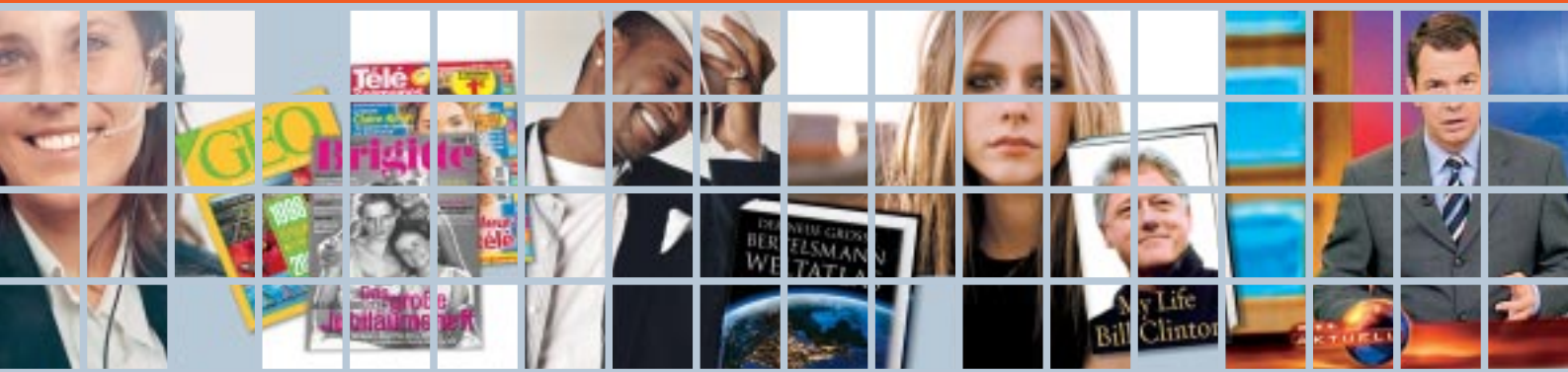


January February March April May June Interim Report 2004



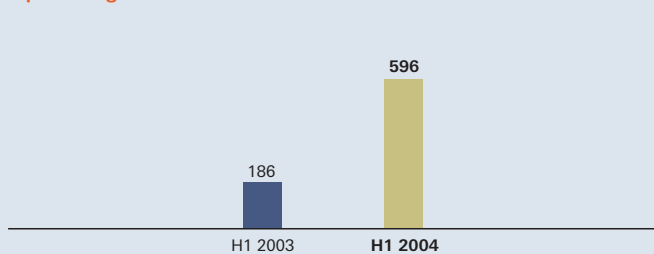
Business Development January through June 2004

Bertelsmann Significantly Improves Results

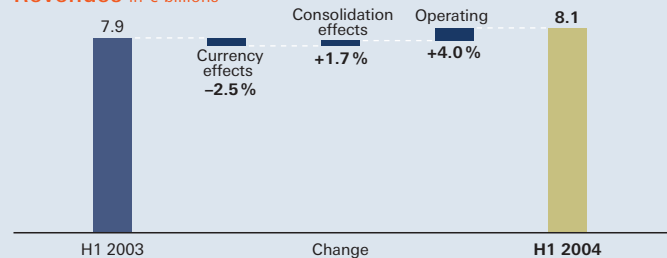
Operating EBIT for the first half of 2004 increased to € 596 million (first half of 2003: € 186 million). Net income for the first six months improved to € 550 million (first half of 2003: € 142 million). First-half revenues rose to € 8.1 billion (first half of 2003: € 7.9 billion).

Overview of Group Performance

Operating EBIT in € millions



Revenues in € billions



Business Environment

Bertelsmann's businesses underwent positive development in a gradually improving economic environment. Thus, the development seen during the second half of the previous year continued during the first six months of 2004. While Germany was still characterized by a lack of domestic demand, increasing consumer confidence and an improved business climate were seen in the other core European markets and especially in the US.

