernsehen GmbH & Co. KG, Cologne	Germany	45.08 q
RTL Television GmbH, Cologne	Germany	90.16 v
Universum Film GmbH, Munich	Germany	90.16 v
VOX Television GmbH, Cologne	Germany	89.88 v
Antena 3 de Televisión S.A., Madrid	Spain	19.14 e
Broadcasting Center Europe S.A., Luxembourg	Luxembourg	90.16 v
Channel 5 Television Group Limited, London	U.K.	90.16 v
CLT-UFA S.A., Luxembourg	Luxembourg	90.16 v
IP France S.A., Paris	France	90.16 v
IP Luxembourg S.A.R.L., Luxembourg	Luxembourg	90.16 v
M6 Editions S.A., Neuilly sur Seine	France	43.88 v
M6 Films S.A., Neuilly sur Seine	France	43.88 v
Magyar RTL Televízió Rt., Budapest	Hungary	44.18 e
Métropole Télévision S.A., Neuilly sur Seine	France	43.88 v
OOO Media Holding REN TV, Moscow	Russia	27.13 e
Paris Première S.A., Paris	France	43.88 v
RTL 9 S.A., Luxembourg	Luxembourg	31.55 e
RTL Hrvatska d.o.o. za usluge, Zagreb	Croatia	66.71 v
RTL Nederland B.V., Hilversum	Netherlands	66.43 v
Société Immobilière Bayard D'Antin S.A., Paris	France	90.16 v
Studio 89 Production S.A.S., Neuilly sur Seine	France	43.88 v
Télévision Indépendante (TVI) S.A., Brussels	Belgium	59.50 v
Content		
CLT Multi Media GmbH, Cologne	Germany	90.16 v
Grundy Light Entertainment GmbH, Hürth	Germany	90.44 v
Grundy-UFA TV-Produktions GmbH, Berlin	Germany	90.16 v
Teamworx Television & Film GmbH, Berlin	Germany	90.16 v
Treibtsch Produktion Holding GmbH, Hamburg	Germany	90.16 v
UFA Entertainment GmbH, Berlin	Germany	90.16 v
UFA Fernsehproduktion GmbH, Berlin	Germany	90.16 v
UFA Film- und Fernseh GmbH, Cologne	Germany	90.16 v
Be Happy Productions S.A.S., Neuilly sur Seine	France	90.44 v
Belga Films S.A., Brussels	Belgium	59.50 v
Blu A/S, Copenhagen	Denmark	67.83 v
Blue Circle B.V., Hilversum	Netherlands	90.44 v
Fremantle Media Australia Holdings Pty Ltd., St. Leonards	Australia	90.44 v
Fremantle Media Group Ltd., London	U.K.	90.44 v
Fremantle Media North America, Inc., Wilmington	U.S.	90.44 v
Fremantle Productions Asia Ltd., Hongkong	China	90.44 v
Talkback Productions Ltd., London	U.K.	90.44 v
Radio		
Antenne Mecklenburg-Vorpommern GmbH & Co. KG, Plate	Germany	22.93 e
AVE Gesellschaft für Hörfunkbeteiligungen mbH, Berlin	Germany	90.16 v
BCS Broadcasting Sachsen GmbH & Co. KG, Dresden	Germany	34.43 e
Hit-Radio RTL Sachsen GmbH, Dresden	Germany	62.61 v
Neue Spreeradio Hörfunkgesellschaft mbH, Berlin	Germany	90.16 v
RTL Radio Deutschland GmbH, Berlin	Germany	90.16 v
Ediradio S.A., Paris	France	90.16 v
New Contact S.A., Brussels	Belgium	45.08 p
Radio 538 B.V., Hilversum	Netherlands	66.43 v
Diversification		
Clipfish GmbH & Co. KG, Cologne	Germany	90.16 v
RTL Games GmbH, Cologne	Germany	90.16 v
RTL Interactive GmbH, Cologne	Germany	90.16 v
UFA Sport GmbH, Cologne	Germany	90.16 v
M6 Web S.A.S., Neuilly sur Seine	France	43.88 v
Mistergooddeal S.A., Ivry sur Seine	France	43.88 v
Pages Jaunes Petites Annonces S.A., Nanterre	France	14.92 e
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
Prestel Verlag GmbH & Co. KG, Munich	Germany	100.00 v
Verlagsgruppe Random House GmbH, Gütersloh	Germany	100.00 v

Random House U.K., Australia, New Zealand, South Africa		
Mainstream Publishing Company (Edinburgh) Limited, Edinburgh	U.K.	50.00 q
Random House New Zealand Limited, Glenfield	New Zealand	100.00 v
Random House Publishers India Private Limited, New Delhi	India	100.00 v
Random House Struik (Pty) Limited, Rosebank	South Africa	49.95 e
RHA Holdings Pty. Ltd., Melbourne	Australia	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 Uruguay, 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	59.75 q
Random House Films		
Random House Films LLC, Wilmington	U.S.	100.00 v
Gruner + Jahr		
G+J Germany		
Berliner Presse Vertrieb GmbH & Co. KG, Berlin	Germany	67.78 v
Börse Online Verlag GmbH & Co. KG, Munich	Germany	74.90 v
Chefkoch.de Marken & Dienste GmbH & Co. KG, Bad Neuenahr-Ahrweiler	Germany	37.60 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
Entertainment Media Verlag GmbH & Co. KG, Munich	Germany	74.90 v
Exclusive & Living Digital GmbH, Hamburg	Germany	74.90 v
Financial Times Deutschland GmbH & Co. KG, Hamburg	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 q
G+J/RBA GmbH & Co. KG, Hamburg	Germany	37.45 v
Gruner + Jahr AG & Co. KG, Hamburg	Germany	74.90 v
Hamburger Journalistenschule Gruner + Jahr - Die Zeit GmbH, Hamburg	Germany	71.16 v
In Verlag GmbH & Co. KG, Baden-Baden	Germany	37.52 v
Ligatus GmbH, Cologne	Germany	74.90 v
Life & Health Verlagsgesellschaft mbH, Hamburg	Germany	74.90 v
Motor Presse Stuttgart GmbH & Co. KG, Stuttgart	Germany	44.87 v
Neon Magazin GmbH, Hamburg	Germany	74.90 v
Norddeutsche Verlagsgesellschaft mbH, 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	22.43 q
Scholten Verlag GmbH, Stuttgart	Germany	44.87 v
Stern.de GmbH, Hamburg	Germany	74.90 v
View Magazin GmbH, Hamburg	Germany	74.90 v
W.E. Saarbach GmbH, Hürth	Germany	74.90 v
Xx-well.com AG, Berlin	Germany	56.18 v
G+J France		
Netco Travel S.A.S., Paris	France	74.90 v
Motor Presse France, S.A.S., Issy-les-Moulineaux	France	44.87 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	44.87 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., Belgrad	Serbia	28.09 q
Adria Media Zagreb d.o.o., Zagreb	Croatia	28.09 q
Beijing Boda New Continent Advertising Company Limited, Beijing	China	35.95 v
Editorial Gyj Televisa S.A. de C.V., Santa Fe	Mexico	37.45 q
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 Publishing C.V., Diemen	Netherlands	74.90 v

