Culture
FREEDOM
Commitment
Independence
Values
Entertainment
Performance
Digitization
Flexibility
Change
Responsibility
Services
BESTSELLERS
Internationality
Inspiration
Sales expertise
Continuity
ENTREPRENEURSHIP
Creativity
Media
INNOVATION
Partnership
QUALITY
Citizenship
Publishing companies
Tradition

175 YEARS | OF BERTELSMANN THE LEGACY FOR OUR FUTURE

BERTELSMANN
media worldwide

Bertelsmann at a Glance

Key Figures (IFRS)

in € millions	H1 2010	H1 2009
Business Development		
Group revenues (continuing operations)	7,358	7,085
thereof:		
– RTL Group	2,661	2,475
– Random House	791	734
– Gruner + Jahr	1,217	1,217
– Arvato	2,312	2,243
– Direct Group	532	581
Operating EBIT (continuing operations)	755	497
Return on sales in percent	10.3	7.0
Group profit or loss	246	(333)
Investments	365	381
	6/30/2010	12/31/2009
Group Balance Sheet		
Equity	6,012	5,980
Equity ratio	32.3	30.9
Total assets	18,593	19,378
Net financial debt	2,782	2,793
Economic debt[1]	6,016	6,024
Employees (headcount) (continuing operations)		
Germany	36,073	36,930
International	64,078	65,774
Total	100,151	102,704

Figures from the previous year were adjusted for discontinued operations.
[1] Net financial debt plus provisions for pensions, profit participation capital and present value of operating leases (continuing operations).

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Highlights of the 1st Six Months

- RTL Group's operating EBIT and return on sales reach record levels for a first half year
- All RTL Group profit centers report higher earnings
- RTL Group's online platforms generate over 715 million video downloads in six months – an increase of 50 percent

www.rtl-group.com

- Random House increases sales and profitability, especially in U.S.
- Rapid growth in e-book sales and digital publishing programs
- Pulitzer Prizes for three Random House titles

www.randomhouse.com

- Operating EBIT up sharply due to above-market performance and 2009 cost-cutting
- Corporate Publishing expands across Europe: Audi, Red Bull, Danone and other big names turn to G+J for customer communication services
- G+J EMS leads coverage and quality in Germany's mobile segment with over 650 million mobile page impressions a month

www.guj.com

- Arvato takes over e-commerce services for the Real retail chain – from e-shops to customer service, logistics and transport
- Arvato Digital Services gains new market share and enters merchandising and electronic software distribution business segments with new customers
- Arvato Infoscore awarded German innovation prize PPP (public-private partnership) in the category of administration modernization

www.arvato.com

- Spanish club Círculo de Lectores: new momentum through joint venture with leading publishing and bookselling group Planeta
- Growth in Eastern Europe: Family Leisure Club Ukraine celebrates tenth anniversary and expands
- French club France Loisirs maintains record profitability

www.directgroup-bertelsmann.com

BERTELSMANN
media worldwide

Ladies and Gentlemen,

This year, Bertelsmann celebrates its 175th anniversary. The theme for this proud milestone is "The Legacy for Our Future" – and our performance in the first half of this year has shown just how much creativity, entrepreneurship and energy resides in the Bertelsmann Group. In 2009, we strengthened our leading market positions while streamlining our long-term cost structures. We gained lasting benefit from these measures, taken with a view to sustainability. The international advertising markets are also recovering, which is also having a positive impact. Operating earnings were at record levels after the first six months of the year. The operating return on sales exceeded the ten percent mark. Net profit has surged by more than half a billion euros. All this shows that in its anniversary year, Bertelsmann can not only look back on a very long and rich history but also look to the future with confidence and self-assurance.

Growth has been fueled primarily by the advertising-driven divisions of RTL Group and Gruner + Jahr and by Random House, where U.S. business and digital activities made particular gains. At RTL Group, all units contributed to the rise in profits, especially Mediengruppe RTL Deutschland and Groupe M6 in France. Gruner + Jahr, benefiting from an improved advertising environment, gained further market share. Arvato showed stability as its service business thrived and the print sector recovered, while Direct Group sold off further operations during the period under review. All Bertelsmann divisions are operating successfully and taking advantage of the diverse opportunities to further develop their activities, especially in the digital sector.

Thanks to a strong operating free cash flow, we have even significantly reduced our debt – by more than €800 million in the past twelve months. Given the continued high volatility of the advertising markets, our actions in the second half of the year will continue to be governed by prudence and cost-awareness. Our commanding performance in the first six months has given us confidence for the next six months: For this reason, we have increased our forecast for the full year. I am certain that 2010 itself will be seen as a successful chapter in the long history of our company.