Revenues

In the first half of 2004, Bertelsmann generated revenues of € 8.1 billion, vs. first-half revenues of € 7.9 billion the previous year. This 3.2 percent year-on-year revenue increase is attributable to a positive overall business development. Due to changes in the shareholder structure, the French TV channel M6 was fully consolidated as of February 1, 2004 (previous year: proportionally consolidated). Adjusted for portfolio and currency effects, organic revenue growth was at 4.0 percent.

Operating EBIT

Operating EBIT rose considerably to € 596 million (first half of 2003: € 186 million). Based on the changed IFRS guidelines, regular amortization of goodwill and rights similar to goodwill with unspecified useful life no longer applies since January 1, 2004. Thus Operating EBIT is used instead of Operating EBITA (also see section on Accounting Principles on page 8).

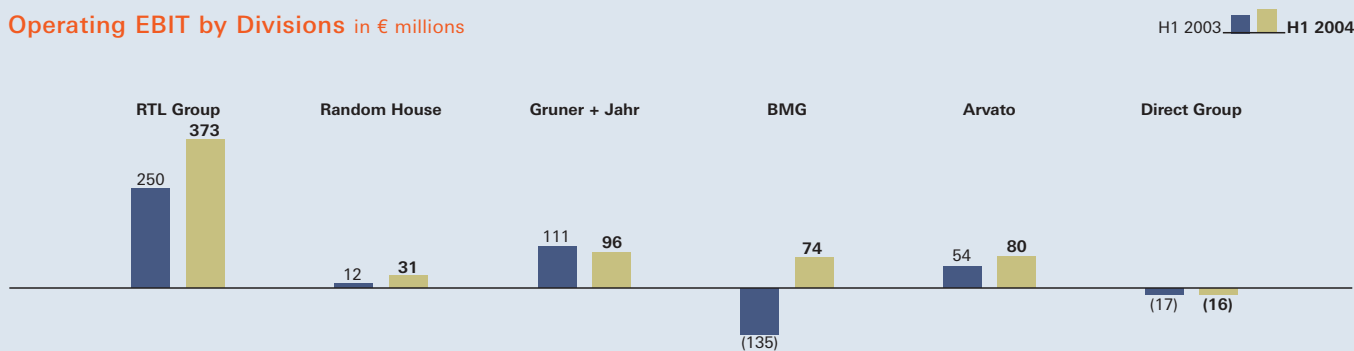
BMG played a significant part in the steep rise in earnings vs. the previous year. RTL Group was able to maintain its positive business development of the previous year, with the full consolidation effect of M6 adding earnings of € 60 million. Earnings increases at Arvato were primarily attributable to the Arvato Services and Arvato Storage Media business units. Random House also delivered improved results. Start-up losses

Special items also include restructuring measures at BMG (€ –42 million) and the dissolution of provisions in view of a settlement in a lawsuit involving the former joint venture AOL Europe (€ 74 million). After financial result and income taxes, net income before minority interests amounted to € 550 million for the first six months of 2004 (first half of 2003: € 142 million). Minority interests at June 30, 2004 increased to € 104 million (first half of 2003: € 32 million), primarily due to the full consolidation of M6.

Additional Disclosures

Investments in tangible, intangible and financial assets totaled € 446 million (first half of 2003: € 342 million). At June 30, 2004

Operating EBIT by Divisions in € millions



incurred in launching the biweekly TV guides in France impacted results at Gruner + Jahr. Direct Group stood its ground in a still-difficult market environment and was able to maintain its operating result.

Operating EBITDA for the first half of 2004 amounted to € 920 million (first half of 2003: € 587 million).

Net Income for the First Six Months

Based on the Operating EBIT and adjusted for special items, EBIT amounted to € 843 million (first half of 2003: € 724 million). Special items totaled € 247 million (first half of 2003: € 538 million). These included the sale of the Bertelsmann Building in New York (€ 177 million) and capital gains from the termination of a venture capital fund in which Bertelsmann had a stake (€ 46

net financial debt amounted to € 592 million, down by € 228 million since December 31, 2003. The sale of the Bertelsmann Building in New York and the reduction of holdings in the sports rights trader Sportfive contributed to this development.