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G+J RBA Sp. z o.o. & Co. Spolka Komandytowa, Warsaw	Poland	74.90	v
G+J Uitgevers C.V., Diemen	Netherlands	74.90	v
Gruner + Jahr (Beijing) Advertising Co., Ltd., 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	74.95	v
GyJ España Ediciones S.L.S. en C., Madrid	Spain	74.90	v
GyJ Publicaciones Internacionales S.L. y Cia. S. en C., Madrid	Spain	37.45	v
GyJ Revistas y Comunicaciones S.L., Madrid	Spain	74.90	v
Media Star-MPC Advertising Co. Ltd., Beijing	China	26.92	q
Motorpress Argentina S.A., Buenos Aires	Argentina	44.64	v
Motorpress Brasil Editora Ltda., São Paulo	Brazil	27.25	v
Motor-Presse Budapest Lapkiadó Kft., Budapest	Hungary	44.87	v
Motor-Presse Polska Sp. z o.o., Wroclaw	Poland	44.87	v
Motorpress-Iberica, S.A., Madrid	Spain	44.87	v
Motorpress Lisboa S.A., Cruz Quebrada	Portugal	33.65	v
MPC (Beijing) Co. Ltd., Beijing	China	26.92	q
OOO Gruner + Jahr Magazines, Moscow	Russia	74.90	v
Pixelate Ventures spolka z o.o., Warsaw	Poland	52.43	v
Shanghai G+J Consulting and Service Co. Ltd., Shanghai	China	74.90	v
Verlagsgruppe News Gesellschaft m.b.H., Vienna	Austria	41.96	v
Newspapers			
Döbelner Verlagsgesellschaft GmbH & Co. KG, Döbeln	Germany	44.94	v
Dresdner Verlagshaus Druck GmbH, Dresden	Germany	44.94	v
Dresdner Magazin Verlag GmbH, Dresden	Germany	44.94	v
Media Logistik GmbH, Dresden	Germany	22.92	v
Morgenpost Sachsen GmbH, Dresden	Germany	44.94	v
MVD Medien Vertrieb Dresden GmbH, Dresden	Germany	44.94	v
Sachsen Post GmbH, Dresden	Germany	22.92	v
Saxo-Phon GmbH, Dresden	Germany	44.94	v
WVD Mediengruppe GmbH, Chemnitz	Germany	44.94	v
Printing			
Prinovis Ltd. & Co. KG, Hamburg	Germany	28.05	v
Gruner + Jahr Printing and Publishing Company - Division Printing, 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
Arvato			
Printing			
Deutscher Supplement Verlag GmbH, Nuremberg	Germany	100.00	v
Fernwärme Gütersloh GmbH, Gütersloh	Germany	51.00	v
GGP Media GmbH, Pölsneck	Germany	100.00	v
MBS Nürnberg GmbH, Nuremberg	Germany	65.50	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 Ltd. & Co. KG, Hamburg	Germany	37.45	v
Probind Mohn Media 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
Cobrhi, S.L., Ajalvir (Madrid)	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 Jaroslavskij Poligraficheskij Kombinat, Yaroslavl	Russia	100.00	v
Offset Paperback MFRS, Inc., Dallas	U.S.	100.00	v
OOO Distribuzionny zentr Bertelsmann, Yaroslavl	Russia	100.00	v
Prinovis Liverpool Limited, London	U.K.	37.45	v
Printer Colombiana, S.A., Santa Fé de Bogotá	Colombia	50.00	v
Printer Industria Gráfica Newco, S.L., Sant Vicenc dels Horts (Barcelona)	Spain	100.00	v
Printer Portuguesa-Indústria Gráfica, Limitada, Rio de Mouro	Portugal	100.00	v
Rotedic, S.A., Tres Cantos (Madrid)	Spain	100.00	v
Services			
1 18 18 Auskunft GmbH, Dortmund	Germany	100.00	v
Abacus Germany GmbH & Co. KG, Gütersloh	Germany	63.00	v
ABIS GmbH, Frankfurt	Germany	21.61	q

Adportum Media GmbH, Baden-Baden	Germany	63.00	v
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 Eiwweiler GmbH, Heusweiler-Eiweiler	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 Potsdam GmbH, Potsdam	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 Online Services GmbH, Munich	Germany	100.00	v
Arvato Services Chemnitz GmbH, Chemnitz	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
Arvato Services Stralsund GmbH, Stralsund	Germany	100.00	v
Arvato Services Technical Information GmbH, Harsewinkel	Germany	100.00	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
Cross Marketing Arvato Services GmbH, Munich	Germany	100.00	v
Deutsche Post Adress GmbH & Co. KG, Bonn	Germany	30.87	q
Deutschlandcard GmbH, Munich	Germany	100.00	v
Informa Unternehmensberatung GmbH, Baden-Baden	Germany	63.00	v
Informa Solutions GmbH, Baden-Baden	Germany	63.00	v
Infoscore Business Data Gesellschaft für Inkassodienstleistungen mbH, 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
Media Log Spedition GmbH, Gütersloh	Germany	100.00	v
Nayoki Interactive Advertising GmbH, Munich	Germany	32.13	v
Nürnberg Inkasso GmbH, Nuremberg	Germany	63.00	v
Rewards Arvato Services GmbH, Munich	Germany	100.00	v
Thomas Abeking Verlag für technische Dokumentation GmbH, Grefrath	Germany	100.00	v
Verlegerdienst Munich GmbH, Gilching	Germany	100.00	v
ABDSF - Arvato Business Development Services France S.A.R.L., Noyelles Sous Lens	France	100.00	v
ACSF - Arvato Communication Services France S.A.R.L., Metz	France	100.00	v
ALSF - Arvato Logistique Services France S.A.R.L., Atton	France	100.00	v
AQUITEL S.A.S., Chasseneuil du Poitou	France	100.00	v
Arvato Entertainment Services Milton Keynes Limited, Milton Keynes	U.K.	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 Government Services Sefton Ltd., Sefton	U.K.	80.10	v
Arvato Logistics Services China Limited, Shenzhen	China	51.00	v
Arvato Loyalty Services Ltd., London	U.K.	100.00	v
Arvato SCM Limited, Milton Keynes	U.K.	100.00	v
Arvato Services AG, Pratteln	Switzerland	100.00	v
Arvato Services Australia Pacific Pty. Ltd., Castle Hill (Sydney)	Australia	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 k.s., Prague	Czech Republic	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 Spain, S.A., Alcorcón (Madrid)	Spain	100.00	v
Arvato Services Sweden AB, Malmö	Sweden	100.00	v

