CREATIVITY + ENTREPRENEURSHIP

Interim Report 2011

BERTELSMANN

Bertelsmann at a Glance

Key Figures (IFRS)

in € millions	H1 2011	H1 2010
Business Development		
Group revenues (continuing operations)	7,160	7,028
thereof:		
– RTL Group	2,751	2,661
– Random House	787	791
– Gruner + Jahr	1,250	1,217
– Arvato	2,395	2,312
Operating EBIT (continuing operations)	737	754
Return on sales in percent	10.3	10.7
Group profit or loss	269	246
Investments	367	365
	6/30/2011	12/31/2010
Group Balance Sheet		
Equity	6,293	6,486
Equity ratio	35.5	34.5
Total assets	17,749	18,779
Economic debt*	4,856	4,915
Employees (headcount) (continuing operations)		
Germany	37,350	36,462
International	62,662	61,066
Total	100,012	97,528

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

Contents

Highlights of the 1st Six Months

- Record operating EBIT and ROS for the first half year
- RTL Group online platforms generated over 928 million video calls in six months – up 30 percent
- Expansion into Asia: Two English-language pay TV channels are being set up in India in conjunction with Reliance Broadcast

www.rtl-group.com

- Random House profits rise substantially driven by U.S.
- Triple-digit percentage sales growth in e-books
- Digital revenue potential strengthened through acquisition of digital media agency Smashing Ideas

www.randomhouse.com

- Strong expansion at Corporate Publishing within Germany and internationally: 34 new customers and projects in the first half year 2011 alone
- G+J EMS is again achieving significant growth in mobile marketing, making it the undisputed market leader in Germany
- Quality portfolio in Germany increased, e.g. by adding children's and youth magazine "Yuno," "Grazia," and "Women's Health"

www.guj.com

- Expansion of archiving and digitization services: Arvato secures stocks from Grundy UFA and Schweizer Radio und Fernsehen (SRF)
- Nationwide logistics network in China with 42 locations now fully established
- Successful completion of one of the most complex outsourcing transitions in Microsoft's history: Arvato is now a partner for all "contract to invoice" services for four lines of business, across four continents.

www.arvato.com

BERTELSMANN

Dear Readers, Dear Friends of Bertelsmann,

Repeating a very gratifying performance is often more difficult than achieving it the first time around, but Bertelsmann has managed to do exactly that in the first half of 2011. We maintained our operating EBIT and return on sales at a high level, as we also improved our revenues and Group profit.

Many of our core businesses have expanded their market-leading positions. This applies in particular to RTL Group's families of channels, all of which outperformed the market in advertising revenues, as well as gained extra audience shares in key markets. Random House was particularly successful in the U.S., also reporting sales increases in each of its major territories. Gruner + Jahr slightly increased both advertising revenues and circulation, and also benefited from efficiency improvements. And Arvato was able to improve revenues due to winning major customer contracts, accompanied by its reorganization into strategic business units.

Bertelsmann's strong overall operating performance in the first half of 2011 is partly attributable to great progress in pursuing our three strategic priorities:

First, we strengthened our core businesses. Our corporate divisions are taking advantage of the opportunities offered by digitization. The number of video views on RTL Group's online platforms neared the one billion mark between January and June – a 30 percent increase. Random House's e-book sales continue to grow in the triple-digit percentage range.

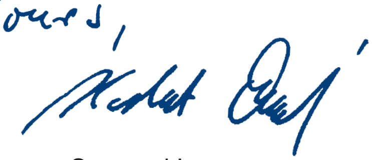
Second, we further refined our Group portfolio and informed the public about the sale of Direct Group France and the reorganization of the remaining Club and direct-marketing businesses.

And third, we continued our expansion into new areas of growth – for example, the music-rights company BMG expanded by acquiring new catalogs and signing promising new artists, and our Bertelsmann Digital Media Investments and Bertelsmann Asia Investments funds grew their portfolios with several new investments in Europe and Asia.

We will follow up on these initiatives with a focus on growth markets such as China and India, where we plan to establish ourselves more solidly. Our continued high liquidity and moderate level of debt mean we are acting from a position of financial strength – which has prompted the major financial rating agencies to raise our ratings back to our target levels of "BBB+" and "Baa1."

As pleasing as the first half of 2011 has been for Bertelsmann, the current turmoil on the financial markets indicates that future developments are fraught with uncertainty. A definitive fiscal forecast for our second half year is difficult. Nevertheless, it is our goal to keep our operating result at a high level and increase Group net income. We have confidence in the strength of our businesses, our strategy, and in the unique combination of creativity and entrepreneurship that distinguishes Bertelsmann. I am pleased and grateful for all your contributions and support in keeping our company on this positive path.

Yours,

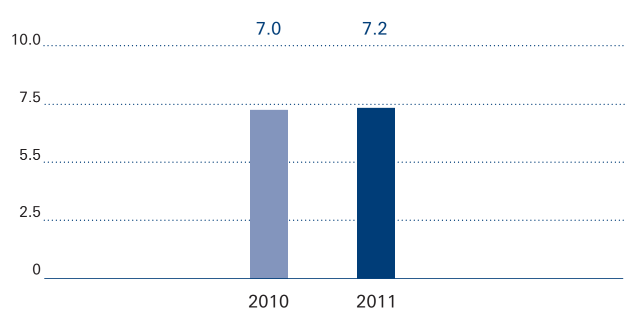


Hartmut Ostrowski
Chairman and CEO, Bertelsmann AG

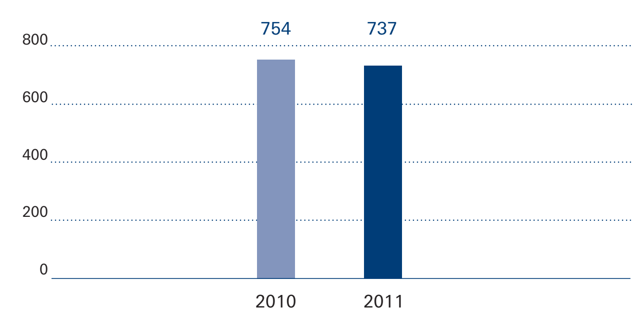
Group Interim Management Report

Bertelsmann's results in the first half of 2011 sustained the high levels from the previous year. Group revenues reached €7.2 billion, up from €7.0 billion in the previous year. Operating EBIT from continuing operations was €737 million, down slightly from €754 million in the previous year. The return on sales was 10.3 percent (H1 2010: 10.7 percent). Group profit rose by €23 million to €269 million. Bertelsmann is cautiously optimistic for business in the second half of the year, although there has been a marked increase in economic uncertainties.

Revenues in € billions



Operating EBIT in € millions



Business and Economic Conditions

Description of Business and Organizational Structure

Bertelsmann is active in the core business fields of media content and media-related production and service operations in some 50 countries. The company is involved in television, radio, and television production (RTL Group); books (Random House); magazines (Gruner + Jahr); and media services (Arvato). Revenue sources are diversified across the sale of products and merchandise, advertising, services, and rights and licenses.

Bertelsmann AG is an unlisted stock corporation under German law with a two-tier system of management and governance. It acts as an operational management holding company for the corporation and is responsible for both business policy and strategic management.

Foundations (Bertelsmann Stiftung, Reinhard Mohn Stiftung, BVG-Stiftung) indirectly hold 80.9 percent of Bertelsmann AG shares, with the other 19.1 percent held indirectly by the Mohn family. Bertelsmann Verwaltungsgesellschaft (BVG) controls all voting rights at the Bertelsmann AG Annual General Meeting.

The Executive Board is responsible for the 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.

Internal financial management and reporting follow the Group's organizational structure, which is made up of four operating segments and Corporate. RTL Group encompasses the television, radio, and TV production business, the Random House publishing group concentrates on the book market, Gruner + Jahr focuses on the magazine and printing business, and Arvato provides media, communication, and print services. Following the sale of the Direct Group business in France, which was completed at the end of May 2011, Direct Group was permanently dissolved as an independent segment of the Bertelsmann Group. The remaining immaterial club and direct marketing businesses in Germany and Spain are no longer controlled separately by the Group management and are organized for reporting purposes under Corporate. Corporate includes the Corporate Center and Corporate Investments.