As of June 30, 2004, Bertelsmann had 74,602 employees worldwide (December 31, 2003: 73,221).

The recorded-music business merger between BMG and Sony Music Entertainment closed on August 5, 2004 following approval by the relevant competition authorities. Bertelsmann owns a 50 percent stake in the Sony BMG Music Entertainment joint venture headquartered in New York.

Business Development in the Divisions in € millions

	RTL Group		Random House		Gruner + Jahr		BMG	
	H1 2004	H1 2003	H1 2004	H1 2003	H1 2004	H1 2003	H1 2004	H1 2003
Consolidated revenues	2,451	2,179	810	741	1,215	1,235	1,181	1,072
Intercompany revenues	6	33	8	6	8	5	13	14
Divisional revenues	2,457	2,212	818	747	1,223	1,240	1,194	1,086
Operating EBIT¹⁾	373	250	31	12	96	111	74	(135)
Special items	(19)	(34)	1	(4)	10	5	(40)	(67)
EBIT	354	216	32	8	106	116	34	(202)

¹⁾2003 under retrospective application of IFRS 3, see comments on previous year figures on page 8

RTL Group

RTL Group significantly increased both its revenues and Operating EBIT. While the first-time full consolidation of the French channel M6 was a key factor in this, the division delivered a successful performance even without this effect. All profit centers had positive operating results, with significant improvements in the operations in Spain, Holland, and at M6 in France. The German family of channels continues to be the greatest mainstay of revenues and profits despite the slight decline in advertising income. Five in the UK continues to grow both audience and advertising market share and Fremantle Media made a significant contribution to earnings growth following the continued worldwide success of the Idols format and growth in its US business.

Random House

Random House reported significant revenue growth and improved operating results year on year in all its major markets from sales; the euro-denominated sales and operating results overcame the impact of the weak US dollar exchange rate. In the US, Random House's operating performance benefited from numerous stand-out publishing achievements, such as the publication of "My Life" by former President Bill Clinton, which sold more than one million hardcovers in its first week, and the continuing success of the biggest-selling adult fiction hardcover ever, Dan Brown's "The Da Vinci Code", with half-year printings totaling 2.7 million additional copies. With especially strong

sales and profits in the UK and Australia, the Random House UK Group posted an increase in its operating results over the same span last year. In Germany, Verlagsgruppe Random House sales were up year on year but operating results were somewhat impacted by restructuring costs from the integration of the Heyne publishing businesses. Random House's start-up joint ventures in Asia got off to an excellent start, especially in Korea.

Gruner + Jahr

Gruner + Jahr showed a slight year-on-year decline in revenues for the first half of 2004, due to the sale of the Eastern European newspaper business. Adjusted for currency effects and portfolio changes, Gruner + Jahr registered solid organic growth. Nearly all businesses generated operating results above previous year, in particular the German magazine and printing businesses. The high publishing investments in new innovative products, especially in the French TV guide segment with the new titles "TV Grandes Chaines" and "Télé 2 Semaines," resulted in an overall slight decline in earnings.

BMG

BMG dramatically increased its operating result against a backdrop of higher revenues and further cost-cutting measures. The division accelerated the momentum that began during the second half of 2003 by continuing to reinforce its creative focus

Arvato		Direct Group		Total Divisions		Corporate		Consolidation/Other		Total Group	
H1 2004	H1 2003	H1 2004	H1 2003	H1 2004	H1 2003	H1 2004	H1 2003	H1 2004	H1 2003	H1 2004	H1 2003
1,426	1,368	1,046	1,126	8,129	7,721	7	4	–	158	8,136	7,883
269	271	6	8	310	337	–	1	(310)	(338)	–	–
1,695	1,639	1,052	1,134	8,439	8,058	7	5	(310)	(180)	8,136	7,883
80	54	(16)	(17)	638	275	(32)	(58)	(10)	(31)	596	186
–	(17)	(1)	3	(49)	(114)	296	654	–	(2)	247	538
80	37	(17)	(14)	589	161	264	596	(10)	(33)	843	724

and marketing edge. In fact, organic growth was in the double digits when adjusted for negative currency effects. Thus, BMG outperformed its competition in a market environment that continued to be difficult. BMG added market shares in key markets around the world with creative and chart successes from acts like Usher, Avril Lavigne, Kenny Chesney, Outkast, Maroon 5, Velvet Revolver, Dido, Britney Spears, Kyo, and Will Young.