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Arvato Telekomünikasyon Hizmetleri Anonim Sirketi, Istanbul	Turkey	100.00	v
Arvato Teleservice ApS, Esbjerg	Denmark	100.00	v
Arvato Teleservice GmbH, Baar	Switzerland	100.00	v
Arvato Teleservice Société Anonyme Telecommunications Services & Equipment, Athens	Greece	100.00	v
Arvato-AZ Direct GmbH, Vienna	Austria	63.00	v
ASF - Arvato Services France S.A.R.L., 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 S.A.R.L., Le Havre	France	100.00	v
Creditexpress Magyarorszag Penzügyi Szolgaltato Kft., Budapest	Hungary	32.13	q
Data Mailing S.A.S., Geispolsheim	France	100.00	v
DM Michelotti AG, Risch	Switzerland	63.00	v
Document Channel S.A.S., Paris	France	60.00	v
Duacom S.A.R.L., Douai	France	100.00	v
Euroouting Data Marketing et Logistique Services S.A.S., Geispolsheim	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., Marçq-en-Baoreul	France	100.00	v
Phone Assistance, S.A., Casablanca	Morocco	60.00	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	60.00	v
Qualytel Andaluçia S.A.U., Sevilla	Spain	100.00	v
Qualytel Latinoamerica S.A., Buenos Aires	Argentina	100.00	v
Qualytel Teleservice, S.A., Madrid	Spain	100.00	v
Shanghai Kaichang Information Technology Co., Ltd., Shanghai	China	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 Telefon Onarim ve Ticaret Limited Sirketi, Istanbul	Turkey	100.00	v
Tria Global Services, S.L., 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., São Paulo	Brazil	100.00	v
Digital Services			
Arvato Digital Services 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 (Shanghai) Co., Ltd., Shanghai	China	100.00	v
Arvato Digital Services (Xiamen) Co., Ltd., Xiamen	China	100.00	v
Arvato Digital Services Canada, Inc., Kitchener	Canada	100.00	v
Arvato Digital Services Limited, Hongkong	China	100.00	v
Arvato Digital Services LLC, Delaware	U.S.	100.00	v
Arvato Digital Services Pte. Ltd., Singapore	Singapore	100.00	v
Arvato Digital Services Pty Ltd., New South Wales	Australia	100.00	v
Arvato Digital Technology (Shenzhen) Co. Ltd, Shenzhen	China	100.00	v
Arvato do Brasil Indústria e Servicos Gráficos, Logística e Distribuidora Ltda., São Paulo	Brazil	100.00	v
Arvato Logistics (Shenzhen) Co., Ltd., Shenzhen	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.U., Coslada (Madrid)	Spain	100.00	v
Sonopress Ireland Limited, Dublin	Ireland	100.00	v
Sonopress Italia S.r.l., Milan	Italy	100.00	v
Arvato Digital Services (Proprietary) Limited, Kya Sands, Randsburg	South Africa	100.00	v
Sonopress-Rimo Indústria e Comércio Fonográfica S.A., São 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
S 4 M Solutions for Media GmbH, Cologne	Germany	98.07	v
Arvato Mobile S.p.A., Rome	Italy	100.00	v
Arvato Mobile Soluções para Telefonía Móvel, Ltda., São 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

Others			
Inmediaone GmbH, Gütersloh	Germany	100.00	v
Wissenmedia GmbH, Gütersloh	Germany	100.00	v
Alldirekt Telemarketing GmbH, Salzburg	Austria	100.00	v
Faksimile Verlag AG, Zug	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
Bertelsmann Medien (Switzerland) 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, S.A., Barcelona	Spain	100.00	v
Circulo de Leitores, S.A., Lisbon	Portugal	100.00	v
Distribuidora de Livros Bertrand Lda., Lisbon	Portugal	100.00	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
ECI Direct Sales 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	100.00	v
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
Loglibris S.A.S., Paris	France	49.00	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 Moscow AO, Moscow	Russia	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
Świat Książki Sp. z o.o., Warsaw	Poland	100.00	v

English-speaking countries

Book Club Associates, London	Großbritannien	100.00	v
Doubleday Australia Pty. Ltd., Lane Cove (Sydney)	Australia	100.00	v
Doubleday Canada Ltd., Toronto	Canada	100.00	v

Others

Buch.de Internetstores Aktiengesellschaft, Münster	Germany	26.70	e
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As of December 31, 2008
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

33 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 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, 2008:

Abacus Deutschland Verwaltungs GmbH	Gütersloh
Adler Immobilienverwaltungs GmbH	Gütersloh
Arvato AG	Gütersloh
Arvato Digital Services GmbH	Gütersloh
Arvato Direct Services Brandenburg GmbH	Brandenburg, Potsdam
Arvato Direct Services Cottbus GmbH	Cottbus
Arvato Direct Services Dortmund GmbH	Dortmund
Arvato Direct Services Eifelweiler GmbH	Heusweiler-Eifelweiler
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 Potsdam GmbH	Potsdam
Arvato Direct Services Rostock GmbH	Rostock
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 Infoscore GmbH	Baden-Baden
Arvato Logistics Services GmbH	Gütersloh
Arvato Media GmbH	Gütersloh
Arvato Mobile Beteiligungs GmbH	Gütersloh
Arvato Mobile GmbH	Hamburg
Arvato Online Services GmbH	Munich
Arvato Services Chemnitz GmbH	Chemnitz
Arvato Services Erfurt GmbH	Erfurt
Arvato Services Freiburg GmbH	Freiburg
Arvato Services Göppingen GmbH	Göppingen
Arvato Services Munich GmbH	Munich
Arvato Services Neubrandenburg GmbH	Neubrandenburg
Arvato Services Potsdam GmbH	Potsdam
Arvato Services Rostock GmbH	Rostock
Arvato Services Schwerin GmbH	Schwerin
Arvato Services Solutions GmbH	Gütersloh
Arvato Services Stralsund GmbH	Stralsund
Arvato Systems GmbH	Gütersloh
Arvato Systems GmbH Infrastructure Consulting	Dortmund
Arvato Systems Mittelstand GmbH	Gütersloh
Arvato Systems Technologies GmbH	Rostock
AZ Direct Beteiligungs GmbH	Gütersloh
AZ Direct GmbH	Gütersloh
BC Bonusclub GmbH	Berlin
Bertelsmann Capital Holding GmbH	Gütersloh
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
BMG Rights Management GmbH	Berlin
Deutscher Supplement Verlag GmbH	Nuremberg
Deutschlandcard GmbH	Munich
Direct Group Bertelsmann GmbH	Gütersloh
Direct Sourcing Germany GmbH	Gütersloh
Easy Room GmbH	Gütersloh
FI Freizeitinvest GmbH	Nordhorn
Gerth Medien GmbH	Aßlar
GGP Media GmbH	Pößneck
Global Assekuranz Vermittlungsgesellschaft mit beschränkter Haftung	Gütersloh

Hotel & Gastronomie Gütersloh GmbH	Gütersloh
Informa Solutions GmbH	Verl
Informa Unternehmensberatung GmbH	Baden-Baden
Infoscore Business Data Gesellschaft für Inkassodienstleistungen mbH	Baden-Baden
Infoscore Business Support GmbH	Baden-Baden
Infoscore Consumer Data GmbH	Baden-Baden
Infoscore Financial Services GmbH	Baden-Baden
Infoscore Forderungsmanagement GmbH	Baden-Baden
Infoscore Infodata Beteiligungs GmbH	Baden-Baden
Inmediaone GmbH	Gütersloh
Maul + Co - Chr. Belser GmbH	Nuremberg
Media Log Spedition GmbH	Gütersloh
Medien Dr. phil. Egon Müller Service GmbH	Verl
Medienfabrik Gütersloh 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
Nuremberger Inkasso GmbH	Nuremberg
Print Service Gütersloh GmbH	Gütersloh
Probind Mohn Media Binding GmbH	Gütersloh
PSC Print Service Center GmbH	Oppurg
Reinhard Mohn GmbH	Gütersloh
Rewards Arvato Services GmbH	Munich
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
Scoyo GmbH	Hamburg
TV Information Services GmbH	Nuremberg
Verlag RM GmbH	Gütersloh
Verlagsgruppe Random House GmbH	Gütersloh, Munich
Verlagsgruppe Random House GmbH - Random House Audio	Cologne
Verlegerdienst Munich GmbH	Gilching
Viasol Reisen GmbH	Berlin
Vogel Druck und Medienservice GmbH	Höchberg
Wahl Media GmbH	Munich
Wissenmedia GmbH	Gütersloh
1 18 18 Auskunft GmbH	Dortmund

The exemption provisions set out in section 264 b HGB were again used for the following companies for the year ended December 31, 2008:

Abacus Deutschland GmbH & Co. KG	Gütersloh
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
Chefkoch.de Marken & Dienste GmbH & Co. KG	Bad Neuenahr
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
Financial Times Deutschland GmbH & Co. KG	Hamburg
G+J Deutschland Medien- und Vertriebsbeteiligung GmbH & Co. KG	Hamburg
G+J Immobilien GmbH & Co. KG	Hamburg
Gruner + Jahr AG & Co KG	Hamburg
In Verlag GmbH & Co. KG	Baden-Baden
IP Internationale Presse - MD & M Pressevertrieb GmbH & Co. KG	Mörfelden-Walldorf
Kurier Direktservice Dresden GmbH & Co. KG	Dresden
Motor Presse International GmbH & Co. KG	Stuttgart
Motor Presse Stuttgart GmbH & Co. KG	Stuttgart
Prestel Verlag GmbH & Co. KG	Munich
Prinavis Ltd. & Co. KG	Hamburg
SI Special Interest - MD & M Pressevertrieb GmbH & Co. KG	Mörfelden-Walldorf

34 Recommendation on Appropriation of Retained Earnings

On May 6, 2009, a total of €76 million will be distributed to the profit participation certificates from Bertelsmann AG's retained earnings of €1,265 million, in accordance with the

articles of association. The Executive Board will recommend to the Annual General Meeting that the remaining retained earnings of €1,189 million be appropriated as follows:

	in € millions
Remaining retained earnings	1,189
Dividends to shareholders	(120)
Carryforward to new year	1,069

Accordingly, the dividend per ordinary share is €1,433. The Bertelsmann AG's Executive Board approved the consolidated financial statements for submission to the Supervisory

Board on March 10, 2009. The Supervisory Board is responsible for reviewing the consolidated financial statements and stating whether it approves the consolidated financial statements.

Gütersloh, March 10, 2009

Bertelsmann AG
The Executive Board

Ostrowski Buch

Dohle Dr. Rabe Zeiler

Corporate Governance at Bertelsmann

The recognized standards set forth by the German Corporate Governance Code in the version dated June 6, 2008 form the basis for Bertelsmann AG's guidelines on good corporate governance. Striving to achieve modern, responsible corporate governance is part of Bertelsmann's identity and an important element of its corporate culture.

Corporate management: transparent structures and clear decision-making processes

The Bertelsmann AG Executive Board is responsible for independently managing the company. It informs the Supervisory Board regularly, without delay and comprehensively of all matters that are significant to the company's planning, business development, financial and earnings position, risk situation and risk management. The Supervisory Board monitors the Executive Board and advises it on strategic matters and significant business operations. The Executive and Supervisory Boards work in close cooperation and are therefore able to reconcile the demands of effective corporate governance with the need for rapid decision-making. Fundamental matters of corporate strategy and its implementation are discussed openly and coordinated in joint sessions. Any significant measures to be taken by the Executive Board are subject to the approval of the Supervisory Board. The shareholders exercise their rights and vote at the Annual General Meeting. The Annual General Meeting votes on amendments to the articles of association and the appropriation of net income, for example, 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 obliged to serve the company's best interests in their work.