Strategy

Bertelsmann's core business lies in media and media-related services. The company aims to achieve leading positions in attractive markets and has already done so in most business segments. Bertelsmann's key markets, are Western Europe (in particular Germany, France, Spain, UK) and the U.S. Investments are also focused in these core geographic markets. Over the medium to long term, Bertelsmann is working to strengthen its presence in major growth markets such as China and India.

The Executive Board is committed to the goal of increasing the Group's growth with an appropriate return on investment by strengthening core businesses, further developing the portfolio, and expanding into new growth segments.

The individual companies and Group portfolio are subject to ongoing reviews by the Executive Board. The Executive Board focuses on strengthening core operations and utilizing organic growth opportunities. Non-core businesses are divested as the market permits. At the same time, Bertelsmann seeks to gradually enter new growth segments. Future investments are to focus on business fields with strong organic growth.

Controlling Systems

The central performance indicator for assessing the profitability from operations and return on invested capital is Bertelsmann Value Added (BVA). BVA measures the profit realized above and beyond the appropriate return on invested capital. This focus on enterprise value is reflected in strategic investment and portfolio planning and the management of Group operations, and is the basis for management compensation. BVA is calculated as the difference between net operating profit after tax (NOPAT) and the cost of capital. NOPAT is calculated as operating EBIT less a standard tax rate of 33 percent. Cost of capital is the product of the weighted average cost of capital and average invested capital. 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. BVA was €88 million in the first half of 2011 (H1 2010: €82 million).

Another key performance indicator is operating EBIT – this is the operating earnings before interest and taxes, which is adjusted for special items. This calculation yields a normalized, sustainable indicator of operating performance that helps improve predictability and comparability. Operating EBIT from continuing operations came to €737 million in the period under review (H1 2010: €754 million).

Operating free cash flow, as measured through the cash conversion rate, also warrants attention alongside BVA and operating EBIT. 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. Both operating EBIT and operating free cash flow are adjusted for special items. The Group aims to maintain a cash conversion rate of 95 to 100 percent as a long-term average. Stronger operating investment activities and an increase in net working capital drove down the cash conversion rate to 92 percent (H1 2010: 121 percent) in the first half of 2011.

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

Significant Events in the Current Fiscal Year

In January 2011, the Arvato division announced an extensive reorganization centered on the formation of strategic market units that offer integrated solutions for individual markets and industries. This will replace the existing three-division structure consisting of Arvato Print, Arvato Digital Services, and Arvato Services.

Direct Group France, which includes both the French-speaking club business and the bookstore chain Chapitre.com, was sold to the U.S. private equity firm Najafi Companies at the end of May 2011. At this time, Direct Group was permanently dissolved as an independent division of the Bertelsmann Group. The remaining immaterial club and direct marketing businesses in Germany and Spain are no longer controlled separately by the Group management and are organized for reporting purposes under Corporate. An active search has begun for a buyer for the book clubs in Russia, Ukraine, the Czech Republic, and Slovakia. For information on the effects of these sales and planned sales on the net assets, financial position, and results of operation, please see pages 22 f. of the notes.

In June 2011, Bertelsmann AG renewed a syndicated line of credit of €1.2 billion, due to expire in 2012, for five years until 2016, with extension options through to 2018, at which time there will be two more options to extend until 2018.

Overall Economic Developments

The world economy continued to recover in the first half of 2011 as expected. The latest surveys indicate that the dynamics of this recovery may be slowing, however. While many emerging economies report a strong upswing, economic growth in most mature economies is more restrained and volatile. The European Central Bank (ECB) notes that although the latest indicators point to a further expansion of the global economy, global economic growth may be hampered by continued tensions on the financial markets, further increases in the price of oil and other commodities, and protectionist moves.

Contrary to global economic trends, real economic development in the U.S. has remained modest. According to the ECB, the real gross domestic product (GDP) met the preliminary estimates of the Bureau of Economic Analysis in the second quarter by rising 1.3 percent, or 0.3 percent in the quarterly comparison. But declining consumer prices coupled with lower consumer and government spending have slowed the U.S. economy.

According to ECB figures, the euro zone GDP rose sharply by 0.8 percent in the first quarter of 2011 over the previous quarter. The indicators published for the second quarter point to continued growth of real GDP, even though the tempo has slowed as expected. Growth dynamics are now seen as weakened by a range of factors that contribute to the uncertainty, however.

Global economic trends since the start of the year have sustained the expansionary dynamics of the German economy, but the Deutsche Bundesbank also sees indications of a slowing economic pace. As in the same period last year, positive signals came from both Germany and abroad. The high expectations for exports have since been adjusted downward, but private consumption has continued to grow.

The apparent slowdown of economic growth manifests itself in the latest economic output estimates for the second quarter of 2011, during which German economic growth shrank to 0.1 percent according to figures from the Federal Statistical Office Destatis. Growth in the euro zone fell from 0.8 percent in the previous year to 0.2 percent according to Eurostat figures.

Despite positive indicators, ECB and IfW (the Kiel Institute for the World Economy) experts unanimously point toward a climate of great uncertainty characterized by rising national debts, skittishness on the European financial markets, and overheating economies in emerging markets, especially China.

Developments in Relevant Markets

Overall, Bertelsmann profited from the developments in the global economy. Development in the European TV advertising markets was mixed in the first six months of 2011. The TV advertising markets in France, the Netherlands, and Belgium reported significant gains for the most part, while the German TV market remained close to the previous year's level. TV advertising markets in Southern and Eastern Europe declined sharply, however.

The decline in physical book sales in the U.S. accelerated in the first half of 2011, though this is offset by the growing e-book business. Overall, the book market remained largely stable. The German book market showed a slight downward trend.

The recovery of the magazine and advertising markets that began in 2010 continued in the first half of 2011. Gross advertising revenues in Germany were up sharply year on year, while the overall development in the international magazine advertising markets was mixed.

The printing markets for magazines, catalogs, and advertising materials showed a slight recovery in Germany, but market conditions in Europe overall remained difficult. The markets for services continued to grow, while the global markets for storage media declined sharply due to the growing importance of digital forms of distribution.

Results of Continuing Operations

The following analysis concerns continuing operations as of June 30, 2011. The previous year's figures have been adjusted for discontinued operations in accordance with IFRS 5.

Revenues

In the first half of 2011, Bertelsmann increased revenues from continuing operations over the previous year by 1.9 percent, from €7.0 billion to €7.2 billion, with organic revenue growth at 2.4 percent. Exchange rate effects came to -0.5 percent as a result of a stronger euro on average during the year, while portfolio and other effects had no significant impact on revenue development.

Year-on-year revenues rose in the first half of 2011 in all divisions except Random House. RTL Group profited from strong growth of key TV advertising markets. Despite weaker revenues due to exchange rate effects, Random House's business showed positive signs in the core markets and profited from continued dynamic growth in the e-book business. Gruner + Jahr reported an overall stable trend in its revenues: a significant improvement in Germany was offset by the mixed development of international business. Arvato benefited from the economic upswing and reported increased revenues in its service business in France, for example.

There were only minor changes in the geographical breakdown of revenues compared to H1 2010. While the share of revenues from Germany was up slightly to 36.6 percent from 35.7 percent in the previous year, the revenue share generated by other European countries amounted to 43.5 percent (H1 2010: 44.4 percent). The U.S. share of total revenues came to 13.8 percent (H1 2010: 14.4 percent). Other countries accounted for 6.1 percent (H1 2010: 5.5 percent). As a result, the share of foreign business in overall revenues was down slightly from 64.3 percent to 63.4 percent, which can be attributed primarily to the sale of Direct Group operations in France. Year on year, there was only a slight change in the ratio of the four revenue streams (products and merchandise, advertising, services, rights and licenses) to overall revenue.

Operating EBIT and Operating EBITDA

Bertelsmann achieved operating EBIT of €737 million in the period under review (H1 2010: €754 million). Return on sales of 10.3 percent was slightly below the previous year's high level of 10.7 percent. A positive earnings trend at RTL Group and Random House coupled with largely stable year-on-year earnings at Gruner + Jahr are contrasted by lower earnings at Arvato attributable to price increases for energy and raw materials and start-up losses for new businesses.