Arvato

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

Direct Group

Nearly half of Direct Group's revenue decline is attributable to negative currency effects. Nevertheless, the division managed

to maintain its operating result on par with the previous year, thanks among other things to cost-cutting measures and a continued focus on core business. France Loisirs delivered a balanced result. The US book club Bookspan improved its result year on year. The Club business in Spain again increased its return on sales. The US music club BMG Direct improved its earnings while maintaining its revenues, thereby increasing its return on sales. Meanwhile, a continuing overall consumer reluctance dampened business performance in Germany. The club business in the UK reduced its operating loss slightly. In China, the division is systematically investing in building a chain of shops for the club business.

Outlook 2004

Bertelsmann remains confident for fiscal year 2004 and continues to expect an improvement in operating results vs. the previous year.

The Executive Board expects a 15 percent payout on par value for the Bertelsmann Profit Participation Certificate (ISIN DE0005229942) once again for fiscal year 2004.

Consolidated Income Statement in € millions

	H1 2004	H1 2003 (adjusted)
Revenues	8,136	7,883
Change in inventories	86	(49)
Own costs capitalized	15	51
Cost of materials	(2,281)	(2,214)
Royalty and license fees	(745)	(687)
Personnel costs	(2,075)	(2,130)
Amortization/depreciation of non-current assets w/o goodwill	(324)	(399)
Other operating expenses, net	(2,226)	(2,249)
Results from associated companies ¹⁾	4	(26)
Income from other participations	6	6
Special items	247	538
EBIT (Earnings before interest and taxes)	843	724
Regular amortization of goodwill	–	(306)
Net interest	(39)	(52)
Other financial expenses and income	(65)	(120)
Financial result	(104)	(172)
Income taxes	(189)	(104)
Net income before minority interests	550	142
Minority interests	(104)	(32)
Net income after minority interests	446	110

Reconciliation to Operating EBIT

Operating EBIT	596	186
Special items		
– Impairment of goodwill	(1)	(37)
– Capital gains/losses on disposals	113	628
– Unscheduled income/expenses and restructurings	135	(53)
EBIT (Earnings before interest and taxes)	843	724

¹⁾w/o amortization of goodwill in 2003

Consolidated Balance Sheet in € millions

	6/30/2004	12/31/2003 (adjusted)
Assets		
Non-current assets		
Goodwill	6,726	6,632
Other intangible assets	971	901
Property, plant and equipment	2,381	2,254
Investments in associates	374	398
Other financial assets	478	419
	10,930	10,604
Current assets		
Inventories	1,930	1,820
Trade accounts receivable	2,702	3,041
Other receivables and other assets	2,428	2,573
Cash and cash equivalents	1,688	1,642
	8,748	9,076
Deferred tax assets	205	275
Prepaid expenses	183	209
	20,066	20,164
Equity and Liabilities		
Equity		
Subscribed capital	606	606
Capital reserve	2,725	2,725
Retained earnings	3,253	3,181
Net income after minority interests	446	154
Shareholders' equity	7,030	6,666
Minority interests	1,267	965
	8,297	7,631
Third-party liabilities		
Profit participation capital	706	706
Provisions		
Provisions for pensions and similar obligations	1,766	1,701
Other provisions ¹⁾	659	1,174
	2,425	2,875
Liabilities		
Financial debt	2,280	2,462
Trade accounts payable ¹⁾	3,645	3,826
Other liabilities ¹⁾	2,280	2,218
	8,205	8,506
Deferred tax liabilities	125	114
Deferred income	308	332
	20,066	20,164