For some time, an integral component of the Supervisory Board's work at Bertelsmann has been the delegation of tasks to committees of experts. This serves to increase the monitoring efficiency and advisory expertise of the Supervisory Board. In addition to the Personnel Committee, the Bertelsmann AG Supervisory Board has formed a Strategy and Investment Committee, an Audit and Finance Committee and a Working Group of Employee Representatives on the Supervisory Board. The Personnel Committee also performs the tasks of a Nomination Committee, in which capacity it recommends suitable candidates to the Supervisory Board for its proposed resolutions to the Annual General Meeting. The committees prepare the topics to be addressed during the Supervisory Board's plenary meetings. The chairs of the committees then report to the plenary meetings on the work performed. The Supervisory Board's decision-making powers have also been transferred to the committees to the extent permitted by law. The breadth and range of responsibilities and tasks delegated to these committees is continuously reviewed through various evaluation processes. The appropriate size of Bertelsmann's Supervisory Board and the professional expertise of its members are key factors in its effectiveness and independence.

76.9 percent of the shares of Bertelsmann AG are held indirectly by the Bertelsmann Stiftung foundation, with

the remaining 23.1 percent held indirectly by the Mohn family. All of the voting rights at the General Meeting of Bertelsmann AG are controlled by Bertelsmann Verwaltungsgesellschaft (BVG). BVG is responsible for upholding the interests of the Bertelsmann Stiftung foundation and the Mohn family as Bertelsmann AG shareholders and ensuring the continuity of the company's management and Bertelsmann's distinctive corporate culture. The BVG is managed by a steering committee composed of three members of the Mohn family and three members not related to the Mohn family.

Compliance

Social responsibility and correct conduct towards employees, customers, business partners and public authorities are key elements of Bertelsmann's value system. Accordingly, Bertelsmann has always been fully committed to the principle of adhering to statutory provisions and internal regulations on the prevention of legal risks and their consequences. Bertelsmann's compliance structure and organization has been continuously developed and expanded over time, including during the year under review. The Supervisory Board was kept informed about this development by the Executive Board on an ongoing basis. In fiscal year 2008, Bertelsmann launched a Group-wide body of regulations to be observed by all employees – the Bertelsmann Code of Conduct – in order to ensure legal and responsible conduct throughout the company. This included the introduction of a whistleblower system that allows Bertelsmann employees or other parties to seek advice or provide information on material breaches of the

Code of Conduct. Further information on the Bertelsmann Code of Conduct can be found on page 20.

Bertelsmann AG is an unlisted company. Nonetheless, Bertelsmann AG's corporate governance activities closely follow the recommendations of the German Corporate Governance Code in the version published on June 6, 2008, which are primarily aimed at listed companies. Exceptions primarily relate to those guidelines which, in the opinion of Bertelsmann AG, apply to publicly held enterprises with large numbers of shareholders or anonymous shareholders. The individual compensation and incentives paid to the members of the Bertelsmann AG Executive Board and Supervisory Board are not made public but are disclosed to the shareholders of Bertelsmann AG. Accordingly, no remuneration report is prepared. The directors' and officers' liability insurance (D&O) does not provide for a 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

Advising and Monitoring the Executive Board

In fiscal year 2008, the Supervisory Board diligently fulfilled the duties incumbent upon it by law and under the articles of association and bylaws. Its members regularly advised and monitored the Executive Board in its management of the company. The Supervisory Board was directly involved at an early stage in all important company decisions and transactions, and discussed and reviewed these at length on the basis of reports from the Executive Board. The Executive Board properly disclosed to the Supervisory Board all transactions requiring Supervisory Board approval pursuant to applicable law, the Bertelsmann AG articles of association or the bylaws. The Supervisory Board voted on the approval of these actions following thorough review and consultation.

The Supervisory Board was kept regularly informed by the Executive Board through timely and comprehensive written and verbal reporting. Reporting concerned, but was not

limited to, the position and operating results of the company, especially the current business situation, material business transactions such as planned investments and divestitures, the staffing situation and fundamental corporate planning and strategy issues. Instances where business performance deviated from official projections and targets were discussed in detail with the Supervisory Board, which reviewed these matters on the basis of documentation submitted. The Supervisory Board obtained regular information concerning financial debt levels and scheduled debt repayment. The risk situation and risk management were also a focus. The Supervisory Board reviewed the effectiveness of the Group-wide risk management system, hearing regular reports from the Executive Board.

The Supervisory Board discussed and coordinated the strategic growth strategy of the company and significant business transactions with the Executive Board. The Supervisory Board monitored and carefully followed corporate governance developments at Bertelsmann on an ongoing basis. The further evolution of the compliance structure at the Bertelsmann Group was a key issue for the Supervisory Board in this regard. The Supervisory Board was kept informed by the Executive Board on these developments and provided its own input as necessary.

Supervisory Board Committees

The Supervisory Board has established three committees in the interest of conducting its work efficiently. With the exception of the Audit and Finance Committee, the Supervisory Board Chairman chairs all the committees. These committees prepare the topics to be addressed during the Supervisory Board's plenary meetings. The committee chairs report on committee activities to the Supervisory Board in the plenary meetings. The committees were empowered with Supervisory Board decision-making authority as 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 to the Supervisory Board's practical work.

The Personnel Committee is comprised of three other Supervisory Board members in addition to the Supervisory Board Chairman, who chairs the committee. In accordance with its mandate, the Personnel Committee supported the

Supervisory Board in reviewing important personnel-related decisions, management continuity issues and fundamental issues concerning management hierarchies and human resources. The Personnel Committee passed resolutions on behalf of the Supervisory Board concerning Executive Board member employment contract provisions. The Personnel Committee also has taken on the task of a Nomination Committee, in which capacity it recommends to the Supervisory Board suitable candidates for endorsement at the Annual General Meeting.

The Audit and Finance Committee is composed of five members currently; the Supervisory Board Chairman is not a member of this committee. The Supervisory Board Vice Chairman chairs this committee. In particular, and in accordance with its mandate, the Audit and Finance Committee discussed issues of corporate financing/financial planning, accounting, risk management and auditor independence. The Audit and Finance Committee is additionally responsible for hiring an auditor and, in this connection, for establishing the focuses of the audit as well. The Audit and Finance Committee discussed initial findings from the audit of the annual financial statements in a teleconference. The 2008 Interim Report was discussed with the committee prior to publishing. The committee is also responsible for issues of compliance and compliance structures, which it principally focused on during the year under review.