Operating EBITDA from continuing operations fell to €991 million in the first half of 2011 (H1 2010: €1,011 million).

Special Items

Special items came to €-60 million in the first half of 2011, from €-30 million in the previous year. They consisted of impairment losses totaling €-9 million (H1 2010: €-1 million), a net balance of capital gains and losses of €-7 million (H1 2010: €-6 million), and other special items of €-44 million (H1 2010: €-23 million) which include expenses for programs designed to increase efficiency, especially in print, and one-time expenses at Random House to optimize use of the New York offices.

Group Net Income

Adjusting the operating EBIT for special items of €-60 million resulted in an EBIT of €677 million (H1 2010: €724 million). The financial result of €-195 million was significantly better than the previous year (H1 2010: €-315 million). The previous year's level is due in part to the buyback of profit participation certificates in the spring of 2010, which had burdened the financial result by €60 million. A year-on-year drop in gross financial debt also resulted in lower interest expenses. Income tax expenses of €-108 million (H1 2010: €-108 million) in the period under review were positively impacted by the reversal of a valuation allowance on deferred tax assets for existing losses carried forward in the U.S. and a tax refund from previous years in Germany.

Taking into account the after-tax earnings from discontinued operations of €-105 million, this yields a Group net income of €269 million. This represents a year-on-year increase of €23 million. The share of Bertelsmann shareholders came to €183 million (H1 2010: €170 million). The non-controlling interests in the Group result came to €86 million (H1 2010: €76 million).

Results of Discontinued Operations

At the beginning of 2011, the Group management decided that in addition to Direct Group France, it would sell all other Direct Group business units except the club businesses in Germany and Spain. The sale of Direct Group France, Poland, and Spain (Librerías Bertrand) was completed in the first half of 2011. A buyer for the book clubs in Russia, Ukraine, the Czech Republic, and Slovakia is actively being sought, and implementation of the sales plan has begun. Taken as a whole, these Direct Group business units meet the IFRS 5 criteria for reporting as discontinued operations, so that their current earnings and cash flows are reported separately here. Assets and liabilities of Eastern European businesses not yet sold as of June 30, 2011, are also shown separately.

Revenue from discontinued operations came to €263 million, compared to €472 million during the same period last year. The operating EBIT from discontinued operations was €-24 million (H1 2010: €-6 million). After special items, this yielded an EBIT of €-75 million (H1 2010: €-49 million).

Net Assets and Financial Position

Financial Guidelines

The financial policy targets at Bertelsmann are intended to ensure 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 the qualitative and quantitative criteria pertaining thereto. Credit ratings and transparency play an important role in maintaining 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 manages the provision of Group companies with liquidity and the issuance of guarantees and letters of comfort for Group companies. The Group consists largely of a single financial unit, thereby optimizing capital procurement and investment opportunities.

The financial control system is based on quantitative financial targets concerning the Group's economic debt and, to a decreasing extent, its capital structure. The 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 2.5. Economic debt is defined as net financial debt plus provisions for pensions, profit participation capital, and present value of operating leases. Bertelsmann lowered the leverage factor from 3.0 to 2.5 at the end of fiscal year 2010 due to the economic crisis and as part of a general limit deleveraging of corporates.
As of June 30, 2011, the leverage factor was 2.3. The net financial debt was €2,018 million, compared with €1,913 million as of December 31, 2010. The increase is due

Group Cash Flow Statement (Summary)

in € millions	H1 2011	H1 2010
Cash flow from operating activities	742	831
Cash flow from investing activities	(337)	79
Cash flow from financing activities	(774)	(1,646)
Change in cash and cash equivalents	(369)	(736)
Currency effects and other changes in cash and cash equivalents	(6)	53
Cash at 1/1	2,006	2,085
Cash at 6/30	1,631	1,402

primarily to dividend payments to shareholders and non-controlling interests that fall primarily within the first half of the year. The economic debt was €4,856 million as of June 30, 2011 (December 31, 2010: €4,915 million).

Liquidity was down to €-1,631 million as of June 30, 2011, from €2,006 million as of December 31, 2010, due in part to the early repayment of capital market obligations and the payment of dividends. Bertelsmann also has access to lines of credit of some €1.3 billion. These lines of credit were unutilized as of June 30, 2011. A syndicated loan of €1.2 billion available until 2012 on a revolving basis was renewed until 2016, with extension options through to 2018, and will remain the backbone of Bertelsmann's strategic credit reserve.

Financing Activities

Bertelsmann acquired its own promissory notes with a nominal value of €188 million and its own 2006/2012-issue bonds with a nominal value of €6 million during the first half of the year.

Rating

Bertelsmann has been rated by the rating agencies Standard & Poor's (S&P) and Moody's since June 2002. After an upgrade of one notch by the agencies in May and June 2011, respectively, Bertelsmann is now rated by Moody's as "Baa1" (outlook: stable) and by S&P as "BBB+" (outlook: stable). Both credit ratings are in the investment grade category and meet Bertelsmann's target rating. Bertelsmann's short-term credit quality rating is "A-2" from S&P and "P-2" from Moody's. The agency ratings facilitate access to international capital markets and are a key element of Bertelsmann's financial security.

Cash Flow Statement

Earnings before interest and taxes (EBIT) is the starting parameter for preparing the Bertelsmann cash flow statement.

In the period under review, Bertelsmann generated net cash from operating activities of €742 million (H1 2010: €831 million). The Group's sustainable operating free cash flow adjusted for non-recurring items was €-657 million (H1 2010: €-902 million). The cash conversion rate, as an indicator of the quality of cash generated by business activities, reached 92 percent in the first half of 2011 (H1 2010: 121 percent). The reduction is attributable to increased operational investment activities and higher net working capital.

Cash flow from investment activities was €-337 million (H1 2010: €79 million). The change is attributable to a sharp increase in investment activities in the first half of 2011. The previous year's figure included proceeds of €384 million from the sale of shares in Canal Plus France to Vivendi. A cash flow of €-774 million for financing activities was identified in the period under review (H1 2010: €-1,646 million). This included €-207 million for the repayment of bonds and promissory notes (H1 2010: €-750 million). Interest payments fell year on year by €49 million to €-149 million due to a reduction in gross financial debt. Dividends paid to the shareholders of Bertelsmann AG came to €-180 million (H1 2010: €-60 million). Dividends to non-controlling shareholders and payments to shareholders in partnerships came to €-216 million (H1 2010: €-241 million).

As of June 30, 2011, the Bertelsmann Group had cash and cash equivalents of €1,631 million (December 31, 2010: €2,006 million).

Investments

Total investments of €367 million in the cash flow statement during the first half of 2011 were up slightly from the previous year (H1 2010: €365 million). As in the previous year, the majority of the €160 million investment in property, plant and equipment (H1 2010: €100 million) stemmed from Arvato. Investments in intangible assets came to €80 million (H1 2010: €90 million) and were attributable primarily to RTL Group for investments in film rights.

Investments in financial assets came to €87 million (H1 2010: €18 million). Purchase price payments for consolidated investments (less acquired cash and cash equivalents) fell to €40 million (H1 2010: €157 million).

A total of €6 million of these investments were for discontinued operations (H1 2010: €21 million).

Consolidated Balance Sheet

Total assets came to €17.7 billion as of June 30, 2011 (December 31, 2010: €18.8 billion). The decline in total assets is attributable in part to the sale of Direct Group France and early repayment of capital market obligations. Equity came to €6.3 billion as of June 30, 2011 (December 31, 2010: €6.5 billion). The equity ratio rose to 35.5 percent (December 31, 2010: 34.5 percent) due to improved Group net income and lower total assets. The pension provisions were €1,486 million as of June 30, 2011 (December 31, 2010: €1,565 million).

Employees

As of June 30, 2011, Bertelsmann had 100,012 employees in continuing operations worldwide (December 31, 2010: 97,528).

Other Information

Annual General Meetings

In May 2011, the Bertelsmann AG Annual General Meeting elected Hans Dieter Pötsch, Kasper Rorsted, and Bodo Uebber to the Bertelsmann AG Supervisory Board. At the same time, Prof. Dr. Jürgen Strube left the Bertelsmann AG Supervisory Board at the end of his term.