¹⁾reclassification of accruals in 2003 according to IAS 37

Consolidated Cash Flow Statement in € millions

	H1 2004	H1 2003
Cash flow from operating activities	590	352
Cash flow from investing activities	(244)	(136)
Cash flow from financing activities	(403)	(362)
Change in cash and cash equivalents	(57)	(146)
Exchange rate effects and other changes of the period	103	(26)
Cash and cash equivalents at January 1	1,642	977
Cash and cash equivalents at June 30	1,688	805

Consolidated Statement of Changes in Shareholders' Equity in € millions

	Shareholders' equity	
	H1 2004	H1 2003
Balance at January 1	6,666	6,685
Dividends	(220)	(240)
Other changes	47	(19)
Currency translation differences	50	10
Measurement under IAS 39	41	(17)
Net income after minority interests	446	110
Balance at June 30	7,030	6,529

Accounting Principles

This interim financial report for Bertelsmann AG was prepared in accordance with IAS 34 "Interim Financial Reporting." In principle, the same accounting policies were used as those applied in the annual financial statements for the year ended December 31, 2003, in which the accounting policies are described in detail. The interim report was reviewed by our auditors.

Since January 1, 2004, Bertelsmann has applied IFRS 3 (Business Combinations) and the revised versions of IAS 36 (Impairments of Assets) and IAS 38 (Intangible Assets). As a result of this, regular amortization of goodwill and rights similar to goodwill with unspecified useful life no longer applies. These assets are subjected to an annual impairment test and an unscheduled value adjustment is made, if applicable.

Previous-year Figures

For purposes of comparability, the consolidated income statement for the first half of 2003 was adjusted in the presentation of figures. In this connection, regular amortization of goodwill is shown separately. Impairment of goodwill is listed under special items. The previous year's segment results were adjusted by retrospectively applying IFRS 3. Taking the expanded definition of special items into account, Operating EBIT shown here is equivalent to Operating EBITA reported in the past minus amortization of rights similar to goodwill with a specific useful life. In the previous year's balance sheet, accruals of € 1,706 million were reclassified under IAS 37 and were assigned to liabilities, for better comparability with the current presentation of figures.

Financial Calendar

November 9, 2004
Announcement of figures for the first nine months of 2004

March 17, 2005
Annual Press Conference for Fiscal Year 2004

May 18, 2005
Announcement of figures for the first three months of 2005

September 7, 2005
Announcement of figures for the first half of 2005

November 16, 2005
Announcement of figures for the first nine months of 2005

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The Interim Report and current information on Bertelsmann is also posted at:

www.bertelsmann.de
www.bertelsmann.com

Bertelsmann: Internationality, Creative Excellence, Diversity, Entrepreneurship

Front cover (from left to right): **Call Center**, Arvato Direct Services, Arvato; **“Geo”** Russia, anniversary issue 50 years of **“Brigitte”**, **“Télé 2 Semaines”**, Gruner + Jahr; **Usher**, “Confessions”, La Face, BMG; **“Der neue grosse Bertelsmann Weltatlas”**, Der Club, Direct Group; **Avril Lavigne**, “Under My Skin”, Arista, BMG; **Bill Clinton**, “My Life”, Alfred A. Knopf, Random House; **Peter Kloeppel**, “RTL aktuell”, RTL Television, RTL Group.

Back cover (from left to right): **Oliver Geissen**, “20 Jahre RTL”, RTL Television, RTL Group; **France Loisirs**, Direct Group; **Maroon 5**, “Songs About Jane”, J Records, BMG; CD production at **Sonopress**, Arvato Storage Media, Arvato; **“Six Feet Under”**, VOX, RTL Group; **Dido**, “Life For Rent”, Arista, BMG; **Robert Harris**, “Pompeji”, Heyne, Random House; **Coral Graphic Services**, Arvato Print International, Arvato.

Imprint

Editing and Coordination
Bertelsmann AG
Corporate Communications/
Media Relations

Design
ringzwei, Hamburg

Production
medienfabrik Gütersloh GmbH,
Gütersloh

Print
MOHN Media · Mohndruck GmbH,
Gütersloh

Status as of: September 1, 2004