The Strategy and Investment Committee is composed of seven members at this time. The Supervisory Board Chairman chairs this committee. The committee supported the Supervisory Board in its strategic dialogue with the Executive Board, addressing in particular issues of strategic business planning and the evaluation of the planned investments and divestitures. Salient matters during the year under review included the divestiture of Direct Group companies and of the Sony BMG interest as well as the acquisition of an interest in the Greek TV broadcaster Alpha Media Group, of Spanish call center operator Qualytel and of programming rights for RTL Group TV channels. Additionally, the Strategy and Investment Committee regularly investigated growth initiatives pursued by the various divisions.

In its plenary meetings the Supervisory Board regularly heard reports from the Executive Board on the current business and financial position of the Group and of individual divisions. The Supervisory Board also voted to approve the divestiture of Direct Group North America, the divestiture of the interest in Sony BMG and the acquisition of an

interest in Greek TV broadcaster Alpha Media Group. The Supervisory Board discussed at length the potential impact on individual Bertelsmann businesses of the escalating international financial crisis in 2008 and the deteriorating economy. The Supervisory Board also approved the Bertelsmann Code of Conduct as policy governing the conduct and decision-making of Bertelsmann staff and managers.

The Supervisory Board established a Working Group of Employee Representatives alongside the Supervisory Board committees. This Working Group facilitates the Executive Board's dialogue with employee representatives on the Supervisory Board about the corporate culture and the preparation/presentation of matters relevant to the Supervisory Board. The creation of this Working Group is indicative of the special corporate culture at Bertelsmann, and this idea has proven highly productive in practice.

In fiscal year 2008, the Supervisory Board convened for four regular meetings. The Strategy and Investment Committee met five times, including conference calls. The Personnel Committee convened five times, including one conference call, and the Audit and Finance Committee met six times, including conference calls. The Working Group of Employee Representatives on the Supervisory Board convened four times. Between meetings, the Supervisory Board was notified in writing of projects and plans of special relevance and urgency for the company, and its opinion and/or decision on matters was solicited as applicable.

The Supervisory Board Chairman maintained ongoing contact with the Executive Board outside the framework of Supervisory Board meetings, in particular with the Executive Board Chairman, to stay abreast of the current business situation and significant transactions. During a full-day meeting with the Executive Board, the Supervisory Board discussed in detail fundamental issues of strategic Group development and the alignment of key businesses in the Group portfolio in terms of market prospects, positioning for the future and competitive situation. All Supervisory Board members attended at least half of meetings convened with the exception of the late Mr. Oswald Lexer, who had fallen seriously ill. Potential conflicts of interests were disclosed to the Supervisory Board, in response to which individual members sometimes refrained from attending meetings and voting on resolutions.

The Supervisory Board addressed the German Corporate Governance Code and Bertelsmann's compliance there-

with. A joint report by the Supervisory and Executive Boards on corporate governance at the company is provided on page 136 ff. of this management report. As a non-listed company, Bertelsmann opted not to issue a formal declaration of compliance as per section 161 of the German Stock Corporation Act.

Audit of the Annual and Consolidated Financial Statements

KPMG AG Wirtschaftsprüfungsgesellschaft, Berlin (formerly KPMG Deutsche Treuhand-Gesellschaft Aktiengesellschaft Wirtschaftsprüfungsgesellschaft) audited the annual and consolidated financial statements produced by the Executive Board for the fiscal year January 1 through December 31, 2008, as well as the Bertelsmann AG management and Group management reports dated December 31, 2008, which received an unqualified auditor's opinion. The annual financial statements were produced in accordance with HGB (German Commercial Code), and the Bertelsmann AG consolidated financial statements were produced in accordance with the International Financial Reporting Standards (IFRSs) applicable in the European Union in line with section 315a HGB. The Supervisory Board's Audit and Finance Committee had mandated the auditor of the annual financial statements and consolidated financial statements in accordance with the Annual General Meeting resolution. The Audit and Finance Committee determined impairment testing of intangible assets acquired through acquisitions and of goodwill as a particular audit focus in addition to tax issues. The auditor performed the audit in observance of German accepted auditing principles established by the German Institute of Independent Auditors (IDW) and International Standards on Auditing (ISA). The auditor was additionally instructed to audit Bertelsmann AG's Risk Early Warning System, which it found to be a satisfactory per section 91 (2) of the German Stock Corporation Act. The auditor of the annual and consolidated financial statements promptly submitted financial statement documents and the audit report to the Supervisory Board by the specified deadline in advance of the financial review meeting.

On March 20, the auditor attended the 2009 financial review meetings in both the Audit and Finance Committee and the plenary session of the Supervisory Board, gave an extensive report and answered questions. The Audit and Finance Committee discussed the annual financial statement documents and auditor's reports in detail. The findings of the auditor of the annual and consolidated financial statements were carefully reviewed in an internal audit of

the annual and unconsolidated financial statements. The Audit and Finance Committee reported comprehensively to the plenary session of the Supervisory Board concerning the audit of the annual and consolidated financial statements and the audit reports.

The plenary session of the Supervisory Board reviewed the annual financial statements, management report, consolidated financial statements and Group management report, taking into account the recommendations of the Audit and Finance Committee and of the audit reports and following further discussion with the auditor. The Supervisory Board concurred with the audit findings. After its own final scrutiny of the annual and consolidated financial statements and the management and Group management reports, the Supervisory Board – acting in accordance with the Audit and Finance Committee's recommendation – has raised no objections. The financial statements produced by the Executive Board are thus approved, and the annual financial statements adopted.

The Supervisory Board furthermore reviewed and concurred with the Executive Board proposal to shareholders as to the amount of net retained profits for appropriation. The amount of the proposed dividend is appropriate in the view of the Supervisory Board, in consideration of the interests of the company and of shareholders.

Executive and Supervisory Board Membership Changes

The following changes occurred in the composition of the Bertelsmann AG Executive Board in the fiscal year ended: Mr. Peter Olson departed the company's Executive Board on May 31, 2008. The Supervisory Board would like to thank Mr. Olson for his dedication and lengthy service with the company. Mr. Markus Dohle was appointed to the Executive Board effective June 1, 2008. Mr. Bernd Kundrun departed the Executive Board on December 23, 2008. The Supervisory Board would also like to thank Mr. Kundrun for his achievements and lengthy service with the company.

The year under review saw the following changes to the composition of the Supervisory Board: Mr. Richard Sarnoff and Mr. John Joyce departed the Board at the end of the Annual General Meeting held May 30, 2008. The Supervisory Board expresses its thanks Mr. Sarnoff and Mr. Joyce for their many years of reliable service and their constructive contributions.

