

7.1 About business Keep it in the family

Discussion

1 You and your partner own a small company and need money for a project. What do you think are the pros and cons of borrowing money from:

- 1 family and friends
- 2 your bank
- 3 a venture capital group?

Listening and note-taking

2 2:21-2:23 John and Gunter are discussing different ways of raising large amounts of money. Listen to the conversation and make notes of the advantages and disadvantages of each way.

	Advantages	Disadvantages
Bank loan		
Venture capital		
Shares		

Internet research

Search for the keywords *Initial Public Offering* to find out more about how and why companies go public.

Vocabulary

3 You are going to read an article about the Bertelsmann group. Before you read, match a word or phrase on the left with a definition.

- | | |
|----------------------------------|---|
| 1 to establish | a) something that is necessary, or that a rule says you must do |
| 2 unlisted public company | b) to start a company |
| 3 requirement | c) a statement showing the assets, liabilities, income and expenses that the parent company and its subsidiaries have |
| 4 consolidated financial reports | d) the shares of this company cannot be bought or sold on the stock exchange |
| 5 considerable | e) buying something from the person you previously sold it to |
| 6 stake | f) the part of a business you own because you have invested in it |
| 7 IPO | g) the first time a company's shares are offered on the stock exchange |
| 8 buyback | h) large in size |

Reading for gist

4 Read the article opposite about Bertelsmann.

Find answers to the questions.

- 1 What kind of company is Bertelsmann?
- 2 What kind of company is Groupe Bruxelles Lambert?

Keeping it in the family

BUT AT WHAT COST?

THE BERTELSMANN GROUP is the world's largest media company. It operates in 63 countries worldwide and employs over 78,000 workers. In 2005 its turnover was almost €18 billion. It owns or has major holdings in companies involved in book and magazine publishing, film and music recording, online services and other multimedia activities.

Bertelsmann was established in Gütersloh, Germany in 1835 by the printer and bookseller Carl Bertelsmann. In 1887 the company passed from Carl Bertelsmann's son Heinrich to his son-in-law, Johannes Mohn. It has stayed in the hands of the Mohn family ever since.

Bertelsmann became an AG (a German public limited company) in 1971, but instead of offering shares to the public on the stock exchange, the Mohns decided to keep all the shares

Bertelsmann is now €4.5 billion poorer

themselves and to become an unlisted public company.

Why? Normally the only reason for a company to form an AG is to raise capital to finance new projects or ideas. However this also weakens the power of the original owners because the shareholders then want the company to represent their interests. Moreover a company that is listed on the stock exchange also has to meet a lot of other requirements, such as publishing its consolidated financial reports every three months. Meeting these requirements can cost a company several million euros a year.

On the other hand one considerable advantage of being an AG is that you can take over other companies without it costing you a single cent. All you need to do is to offer the owners some of your shares in return for some of theirs.

This is exactly what Bertelsmann did when they took over Groupe Bruxelles Lambert, a financial group, in 2001. They offered the owner, Albert Frère, a 25% stake in the Bertelsmann AG with an option to sell those shares on the stock exchange later.

In 2005, Frère announced that he wanted to do just that. This left the Mohn family with only two choices – they could either buy back Frère's share of Bertelsmann to keep everything in the family or let Frère do an IPO (*Initial Public Offering*) and risk having outside shareholders.

The Mohns decided on the buyback option. They offered Frère €4.5 billion for his share of Bertelsmann AG and Frère accepted.

As a result, the Bertelsmann Group is now €4.5 billion poorer and may have to sell its 50% stake in Sony BMG Music Entertainment, one of the world's largest and most successful music publishers, to finance the buyback.



Reading for detail

5 Work with a partner and mark these sentences *T* (true) or *F* (false).

- 1 Bertelsmann was established in 1835 and started producing films and records.
- 2 When the company went public in 1971, it did not offer its shares on the stock exchange
- 3 The company is not listed on any stock exchange.
- 4 It can cost a company millions of euros every year to meet a stock exchange's requirements.
- 5 The only way to take over a successful company is to offer the owners a lot of money.
- 6 The owners of Bertelsmann paid €4.5 billion to stop the company from being listed on the stock exchange.

Discussion

6 Work in small groups. Were the Mohns right to pay so much money to buy the shares back? Why? Why not?

7.2 Vocabulary Dealing with figures



Saying numbers

1 Can you say the following numbers?

- | | | | |
|-----------------|------------------------------|---------------------|---------|
| a 5th | d 1 in 4 | g 0.08 | j 7.71% |
| b $\frac{2}{3}$ | e 13-17 years | h 6,000,000 days | |
| c £199,184 | f 156,000,000 m ² | i 550L ³ | |

2 Complete the sentences using the numbers in 1.

- Approximately 67%, or _____, of all start-up companies fail within the first five years.
- In a year the chances of becoming a victim of viruses, spyware or phishing are about _____. The cost to business is estimated to be several billion dollars a year.
- The average UK household consumes about _____ of tap water a year and can expect to receive a water bill of about £440. That works out at _____ p per litre.
- According to research, stress is responsible for _____ lost annually in the UK.
- The average price of a house in the UK is _____ - that's up by _____ over last year.
- The new economic city of Hail in Saudi Arabia will have an area of _____ and house some 80,000 people.
- The Republicans voted against increasing the minimum wage for the _____ time in less than a month.
- The average lifespan of a car in the UK has been estimated as between _____ by the Commission for Integrated Transport.