Significant Events after the Balance Sheet Date

In July 2011, RTL Group reported acquisitions in Croatia, the Netherlands, and Hungary.

On July 25, 2011, RTL Group announced that it would acquire the shares in RTL Hrvatska held by the two minority shareholders Atlantic and Agrokor. This will give RTL Group full ownership of the Croatian broadcasting group, which also includes the free TV stations RTL Televizija and RTL 2.

On July 28, 2011, RTL Group announced it would exercise a put option with Talpa Media Holding, its partner in RTL Nederland. By acquiring Talpa Media Holding's 26.3 percent minority interest in RTL Nederland, RTL Group once again has full control over its Dutch subsidiary. In return, Talpa Media Holding will receive the radio stations Radio 538, Radio 10 Gold, and Slam FM from RTL Nederland. Their carrying amounts were reported as assets held for sale and corresponding liabilities in the consolidated balance sheet of June 30, 2011.

Also on July 28, 2011, RTL Group announced that it would increase its share in the Hungarian television station RTL Klub by 31 percent to 98 percent. RTL Group also acquired full ownership of seven cable stations in Hungary. Both transactions are subject to regulatory approval.

Performance of the Divisions

RTL Group

Europe's leading entertainment network increased its revenue and operating EBIT, with revenues reaching €2.8 billion (H1 2010: €2.7 billion) and operating EBIT €545 million (H1 2010: €533 million). While advertising markets in France, the Netherlands, and Belgium grew during the period under review, the German TV advertising market stagnated. Southern and Eastern Europe recorded declining market revenues. The RTL Group families of channels outperformed the market and in some cases achieved significantly higher contributions to operating EBIT in Germany, France, and the Netherlands.

RTL Group improved its leading positions in audience markets in key countries. The audience market share of Mediengruppe RTL Deutschland for 14- to 49-year-olds increased to a record 35.7 percent in the first half year (H1 2010: 34.8 percent). In France, M6 was the only full-program provider to gain audience market share, and it improved its position in the advertising-relevant target group to 17.1 percent (H1 2010: 16.3 percent). The Dutch family of channels RTL 4 greatly increased its prime time market share and was able to translate this into significantly higher advertising revenues.

The production subsidiary Fremantle Media posted higher revenues thanks to portfolio effects and strong business development in North America. Operating EBIT fell, however, due to continuing high pressure on margins and production volumes.

Random House

The world's largest trade book publisher significantly increased its operating EBIT in the first half year, while recording a slight dip in revenues due to unfavorable exchange-rate effects. Revenues reached €787 million (H1 2010: €791 million) and operating EBIT €69 million (H1 2010: €40 million). The Random House operating EBIT benefited from a strong U.S. performance despite insolvencies and ongoing consolidations in book retail.

Overall gains were driven by an outstanding portfolio of titles worldwide, with several million-copy print bestsellers, and the continued rapid growth in e-book sales across all territories. In the U.S., digital sales accounted for more than 20 percent of all revenues. At the reporting date, Random House imprints had more than 27,000 e-books available worldwide.

Random House placed 145 titles on the "New York Times" U.S. bestseller lists in the first six months of the year, including the #1 bestselling "Unbroken" by Laura Hillenbrand, and sold nearly four million copies of U.S. author George R.R. Martin's epic fantasy series "A Song of Ice and Fire." Random House Group UK increased its year-on-year sales and profits and published more than a quarter of all "Sunday Times" bestsellers. In Germany, Verlagsgruppe Random House improved its revenues and market share in a difficult overall market, and Random House Mondadori also outperformed the market in Spain.

During the period under review, Random House, Inc. author Jennifer Egan won the Pulitzer Prize for Fiction for "A Visit from the Goon Squad," and Philip Roth won the Man Booker International Prize.

Gruner + Jahr

Europe's leading magazine publisher increased its revenue in the period under review, while its operating EBIT remained high and virtually stable. Revenues reached €1.3 billion (H1 2010: €1.2 billion) and operating EBIT €125 million (H1 2010: €130 million). This development can be attributed to ongoing efficiency improvements in the publishing and editorial structures as well as a good market performance, which offset increases in the price of paper and in other areas.

Advertising and circulation revenues increased slightly. In the advertising business Gruner + Jahr profited from its portfolio in the premium segment in Germany and, once again, was able to improve advertising revenues and gain market share. The digital marketing of G+J EMS and the continued internationalization of the EMS subsidiary Ligatus led to significant revenue growth in this strategic expansion area.

In terms of international business, Gruner + Jahr performed particularly well in France, achieving good revenue growth and an increased operating EBIT, which was bolstered by structural measures. The Spanish market continued to be plagued by problems, notably in terms of circulation, while the advertising business of the title families was just below the previous year's level. In Austria revenues were largely stable, while China continued to show significant growth.

In the print business, revenues increased slightly at Prinovis and Brown Printing, although operating EBIT declined. As in previous years, the Dresdner Druck- und Verlagshaus continued to perform well.

Arvato

The internationally networked outsourcing services provider Arvato increased its revenues during the first half of the year; meanwhile, operating EBIT was below the previous year's level, partly due to increases in the price of energy and raw materials as well as start-up costs. Revenues reached €2.4 billion (H1 2010: €2.3 billion), operating EBIT was €66 million (H1 2010: €99 million).

The reorganization of Arvato into strategic business units that was initiated at the start of the year has now been successfully completed. These individual business units now target specifically defined markets and, thanks to this reorganization, some major customer contracts have been won. As a result of Arvato's strategy of offering integrated service chains in all segments, the production-oriented divisions are increasingly becoming service businesses.

During the period under review the growth drivers were again the businesses in France and the business units Arvato Infoscore and Arvato Systems.

However, the development of Arvato's business activities in Southern Europe and the U.S. was difficult. Revenues generated from customers in the entertainment sector declined in the U.S. in particular, but also in Europe. The direct marketing activities bundled at Inmediaone also experienced difficulty.

Arvato expanded its investment activities year on year and increased the number of employees.

Corporate

The Corporate division, which includes the Bertelsmann Corporate Center and Corporate Investments, reported a higher year-on-year operating loss of €-67 million in the first half year (H1 2010: €-50 million).

The BMG music rights business operated jointly with KKR continued to build up its operations in the first half year. BMG successfully completed the takeover of the long-established UK music publisher Chrysalis, and new contracts were signed with a number of well-known artists.

The BDMI and BAI funds, which are part of Corporate Investments, had a total of 32 holdings at the closing date. The division also acquired shares in various European venture capital funds as well as holdings in three digital firms in China.

Following the sale of the Direct Group businesses in France, which was completed at the end of May, Direct Group was dissolved as an independent segment of the Bertelsmann Group, effective June 30, 2011. The remaining club and direct marketing businesses in Germany and Spain have since been transferred to Corporate Investments.

Risks and Opportunities

Bertelsmann is exposed to a variety of risks. The factors outlined below play a key role in the development of such risks to the Group: a downturn in markets important to Bertelsmann (especially Western Europe and the U.S.), changes in customer behavior due in part to the digitization of media, the development and implementation of products and services by both new and existing competitors, the erosion of prices and margins, defaults, and restrictions and failures – IT-based and otherwise – along the product chains of the individual Bertelsmann divisions.

Financial Market Risks

Despite current developments on the financial markets, no significant changes to the risk report in the 2010 Group management report were identified. This can be attributed to the continued comfortable liquidity position, the maturity profile of financing instruments, and the term of the syndicated line of credit.

Risk Management System

Please refer to the 2010 Group management report for a description of Bertelsmann's risk management system (RMS) and the accounting-related RMS and internal control system (ICS).

Significant Changes in Risks since the Group Management Report 2010

Please refer to the 2010 Group management report for a presentation of key risks to the Bertelsmann Group. The following key changes to the report of December 31, 2010, have been identified as part of the risk report of June 30, 2011.