Mr. Oswald Lexer died on June 10, 2008 following a period of illness. The Supervisory Board would like to express its grief over the loss of Mr. Lexer, who for many years had been active on the Supervisory Board as an employee representative, and will honor his memory.

Mr. Helmut Gettkant was appointed to the Supervisory Board as an employee representative at the Extraordinary General Meeting held June 23, 2008. Mr. Ian Hudson was appointed to the Supervisory Board at an Extraordinary General Meeting held November 10, 2008. Mr. Hudson was nominated by representative of Group management.

Bertelsmann's core markets performed variably in fiscal 2008 due to the effects of the global financial and economic crisis. Though advertising was declining, printing and book markets remained largely stable. Services were remarkably unaffected, continuing to enjoy steady growth. Overall, the Group showed slight organic earnings growth on declining revenues. The Group's return on sales was slightly below the previous year's figure. This was chiefly due to weaker performance by RTL Group and Random House.

The Supervisory Board would like to express its recognition of the Executive Board's business success in the past fiscal year and thank all executives and employees for their dedication and achievements.

Gütersloh, March 20, 2009



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)
- Sixt AG (since 5/1/2008, Chairman since 5/6/2008)
 - Sixt Allgemeine Leasing GmbH & Co. KGaA (since 5/2/2008, Chairman since 6/12/2008)
 - Groupe Bruxelles Lambert
 - Leipziger Messe GmbH
 - Sanofi-Aventis S.A. (since 5/14/2008)

- 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 (Vice Chairman since 5/8/2008)
 - Commerzbank AG (until 5/15/2008)
 - Fuchs Petrolub AG (Chairman)
 - Hapag-Lloyd AG (until 3/17/2009)
 - Linde AG (until 6/3/2008)

- Dr. Wulf H. Bernotat**
Chairman of the Executive Board,
E.ON AG
- Allianz SE
 - Metro AG
 - E.ON Energie AG (Chairman)
 - E.ON Ruhrgas AG (Chairman)
 - E.ON Nordic AB (Chairman)
 - E.ON US Investments Corp. (Chairman)
 - E.ON Sverige AB (Chairman)

- John R. Joyce** (until 5/30/2008)
Managing Director Silver Lake
- Avago Technologies Limited
 - Gartner, Inc.
 - Hewlett Packard Company
 - Intelsat, Ltd. (since 8/6/2008)
 - Serena Software, Inc.
 - Silver Lake (Offshore) AIV GP II, Ltd. (since 1/31/2008)

- Helmut Gettkant** (since 6/23/2008)
Member of the Bertelsmann AG
Corporate Works Council

- Ian Hudson** (since 11/10/2008)
Chairman of the Bertelsmann
Management Representative
Committee (BMRC) (since 10/15/2008)
Deputy Chief Executive Officer
Random House UK Ltd., London
- British Publisher's Association

- Dr. Karl-Ludwig Kley**
Chairman of the Executive Board,
Merck KGaA
- BMW AG (since 5/8/2008)
 - West LB AG (until 12/31/2008)

- Dr. Hans-Joachim Körber**
- Air Berlin PLC
 - Esprit Holdings Ltd. (since 5/5/2008)
 - Skandinaviska Enskilda Banken AB
 - Sysco Corporation (since 1/1/2008)

- Oswald Lexer** (until 6/10/2008)
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
 - SAP AG
 - ZF Friedrichshafen AG (since 4/15/2008)
 - Deere & Company

- Dr. Brigitte Mohn** (since 1/1/2008)
Chairwoman of the Stiftung Deutsche
Schlaganfall-Hilfe
Member of the Executive Board,
Bertelsmann Stiftung
- Rhön-Klinikum AG
 - Deutsche Kinderturnstiftung
 - Stiftung Michael Skopp (since 4/24/2008)

- Christoph Mohn**
Chief Executive Officer,
Lycos Europe N.V.
- Lycos Armenia csjc
 - Jubii A/S (until 12/30/2008)
 - Lycos UK Limited (until 9/29/2008)
 - Lycos Italia S.r.l.
 - Lycos España Internet Services S.L.
 - Lycos Netherlands BV
 - Lycos Europe BV

- Liz Mohn**
Chairwoman of the Board,
Bertelsmann Verwaltungsgesellschaft
mbH (BVG)
Vice Chairwoman of the Executive Board,
Bertelsmann Stiftung

- Erich Ruppik**
Chairman of the Bertelsmann AG
Corporate Works Council

- Richard Sarnoff**
Chairman of the Bertelsmann
Management Representative
Committee (BMRC) (until 5/30/2008)
President Bertelsmann Digital Media
Investments
- Activision, Inc.
 - American Association of Publishers (Chairman)
 - American Reading Company
 - Princeton Review, Inc.
 - RoyaltyShare, Inc.
 - Xlibris, Inc.
 - Voxel, Inc.

- Lars Rebie Sørensen**
President and CEO,
Novo Nordisk A/S
- DONG Energy A/S
 - ZymoGenetics, Inc.

- Membership of statutory domestic supervisory boards
- Membership of comparable domestic and foreign supervisory bodies of business enterprises

Committees of the Supervisory Board

Personnel Committee

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)
Ian Hudson
Dr. Karl-Ludwig Kley (since 5/22/2007)
Christoph Mohn
Erich Ruppik

Strategy and Investment Committee

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
Lars Rebien Sørensen

Working Group of Employee Representatives on the Supervisory Board

Liz Mohn (Chairwoman)
Helmut Gettkant
Ian Hudson
Erich Ruppik

Executive Board

Hartmut Ostrowski

Chairman and Chief Executive Officer

(since 1/1/2008)

- Arvato AG (since 1/30/2008, Chairman since 2/6/2008)
- Druck- und Verlagshaus Gruner + Jahr AG (since 1/1/2008, Chairman since 1/8/2008)
- Bertelsmann, Inc. (Chairman, since 1/1/2008)
- Maul + co – Chr. Belser GmbH (Chairman, until 1/28/2008)
- Media Finance Holding, S.L. (Chairman, until 2/25/2008)
- Phone Assistance, S.A. (until 3/31/2008)
- Phone Serviplus, S.A. (until 3/31/2008)
- Phone Group, S.A. (until 3/31/2008)
- Printer Industria Grafica Newco, S.L. (Chairman, until 2/25/2008)
- RTL Group S.A. (since 1/1/2008)
- Sony BMG Management Co., LLC (1/1/2008 until 8/5/2008)