Listening for detail

3 Listen to four economic reports and write the numbers you hear in the spaces.

1 America

The Federal Reserve announced it would drop its key interest rate by (1) _____ to (2) _____. This is the second drop in interest rates in the last six months. Productivity grew by (3) _____ in the third quarter, compared with (4) _____ in the first six months. Employers reported (5) _____ new jobs had been created in July.

2 Japan

Japanese industrial production increased slightly by (9) _____ and unemployment fell by (10) _____ to 2,890,000 last year. The yen remains strong at (11) _____ yen to the dollar. Bank lending rose by 2.4% in the year to April, the fastest increase in the last (12) _____ years.

3 Germany

Germany's job growth was stronger than expected in March. Unemployment fell by (6) _____ to 4,370,000. Its trade surplus grew again in the first quarter to (7) _____ up 0.4% over the previous quarter. The German car industry reported that a record (8) _____ vehicles were exported in the first three months.

4 The UK

Jobs in the service industry rose to (13) _____ last year while jobs in manufacturing fell by (14) _____. The National Statistical Office reported that the number of jobs paid below the national minimum wage has increased to approx. (15) _____. It also reported that (16) _____ jobs, 3.2% held by those aged (17) _____ were paid below (18) _____ an hour.

Describing trends

4 Look at the newspaper headlines below describing trends and draw an arrow to show the direction of the trend.

1 Oil prices shoot up. ↑	4 INFLATION INCREASES BY 5% IN LAST 12 MONTHS	7 Exchange rates between the dollar and pound fluctuate wildly.	10 Share prices in travel industry stagnant.
2 Gamebox sales up slightly after Nintendo cuts prices.	6 Profits in the IT industry fall dramatically.	8 UNEMPLOYMENT FIGURE UP SIGNIFICANTLY OVER LAST YEAR.	11 Commercial TV stations announce a 20% decline in advertising revenues
5 HOUSE PRICES REMAIN STABLE.	6 Government announces massive tax increase.	9 Intel announces slight drop in profit.	12 Ministers warn of huge rise in nuclear waste.

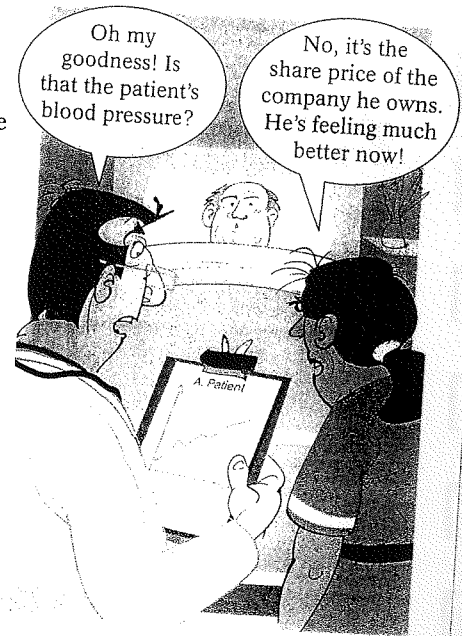
Discussion

5 Work with a partner. Decide which headline:

- is good news for young consumers
- means goods and services have become more expensive
- means there are fewer jobs
- means that people will have less money to spend in future
- is bad news if you have invested in companies like Adobe or Dell
- will affect the plastics industry and make their products more expensive.

Internet research

Search for the keywords *current economic trends* to find out more about new developments in the world of business.



Adverbs and adjectives

6 Read the extracts below from economic reports. Do the underlined adverbs and adjectives in the extracts describe:

- a big change? (A) a sudden or fast change? (C)
 a small change? (B) a slow change? (D)

You may need to use more than one letter.

1 Unemployment in Germany has fallen <u>slightly</u> over the past 12 months.	Trend
2 The overall cost for information technology shows a <u>gradual</u> decrease each year.	B and D
3 There has been a <u>considerable</u> rise in sales of smaller, more economical cars in the last year.	
4 The share price fell <u>dramatically</u> after PGT announced it was planning to close its factory in China.	
5 The market for consumer electronics designed for 'older' people will grow <u>steadily</u> over the next few years.	
6 The company has grown <u>rapidly</u> over the last five years. Profits are expected to be up 30% on last year.	
7 The European Central Bank has said it is thinking of increasing its key lending rate <u>fractionally</u> in the autumn.	
8 Wages and salaries in the Indian IT industry have risen <u>quickly</u> in the last few years	

Discussion

7 Look at the extracts above. Are the trends P (positive) or N (negative)? Think about who they are positive or negative for.

- 1 _____ 2 _____ 3 _____ 4 _____ 5 _____ 6 _____ 7 _____ 8 _____