Strategic and Operational Risks

RTL Group derives the majority of its revenue from the various advertising markets in which the Group operates. This is an area highly exposed to the general economic conditions and consumer confidence. In Western European markets the Group experienced a mixed advertising market environment in the first half of the year, while there was no sign of recovery yet in Central and Eastern Europe. Given the current macroeconomic conditions and expectations, visibility remains limited especially for the critical last quarter 2011. The state of the advertising markets is just one of the key operational drivers – other drivers include audience shares, advertising market shares, and program costs. Should any of these key drivers change substantially compared to the Group's position as of June 30, 2011, then RTL Group would be impacted – either positively or negatively – in the second half of 2011. RTL Group has reduced supplier-related risks by extension of contracts. RTL Group continues to monitor its cost base closely but cannot rule out increased program investments, should the competitive landscape require it, which would have a negative short-term impact on earnings. On page 81, Bertelsmann Annual Report 2010 sets out the most significant risk factors and litigations relating to RTL Group's operations at the time of that report. Bertelsmann does not consider that these principal risks and uncertainties have changed materially.

The bankruptcy of Borders Group, Inc. in February 2011 and Random House's adoption in March 2011 of the agency pricing model for most of its digital business marked material turning points for Random House in the first half 2011. In the near- and medium-term future, customer risk will focus on the longer-term erosion of the number of retail space devoted to physical books. Risks related to e-books will focus on the issue of where title price points will settle. Other risks, including a soft economy and the potential for new competitors to enter the publishing business, will continue to be important.

Gruner + Jahr still sees a risk of rising prices, especially in the paper market. The primary causes are rising raw material and energy costs and possible concentrations on the provider side.

The market environment for Arvato remains tense. On the supplier side, the risks of rising procurement prices (for paper, polycarbonate, and ink) cited in the December 31, 2010, report materialized in the first half of 2011, while the risks of a negative economic development did not. The DVD and CD replication business also fell further than expected, making further adjustments necessary.

The risk position of the Bertelsmann club and direct marketing activities was significantly reduced through the sale of the French-speaking business and the Club in Poland in the first half of 2011, so that this no longer represents a separate top risk in the Group. The risk assessment of the remaining activities had not changed significantly as of June 30, 2011.

Legal Risks

The upheavals in the e-book market led anti-trust authorities (EU Commission, British OFT, U.S. Justice Department) to initiate industry-wide investigations for possible anti-competitive market practices in the way e-books are generally sold. It is not currently possible to predict the outcome of the investigations or any effects this may have on Bertelsmann. For all other unchanged legal risks, please refer to pages 81 and 82 of the Group management report for fiscal year 2010.

Overall Risk

No risks endangering Bertelsmann's continued existence were identified as of June 30, 2011, and no such risks are foreseeable at the moment. The overall risk position has improved thanks to the sale of many of the club and direct marketing activities in the first half of 2011 and a downgrade of future customer-related risks at Random House.

Opportunities

The assessment of opportunities has not changed substantially compared to the information presented in the 2010 Group management report.

Outlook

The forecasts for general economic trends developed by the leading economic researchers in the early summer were based on continued, albeit slower, global economic expansion. According to the summer forecast of the Kiel Institute for the World Economy (IfW) from June 2011, the indicators currently available point toward a return to somewhat slower growth in the global economy. The IfW expects global production to rise 4.5 percent in 2011, 0.2 percentage points higher than projected in the spring of 2011. Although the IfW forecasts a marked slowing of economic dynamics in the euro zone for the rest of the year, production is expected to rise 2 percent in the current year. The IfW expects production in the U.S. to begin growing again at a faster pace following a slowdown at the beginning of the year. Looking at the economic situation in Germany, the IfW expects the real gross domestic product to grow 3.6 percent in the current year, with the upward trend fueled primarily by domestic demand. The IfW sees economic risks to the German economy primarily in the global economic environment.

Overall, the IfW's economic expectations from June 2011 are more optimistic than the previous forecasts. On the other hand, one must consider the current developments on the international capital markets in conjunction with the government debt crises in Europe and the U.S. and the latest economic data for Germany and the euro zone, which point toward a – possibly substantial – economic slowdown. According to Germany's Federal Statistical Office, the gross domestic product in Germany grew only 0.1 percent in the second quarter of 2011 following 1.3 percent growth in the quarter before that. The growth rate in the euro zone was a mere 0.2 percent, down from 0.8 percent in the previous quarter according to Eurostat figures. Based on this data, an adjustment of economic forecasts is expected.

Following the announcement of the aforementioned indicators, the U.S. investment bank Morgan Stanley reduced its forecasts for global economic growth from 4.2 percent to 3.9 percent. Although a recession in the major economies is not yet expected at present, experts see their expectations for slowed global economic growth confirmed.

As a result, there is currently an increased level of uncertainty surrounding overall economic developments in the second half of 2011, especially with regard to the extent and duration of the slowdown. This uncertainty also affects the prospective development of Bertelsmann's business.

With this in mind, Bertelsmann is cautiously optimistic about its performance in the second half of the year. Expectations for fiscal 2011 remain unchanged: moderate growth of Group revenues and a return on sales of over 10 percent. Operating EBIT is expected to fall slightly below the previous year's figure due in part to higher prices for paper and raw materials, energy costs, and start-up losses for new projects, especially at Arvato. The Group net income is therefore expected to remain above the previous year's figure thanks to lower one-time effects. Bertelsmann still expects operational investments to be higher than the previous year's level and the leverage factor below the self-imposed limit of 2.5. Due to the liquidation of Direct Group as a separate segment of Bertelsmann, no separate forecast will be provided for the remaining immaterial businesses.

These forecasts are based on Bertelsmann's current business strategy as outlined in the "Business and Economic Conditions" section. The forecasts are the result of a consideration of risks and opportunities and are based on operational planning and the medium-term outlook for the corporate divisions. All statements concerning potential economic and business developments represent opinions advanced on the basis of the information that is currently available. Should the underlying assumptions 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.

Group Income Statement

in € millions	H1 2011	H1 2010 (adjusted)
Revenues	7,160	7,028
Other operating income	228	236
Change in inventories	47	11
Own costs capitalized	96	106
Cost of materials	(2,369)	(2,236)
Royalty and license fees	(385)	(364)
Personnel costs	(2,189)	(2,154)
Amortization of intangible assets and depreciation of property, plant and equipment	(254)	(257)
Other operating expenses	(1,617)	(1,644)
Results from investments accounted for using the equity method	11	21
Income from other participations	9	7
Special items	(60)	(30)
EBIT (earnings before interest and taxes)	677	724
Interest income	32	20
Interest expenses	(106)	(136)
Other financial income	48	34
Other financial expenses	(169)	(233)
Financial result	(195)	(315)
Earnings before taxes from continuing operations	482	409
Income taxes	(108)	(108)
Earnings after taxes from continuing operations	374	301
Earnings after taxes from discontinued operations	(105)	(55)
Group profit or loss	269	246
attributable to:		
Bertelsmann shareholders		
Earnings from continuing operations	288	221
Earnings from discontinued operations	(105)	(51)
Earnings attributable to Bertelsmann shareholders	183	170
Non-controlling interests		
Earnings from continuing operations	86	80
Earnings from discontinued operations	–	(4)
Earnings attributable to non-controlling interests	86	76

The figures from the previous year have been adjusted in accordance with IFRS 5.
For further details, please refer to “Discontinued Operations” on page 22.

Group Statement of Comprehensive Income

in € millions	H1 2011	H1 2010 (adjusted)
Group profit or loss	269	246
Currency translation differences		
– Changes recognized directly in equity	(72)	267
– Reclassification adjustments for gains (losses) included in profit or loss	(5)	–
Available-for-sale financial assets		
– Changes in fair value recognized in equity	(10)	(20)
– Reclassification adjustments for gains (losses) included in profit or loss	–	–
Cash flow hedges		
– Changes in fair value recognized in equity	(30)	75
– Reclassification adjustments for gains (losses) included in profit or loss	(1)	1
Actuarial gains/losses on defined benefit plans	44	(230)
Share of other comprehensive income of equity-accounted investments	(7)	24
Other comprehensive income (after taxes)	(81)	117
Group comprehensive income	188	363
attributable to:		
Bertelsmann shareholders	106	274
Non-controlling interests	82	89

Reconciliation to Operating EBIT (Continuing Operations)

in € millions	H1 2011	H1 2010 (adjusted)
EBIT from continuing operations	677	724
Special items		
– Impairment of goodwill, other intangible assets with indefinite useful life, other financial assets and assets held for sale	9	1
– Capital gains/losses	7	6
– Other special items	44	23
Operating EBIT from continuing operations	737	754
Operating EBITDA from continuing operations	991	1,011

The figures from the previous year have been adjusted in accordance with IFRS 5.