Rolf Buch

(since 1/1/2008)

Member of the Executive Board, Arvato AG

(Chairman since 2/6/2008)

- Arvato Digital Services Canada, Inc.
- Arvato Services Ibéria, S.A.
- Arvato Services Spain, S.A.U (until 9/17/2008 Total Distribución, S.A.)
- Berryville Graphics, Inc. (since 6/1/2008)
- Coral Graphic Services of Kentucky, Inc. (since 6/1/2008)
- Coral Graphic Services of Virginia, Inc. (since 6/1/2008)
- Coral Graphic Services, Inc. (since 6/1/2008)
- Data Mailing S.A.S.
- Dynamic Graphic Finishing, Inc. (since 6/1/2008)
- Lycos Europe N.V.
- Offset Paperback MFRS, Inc. (since 6/1/2008)
- Media Finance Holding, S.L. (since 11/5/2008)
- Phone Assistance, S.A.
- Phone Serviplus, S.A.
- Phone Group, S.A.
- Printer Industria Grafica Newco, S.L. (since 11/5/2008)
- Prinovis Ltd. (since 1/14/2008, Chairman since 7/1/2008)
- Shanghai Bertelsmann Culture Industry Co. Ltd. (until 7/2/2008)
- Stampers, Ltd. (since 6/1/2008)

Markus Dohle

Chairman und Chief Executive Officer, Random House

(since 6/1/2008)

Member of the Executive Board, Arvato AG

(until 5/31/2008)

- Berryville Graphics, Inc. (Chairman, until 6/1/2008)
- Coral Graphic Services of Kentucky, Inc. (Chairman, until 6/1/2008)
- Coral Graphic Services of Virginia, Inc. (Chairman, until 6/1/2008)
- Coral Graphic Services, Inc. (Chairman, until 6/1/2008)
- Dynamic Graphic Finishing, Inc. (until 6/1/2008)
- Eurohueco, S.A. (Chairman, until 11/5/2008)
- Istituto Italiano d'Arti Grafiche S.p.A (Chairman)
- Media Finance Holding, S.L. (Chairman, until 11/5/2008)
- Offset Paperback MFRS, Inc. (until 6/1/2008)
- Printer Industria Grafica Newco, S.L. (Chairman, until 11/5/2008)
- Random House Children's Entertainment LLC (since 6/1/2008)
- Random House Films LLC (since 6/1/2008)
- Random House, Inc. (Chairman, since 6/1/2008)
- Random House Korea, Inc. (since 5/31/2008)
- Random House Mondadori, S.A. (since 10/10/2008)
- Random House VG LLC (since 6/1/2008)
- Stampers, Ltd. (until 6/1/2008)
- Triumph Books Corp. (since 6/1/2008)

Dr. Bernd Kundrun

(until 12/23/2008)

Chairman and Chief Executive Officer, Gruner + Jahr AG

(until 1/6/2009)

- Gruner + Jahr Printing and Publishing Company (until 4/21/2008)
- Gruner + Jahr USA Group, Inc. (until 4/21/2008)
- Motor Presse Stuttgart GmbH & Co. KG (until 1/6/2009)
- Prinovis, Ltd. (Chairman until 6/30/2008, Vice Chairman from 7/1/2008 until 1/6/2009, until 1/6/2009)
- Spiegel-Verlag Rudolf Augstein GmbH & Co. KG (until 1/6/2009)

Peter Olson, J.D./MBA

Chairman and Chief Executive Officer, Random House

(until 5/31/2008)

- Bertelsmann, Inc. (until 5/31/2008)
- Random House Children's Entertainment LLC (until 5/31/2008)
- Random House Films LLC (until 5/31/2008)
- Random House, Inc. (Chairman, until 5/31/2008)
- Random House Kodansha Co., Ltd. (until 5/31/2008)
- Random House Korea, Inc. (until 5/31/2008)
- Random House Mondadori, S.A. (until 10/10/2008)
- Random House VG LLC (until 5/31/2008)
- Triumph Books Corp. (until 5/31/2008)

Dr. Thomas Rabe

Chief Financial Officer

Head of Bertelsmann Music Group (BMG)

(until 10/1/2008)

- Arvato AG (since 1/30/2008, Vice Chairman since 2/6/2008)
- Druck und Verlagshaus Gruner + Jahr AG
- Bertelsmann Capital Investment (S.A.) SICAR
- Bertelsmann Digital Media Investments S.A.
- Bertelsmann, Inc.
- Edmond Israel Foundation¹⁾
- Ricordi & C. S.p.A. (Chairman, until 9/8/2008 Archivio Ricordi S.p.A.)
- RTL Group S.A.
- Sony BMG Management Co., LLC (until 8/5/2008)

Gerhard Zeiler

Chief Executive Officer, RTL Group

- Alpha Doryforiki Tileorasi S.A. (since 12/16/2008)
- Alpha Radiofoniki Kronos S.A. (since 12/16/2008)
- Alpha Radiofoniki S.A. (since 12/16/2008)
- CLT-UFA S.A.
- Ediradio S.A. (as representative of CLT-UFA S.A.)
- Kosmoradiotileoptiki S.A. (since 12/16/2008)
- Métropole Télévision S.A. (since 12/16/2008)
- M-RTL ZRT (Chairman)
- Plus Productions S.A.
- RTL Nederland Holding B.V. (Chairman, until 2/9/2009)
- RTL Television GmbH
- RTL Radio Deutschland GmbH

• Membership of statutory domestic supervisory boards
• Membership of comparable domestic and foreign supervisory bodies of business enterprises
¹⁾ External mandates

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, 2008. 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 § 315a (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 (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 11, 2009

KPMG AG
 Wirtschaftsprüfungsgesellschaft

(formerly
 KPMG Deutsche Treuhand-Gesellschaft
 Aktiengesellschaft
 Wirtschaftsprüfungsgesellschaft)

Dr. Bartels-Hetzler
 Wirtschaftsprüfer

Dr. Schurbohm-Ebneth
 Wirtschaftsprüfer

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 10, 2009

Bertelsmann AG
The Executive Board

Ostrowski

Buch

Dohle

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.

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 6, 2009

Payout of dividends on Profit Participation
Certificates for the 2008 fiscal year

May 12, 2009

Announcement of figures for the first three
months of 2009

August 31, 2009

Announcement of figures for the first half of 2009

November 11, 2009

Announcement of figures for the first nine
months of 2009

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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.

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The Spirit
to Create