Group Balance Sheet

in € millions	6/30/2011	12/31/2010
Assets		
Non-current assets		
Goodwill	5,887	6,068
Other intangible assets	586	629
Property, plant and equipment	2,000	2,086
Investments accounted for using the equity method	487	485
Other financial assets	418	378
Trade accounts receivable	23	7
Other accounts receivable and other assets	262	302
Deferred tax assets	1,079	1,155
	10,742	11,110
Current assets		
Inventories	1,468	1,468
Trade accounts receivable	2,434	2,673
Other accounts receivable and other assets	1,020	1,076
Other financial assets	80	77
Current income tax receivable	79	83
Cash and cash equivalents	1,631	2,006
	6,712	7,383
Assets held for sale	295	286
	17,749	18,779
Equity and Liabilities		
Equity		
Subscribed capital	1,000	1,000
Capital reserve	2,345	2,345
Retained earnings	2,019	2,107
Bertelsmann shareholders' equity	5,364	5,452
Non-controlling interests	929	1,034
	6,293	6,486
Non-current liabilities		
Provisions for pensions and similar obligations	1,486	1,565
Other provisions	121	110
Deferred tax liabilities	87	82
Profit participation capital	413	413
Financial debt	3,477	3,738
Trade accounts payable	49	51
Other liabilities	571	618
	6,204	6,577
Current liabilities		
Other provisions	332	378
Financial debt	172	181
Trade accounts payable	2,438	2,611
Other liabilities	2,035	2,196
Current income tax payable	162	159
	5,139	5,525
Liabilities related to assets held for sale	113	191
	17,749	18,779

Group Cash Flow Statement

in € millions	H1 2011	H1 2010 (adjusted)
Group earnings before interest and taxes (EBIT)	602	675
Taxes paid	(128)	(202)
Depreciation and write-ups of non-current assets	277	314
Capital gains/losses	59	10
Change in provisions for pensions and similar obligations	(39)	(46)
Change in other provisions	(29)	(60)
Other effects	37	24
Change in net working capital	(37)	116
Cash flow from operating activities	742	831
– thereof from discontinued operations	(34)	14
Investments in:		
– intangible assets	(80)	(90)
– property, plant and equipment	(160)	(100)
– financial assets	(87)	(18)
– purchase prices for consolidated investments (net of acquired cash)	(40)	(157)
Proceeds from disposal of business units within scope of business combinations	7	39
Proceeds from disposal of other fixed assets	23	405
Cash flow from investing activities	(337)	79
– thereof from discontinued operations	(6)	(21)
Redemption of bonds and promissory notes	(207)	(750)
Redemption for buyback of profit participation certificates	–	(386)
Proceeds from/redemption of other financial debt	(28)	29
Interest paid	(149)	(198)
Interest received	28	18
Change in shareholders' equity	(22)	(58)
Dividends to Bertelsmann shareholders	(180)	(60)
Dividends to non-controlling shareholders and payments to partners in partnerships (IAS 32.18b)	(216)	(241)
Cash flow from financing activities	(774)	(1,646)
– thereof from discontinued operations	(4)	(3)
Change in cash and cash equivalents	(369)	(736)
Currency effects and other changes in cash and cash equivalents	(6)	53
Cash and cash equivalents 1/1	2,006	2,085
Cash and cash equivalents 6/30	1,631	1,402

The figures for discontinued operations from the previous year have been adjusted in accordance with IFRS 5.

Change in Net Financial Debt

in € millions	H1 2011	H1 2010
Net financial debt at 1/1	(1,913)	(2,793)
Cash flow from operating activities	742	831
Cash flow from investing activities	(337)	79
Interest, dividends and changes in equity, additional payments (IAS 32.18b)	(539)	(539)
Currency effects and other changes in net financial debt	29	(360)
Net financial debt at 6/30	(2,018)	(2,782)

Net financial debt is the balance of the items "cash and cash equivalents" and "financial debt."

Group Statement of Changes in Equity

in € millions	Subscribed capital	Capital reserve	Retained earnings: Other retained earnings	Other comprehensive income[1]: Currency translation differences	Other comprehensive income[1]: Available-for-sale financial assets	Other comprehensive income[1]: Cash flow hedges	Other comprehensive income[1]: Actuarial gains/losses on defined benefit plans	Other comprehensive income[1]: Share of other comprehensive income of equity-accounted investments	Bertelsmann shareholders' equity	Non-controlling interests	Total
Balance as of 1/1/2010	1,000	2,345	2,149	(445)	43	1	(207)	(7)	4,879	1,101	5,980
Group profit or loss	–	–	170	–	–	–	–	–	170	76	246
Other comprehensive income	–	–	–	262	(19)	68	(229)	22	104	13	117
Group comprehensive income	–	–	170	262	(19)	68	(229)	22	274	89	363
Dividend distribution	–	–	(60)	–	–	–	–	–	(60)	(218)	(278)
Changes in ownership interests in subsidiaries[1]	–	–	(29)	–	–	–	–	–	(29)	(29)	(58)
Other changes	–	–	4	–	–	–	–	–	4	1	5
Balance as of 6/30/2010	1,000	2,345	2,234	(183)	24	69	(436)	15	5,068	944	6,012
Balance as of 1/1/2011	1,000	2,345	2,522	(224)	45	16	(263)	11	5,452	1,034	6,486
Group profit or loss	–	–	183	–	–	–	–	–	183	86	269
Other comprehensive income	–	–	–	(76)	(9)	(28)	43	(7)	(77)	(4)	(81)
Group comprehensive income	–	–	183	(76)	(9)	(28)	43	(7)	106	82	188
Dividend distribution	–	–	(180)	–	–	–	–	–	(180)	(178)	(358)
Changes in ownership interests in subsidiaries[2]	–	–	(13)	–	–	–	–	–	(13)	(9)	(22)
Other changes	–	–	(1)	–	–	–	–	–	(1)	–	(1)
Balance as of 6/30/2011	1,000	2,345	2,511	(300)	36	(12)	(220)	4	5,364	929	6,293

[1] This includes a total of €-4 million (June 30, 2010: €66 million) from assets classified as held for sale as of June 30, 2011.
[2] The effects in "Changes in ownership interests in subsidiaries" result from increasing interests in several fully consolidated participating interests.

Segment Information (Continuing Operations)

	RTL Group		Random House		Gruner + Jahr		Arvato	
in € millions	H1 2011	H1 2010 (adjusted)	H1 2011	H1 2010 (adjusted)	H1 2011	H1 2010 (adjusted)	H1 2011	H1 2010 (adjusted)
Revenues from external customers	2,748	2,658	787	791	1,239	1,207	2,271	2,178
Intersegment revenues	3	3	–	–	11	10	124	134
Divisional revenues	2,751	2,661	787	791	1,250	1,217	2,395	2,312
Operating EBIT	545	533	69	40	125	130	66	99
Special items	(8)	(12)	(34)	–	(2)	(5)	(19)	(15)
EBIT	537	521	35	40	123	125	47	84
Return on sales[1]	19.8%	20.0%	8.8%	5.1%	10.0%	10.7%	2.8%	4.3%
Scheduled depreciation and amortization	94	90	12	13	31	33	97	104
Impairment losses	19	6	15	–	1	1	–	1
thereof in special items	8	–	15	–	–	–	–	1
Results from investments accounted for using the equity method	20	21	–	–	7	5	–	–
Additions to non-current assets[2]	111	81	19	7	16	10	99	65
Employees (closing date)[3]	12,438	12,339	5,304	5,264	13,327	13,337	66,418	63,985
Employees (average)[3]	12,322	11,876	5,288	5,264	13,362	13,314	65,962	61,601

The figures from the previous year have been adjusted in accordance with IFRS 5.
[1] Operating EBIT as a percentage of revenues in the divisions.
[2] Additions to property, plant and equipment and intangible assets including goodwill.
[3] The number of employees in the prior period corresponds to the number on December 31, 2010.

Selected Explanatory Notes

Accounting Principles

This interim financial report has been prepared according to Section 37w of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) and has been subject to a limited review by the Group's auditor. It contains condensed consolidated interim financial statements prepared in accordance with IAS 34 Interim Financial Reporting, including selected explanatory notes. This report was prepared using the same fundamental accounting and measurement methods as in the consolidated financial statements of December 31, 2010. A detailed description of these methods can be found in the notes to the consolidated financial statements in the Annual Report for 2010. Exceptions have been made for the new and revised accounting standards and interpretations that have become mandatory since January 1, 2011:

- Revised version of IAS 24 Related Party Disclosures
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement
- Amendments to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues
- Amendments to IFRS 1 First-time Adoption of IFRSs – Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters
- Improvements to IFRS (published in May 2010)

The revised standard IAS 24 includes changed definition criteria for related parties. The information on material voting rights has been deleted from the standard, and information on government-related companies has been reduced. In addition, marginal changes have been made to the standard's text. IFRIC 19 deals with accounting for so-called "debt-equity swaps." The improvements to IFRS (published in May 2010) are clarifications of or corrections to existing IFRSs or changes as a result of changes previously made to IFRSs. Three of the changes (two to IFRS 1 and one to IAS 34) modify existing requirements or provide additional guidelines for the implementation of these requirements.

The effects from the first-time adoption of these requirements are not material for the Bertelsmann Group. The Bertelsmann Group has not opted for early adoption of any additional standards, interpretations, or changes that have been published but are not yet mandatory.

Total divisions		Corporate		Consolidation/Other		Continuing operations	
H1 2011	H1 2010 (adjusted)	H1 2011	H1 2010 (adjusted)	H1 2011	H1 2010 (adjusted)	H1 2011	H1 2010 (adjusted)
7,045	6,834	115	194	–	–	7,160	7,028
138	147	4	3	(142)	(150)	–	–
7,183	6,981	119	197	(142)	(150)	7,160	7,028
805	802	(67)	(50)	(1)	2	737	754
(63)	(32)	1	2	2	–	(60)	(30)
742	770	(66)	(48)	1	2	677	724
11.2%	11.5%	–	–	–	–	10.3%	10.7%
234	240	8	10	–	–	242	250
35	8	1	–	(1)	–	35	8
23	1	1	–	(1)	–	23	1
27	26	(16)	(5)	–	–	11	21
245	163	2	2	–	(1)	247	164
97,487	94,925	2,525	2,603	–	–	100,012	97,528
96,934	92,055	2,533	2,882	–	–	99,467	94,937

Scope of Consolidation

The consolidated interim financial statements as of June 30, 2011, include Bertelsmann AG and all material companies that have business operations and with regard to which Bertelsmann AG has a direct or indirect opportunity or actual power to govern the financial and operating policy. As of June 30, 2011, Bertelsmann AG's group of consolidated companies comprised 852 companies including 16 entries and 58 exits in the first half year of 2011.

781 companies were fully consolidated as of June 30, 2011.

Acquisitions and Disposals

In the first half of 2011 the Group made several acquisitions that, taken on their own, were not material. The total impact on the Group's financial position and results of operations was also immaterial. The consideration paid for acquisitions less cash and cash equivalents acquired amounted to €40 million. The compensation transferred for new acquisitions in the sense of IFRS 3 totaled €26 million. The acquisitions resulted in goodwill totaling €22 million as part of the preliminary purchase price allocations.

The divestments yielded payments to the Group totaling €7 million (previous year: €39 million) after consideration of cash and cash equivalents disposed of.

Direct Group France, which includes the French-language club business and the Chapitre.com bookstore chain, was sold to the U.S. private equity firm Najafi Companies at the end of May 2011 as part of the scale-back in Direct Group. The preliminary consideration for the interest sold and financial liabilities acquired totaled €78 million. After deducting the cash and cash equivalents disposed totaling €27 million, this resulted in an actual cash inflow of €6 million. The sale of Direct Group France resulted in a capital loss of €-48 million. Direct Group also sold some other businesses, including the Librerías Bertrand bookstores in Spain to a subsidiary of the Spanish media company Grupo Planeta as well as club businesses in Poland.

Discontinued Operations

At the start of 2011 the Group's management decided to sell Direct Group's remaining companies, in addition to Direct Group France. This plan does not include the companies in Germany and Spain. In the first half of 2011, the sale of Direct Group in France, Poland, and Spain (Librerías Bertrand) was completed. The search for a buyer and implementation of the sales plan were launched for the book clubs in Russia and Ukraine as well as in the Czech Republic and Slovakia. Taken together, these Direct Group companies meet the conditions of IFRS 5 for the classification as discontinued operations and accordingly the ongoing earnings and cash flows for these companies are shown separately in these financial statements. The assets and liabilities for the Eastern European companies not yet sold as of June 30, 2011 are also shown separately. Previous-year figures in the income and cash flow statements have been adjusted according to IFRS 5.

The previous-year figures also include the completed sale of the UK TV Group Five in the second half of 2010. This group was already classified under discontinued operations last year as of June 30, 2010. Detailed information can be found in the notes to the consolidated financial statements in the Annual Report for 2010.

The result from discontinued operations is broken down as follows:

Income Statement (Discontinued Operations)

in € millions	H1 2011	H1 2010 (adjusted)
Revenues	263	472
Income	15	17
Expenses	(302)	(495)
Operating EBIT from discontinued operations	(24)	(6)
Special items	(51)	(43)
EBIT (earnings before interest and taxes) from discontinued operations	(75)	(49)
Financial result	(3)	(5)
Earnings before taxes from discontinued operations	(78)	(54)
Income taxes	(27)	(1)
Earnings after taxes from discontinued operations	(105)	(55)

The carrying amounts of the assets classified as held for sale and related liabilities can be found in the following table. In addition to the Eastern European companies of Direct Group that are available for sale, RTL Nederland's radio stations Radio 538, Radio 10 Gold, and Slam FM are disclosed. This is due to the fact that it was decided to exercise the RTL Group's put option towards Talpa Media Holding, the co-shareholder in RTL Nederland. The option was exercised in July 2011. As a result of the acquisition of the minority interest of 26.3 percent in RTL Nederland from Talpa Media Holding, in future RTL Group will once again have full control of its Dutch subsidiary. In return, Talpa Media Holding will receive the radio stations detailed above.

Assets Held for Sale and Related Liabilities

in € millions	6/30/2011	12/31/2010
Assets		
Non-current assets		
Goodwill	168	–
Other intangible assets	13	38
Property, plant and equipment	16	49
Other non-current assets	–	7
Deferred tax assets	42	11
Current assets		
Inventories	20	82
Other current assets	27	85
Cash and cash equivalents	9	14
Liabilities		
Non-current liabilities		
Provisions for pensions and similar obligations	–	8
Financial debt	54	9
Other non-current liabilities	29	1
Deferred tax liabilities	–	–
Current liabilities		
Trade accounts payable	17	106
Other current liabilities	13	67

Income Taxes

Tax expense for the first half year of 2011 was calculated in line with IAS 34 using the average annual tax rate expected for the whole of 2011. The estimated average annual tax rate for 2011 is 34.5 percent.

The reversal of impairment for deferred tax assets for existing loss carryforwards in the U.S. in the amount of €35 million and a tax refund for previous years in Germany in the amount of €31 million reduced the total tax expenses to €-108 million.

Special Items

in € millions	H1 2011	H1 2010 (adjusted)
Impairment of goodwill, other intangible assets with indefinite useful life, other financial assets and assets held for sale		
AdSociety, RTL Group	(5)	–
Other	(4)	(1)
Capital gains/losses		
Ren TV, RTL Group	–	(12)
Printer Barcelona, Arvato	(10)	–
Other	3	6
Other special items		
Onerous lease contract, Random House	(33)	–
Restructuring and severance payments, Arvato	(9)	(13)
Restructuring and severance payments, Prinovis, one half each Gruner + Jahr and Arvato	–	(3)
Restructuring and severance payments, Gruner + Jahr	(1)	(3)
Restructuring and severance payments, Corporate	(1)	(2)
Other	–	(2)
	(60)	(30)

Special items are primarily business transactions that are not repeatable and therefore not operational in nature. 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 frequency of occurrence. Special items in the first half of 2011 come to €-60 million (H1 2010: €-30 million).

Other Information

As a result of the seasonal nature of the divisions, higher revenues and operating results are by tendency expected in the second half of the year compared to the first half year. The higher revenues in the second half of the year are due to the increasing demand during the year-end holiday season, in particular in the advertising-driven companies, and also to Arvato's customer-oriented services.

Arvato carried out an extensive reorganization in the first half of 2011. The new organizational structure reflects Arvato's strategic orientation as a business process outsourcing service provider and is geared to the strategic market units that will offer integrated solutions for individual markets and industries. During the first half year, a promissory note loan with a nominal amount of €188 million and own bonds for the 2006/2012 issue with a nominal amount of €6 million were acquired. In June 2011 Bertelsmann AG renewed a €1.2 billion syndicated line of credit, due to expire in 2012, for five years until 2016 with extension options through to 2018.

Notes to the Segment Reporting

After the sale of the Direct Group companies in France, which was completed at the end of May 2011, Direct Group was finally disbanded as an independent division of Bertelsmann AG. The remaining immaterial companies in Germany and Spain are no longer controlled separately by the Group's management, accordingly the operating segment "Direct Group" is no longer shown separately in the segment reporting. The four operating segments RTL Group, Random House, Gruner + Jahr, and Arvato remain, as well as Corporate. The club and direct marketing businesses in German-speaking regions and in Spain are shown under Corporate.

Reconciliation of the Total Segment Result to the Group Result

in € millions	H1 2011	H1 2010 (adjusted)
Total amount of segments' EBIT	742	770
Corporate	(66)	(48)
Consolidation/Other	1	2
EBIT from continuing operations	677	724
Financial result	(195)	(315)
Earnings before taxes from continuing operations	482	409
Income taxes	(108)	(108)
Earnings after taxes from continuing operations	374	301
Earnings after taxes from discontinued operations	(105)	(55)
Group profit or loss	269	246

Events after the Balance Sheet Date

On July 25, 2011, RTL Group reached an agreement with the two remaining non-controlling shareholders in RTL Hrvatska, Atlantic and Agrokor, to acquire their stakes in RTL Hrvatska. This transaction will take RTL Group's shareholding in the Croatian broadcasting business to 100 percent and will be accounted for as an equity transaction since RTL Group already has control.

On July 28, 2011, RTL Group acquired an additional 31 percent stake in RTL Klub, the Group's Hungarian television station. This acquisition will be accounted for as an equity transaction since RTL Group already has control. RTL Group's stake in RTL Klub following this acquisition amounts to 98 percent. Alongside this increased stake RTL Group also acquired 100 percent of seven cable channels. Both transactions still require approval from the responsible authorities.

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the condensed consolidated interim financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the group, and the interim management report of the group includes a fair review of the development and performance of the business and the position of the group, together with a description of the material opportunities and risks associated with the expected development of the group for the remaining months of the financial year.

Gütersloh, August 25, 2011

Bertelsmann AG
The Executive Board

Ostrowski	Buch	Dr. Buchholz
Dohle	Dr. Rabe	Zeiler

Review Report by Auditors

To Bertelsmann AG

We have reviewed the condensed consolidated interim financial statements – comprising income statement, statement of comprehensive income, balance sheet, statement of cash flows, statement of changes in equity, and selected explanatory notes – and the interim group management report of Bertelsmann AG, Gütersloh, for the period from January 1 to June 30, 2011, which are part of the half-year financial report pursuant to § (Article) 37w WpHG ("Wertpapierhandelsgesetz": German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim group management report in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports is the responsibility of the parent Company's Board of Managing Directors. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim group management report based on our review.
We conducted our review of the condensed consolidated interim financial statements and the interim group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion.
Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU nor that the interim group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim group management reports.

Bielefeld, August 26, 2011

PricewaterhouseCoopers
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

Werner Ballhaus	Christoph Gruss
Wirtschaftsprüfer	Wirtschaftsprüfer
(German Public Auditor)	(German Public Auditor)

Financial Calendar

November 10, 2011
Announcement of figures for the first nine months of 2011

March 28, 2012
Annual Press Conference for fiscal year 2011

Contact

For journalists
Corporate Communications / Media Relations
Phone: +49 (0) 5241-80-2466
press@bertelsmann.com

For analysts and investors
Investor Relations
Phone: +49 (0) 5241-80-2342
investor@bertelsmann.de

For global jobs and careers
Recruiting Services
createyourowncareer@bertelsmann.com
www.createyourowncareer.com

Information about Bertelsmann as an employer is also available on:

The Interim Report and current information about Bertelsmann are also posted at:
www.bertelsmann.de
www.bertelsmann.com

This Interim Report is also available in German.

Production Credits

Publisher
Bertelsmann AG
Carl-Bertelsmann-Strasse 270
33311 Gütersloh

Editing and coordination
Bertelsmann AG
Corporate Communications

Project management
Simone Fratczak
Bertelsmann AG
Media Relations

Design and Production
Medienfabrik Gütersloh GmbH, Gütersloh

Photo credits
Nils Hendrik Müller

Print
Mohn Media Mohndruck GmbH, Gütersloh

Milena Alberti-Perez | Julia Albracht | Osman Atmaca | Kenan Aydin | Peider Bach | Philipp Bartscher | Avideh Bashirrad | Björn Bauer | Stéphane Berlow | Jan-Willem Borsboom | Antonia Bräuning | Ulrike Brisso | Stephan Bruhs | Wencke Bugl | Jens Bujar | Lucia Capel | Gina Centrello | Arthur Clement | Maik Coesfeld | Yunfeng Cui | Jan Paul Dekker | Özlem Dogan | Lauren Donovan | Angelika Dornaus | Anja Dreßler | Nazan Eckes | Mark Ernsting | Nancy Facci | Barbara Fillon | Nikolaus Förster | Sigrid Fortkord | Björn Fuchs | Peter-Matthias Gaede | Ushananthan Ganeshananthan | Corinna Gnädig | Julie Grau | Katharina Greis | Heike Grundig | Sebastian Habig | Sandra Harzer-Kux | David Heimburger | Rolf Heinz | Marvin Henry | Jan Hildburg | Hendrik Horn | Verena Huber | Christopher Jackson | Günter Jakel | Harald Kämmerer | Ralf Kathöfer | Christian Kirsten | Peter Kloeppel | Laura Kohler | Torsten Koopmann | Marlen Kublank | Barbara Kutscher | Thomas Lindner | Annemarieke Loderus | Annabelle Yu Long | Frauke Ludowig | Hartwig Masuch | Jessica McIntyre | Martina Mönninghoff | Petra Netta | Michaela Nix | Hannes Oenning | Metin Oezmen | Thomas Osterkorn | Arno Otto | André Pollmann | Antonia Rados | Oliver Radtke | Ulrike Riesmeier | Michael Risi | Frank Ritzenhoff | Heike Rottmann | Martin Rudolph | Stephan Rüger | Luigi Sanfilippo | Astrid Saß | Benjamin Schäfer | Stephan Schäfer | Michael Schaper | Bernd Schröder | Uwe Schröder | Matthew Schwartz | Sascha Schwingel | Nico Senkel | Bashar Shammout | Jeff Shelstad | Roderick Shillingford | Christoph Teuner | Lysann Triebel | Friederike Uhr | Petra Verleger | Elvan von Heesen | Lena Vynogradova | Marianne Wagner | Mi Young Waldman | Margret Wasiltschenko | Johannes Weweler | Kenneth Wohlrob | Petra Wrenger | Marilyn Young |

Our employees on the cover, in alphabetical order.

Innovative use of combined heat and power technology when printing this product reduced CO_2 emissions by up to 52% in comparison to conventional methods in Germany.
Dr. Schorb, ifeu-Institut

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C011124

The FSC logo identifies products which contain wood from well-managed forests certified in accordance with the rules of the Forest Stewardship Council.