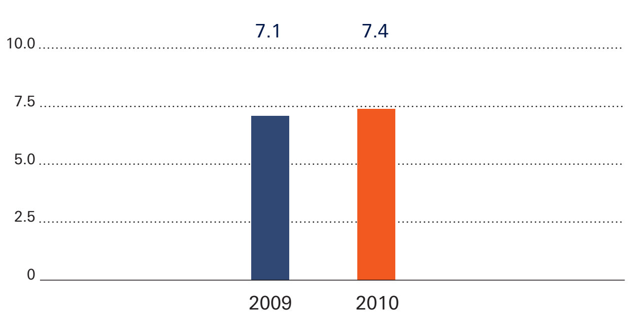
Yours,

Hartmut Ostrowski
Chairman and CEO, Bertelsmann AG

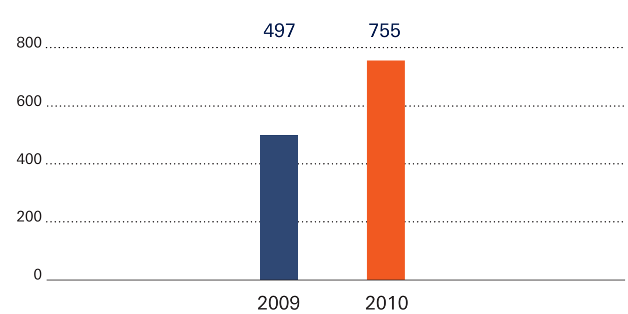
Group Interim Management Report

Bertelsmann achieved significantly higher revenues and earnings in the first half of 2010 amid improved economic conditions with recovering advertising markets. The positive trend already apparent in the first quarter of 2010 continued. Group revenues reached €7.4 billion, up from €7.1 billion in the previous year. Operating EBIT from continuing operations increased sharply to €755 million from €497 million in the previous year. The cost-cutting and efficiency program introduced in the previous year supported this earnings trend. The Group result rose by more than half a billion euros to €246 million; the previous year's figure of €-333 million was characterized by high special items. The growth in net operating income was accompanied by high operating free cash flow generation. For the second half of 2010, Bertelsmann expects stable economic conditions in the core markets, though a low level of visibility in the advertising markets for the fourth quarter and questions as to the sustainability of the economic upturn continue to fuel uncertainty. For 2010 as a whole, Bertelsmann expects both revenues and earnings to be above the previous year, a return on sales in the range of 10 percent and the Group result to exceed €500 million.

Revenues in € billions



Operating EBIT in € millions



Business and Economic Conditions

Description of Business and Organizational Structure

The international media corporation Bertelsmann is active in television (RTL Group), books (Random House), magazines (Gruner + Jahr), media services (Arvato) and media clubs (Direct Group) in over 50 countries worldwide. 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, RM Stiftung, BVG Stiftung) indirectly hold 80.7 percent of Bertelsmann AG shares, with the other 19.3 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 business management of the Group. The Bertelsmann AG Articles of Association and the resolutions adopted by the Executive Board, Supervisory Board and Annual General Meeting form the basis for corporate governance and management in accordance with the strategic guidelines, Group targets and corporate culture.

Internal financial management and reporting follow the Group's organizational structure, made up of five operating divisions. RTL Group is involved in television, radio and TV production; the Random House publishing group is active in the book market; Gruner + Jahr deals in magazines and printing; Arvato offers a complete range of media and communication services; and Direct Group primarily operates media clubs and bookstores.

Strategy

Bertelsmann's core business comprises media content and media-related production and services for both Group and non-Group customers. The Group strives for growth by optimizing its portfolio, investing in growth businesses and promoting innovation. The aim is to further develop existing business segments while opening up new avenues of growth in line with the company's financial targets.

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. A stronger position is also sought in the major growth markets, though here it is important to consider the regulatory and cultural environment, which in many of these countries is of particular relevance to the media business.

The Executive Board is continuously analyzing the structure of the business and the composition of the Group portfolio, focusing on utilizing organic growth opportunities close to the core business, leveraging cost potentials and optimizing business. The portfolio adjustments of recent months – especially in Direct Group, Gruner + Jahr and RTL Group – underscore the declared objective of selling off non-core businesses as market conditions permit.

Controlling Systems

Bertelsmann's overriding economic objective is continuous growth of the company's value through a sustained increase in profitability. The central performance indicator for assessing the profitability from business operations and return on invested capital is Bertelsmann Value Added (BVA). BVA is equal to the difference between the operating EBIT adjusted for the lump-sum corporate tax rate of 33 percent and the cost of capital. Cost of capital is the product of the uniform weighted average cost of capital of 8 percent and the level of capital invested. This focus on enterprise value is reflected in the management of Group operations and of its strategic investments and portfolios; as an element within the management compensation system, it is integral to all business activities. BVA totaled €70 million in the first half of 2010 (H1 2009: €-131 million).

Another key performance indicator is operating EBIT – the operating earnings before interest and taxes and adjusted for special items. This formula yields a normalized, sustainable indicator of operating performance that facilitates forecasting and improves comparability. Operating EBIT from continuing operations came to €755 million in the period under review (H1 2009: €497 million).

The cash conversion rate – the ratio of operating free cash flow to operating EBIT – serves as a measure of cash generated from business activities. The Group aims to maintain a cash conversion rate of 95 to 100 percent as a long-term average. Strict cash orientation in business operations, a conservative investment approach and the effects of the cost-cutting and efficiency program introduced last year together produced another increase in the cash conversion rate to 121 percent in the first half of 2010 (H1 2009: 115 percent).

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, Arvato acquired the remaining 37 percent share of the Arvato Infoscore group, a full-service provider of integrated data, information and receivables management that it had acquired in July 2005. The acquisition was based on a put option of the minority shareholder. The purchase price was €141 million.

In the first quarter, Bertelsmann asked the holders of the 2001 profit participation certificates to submit offers to sell. When the offer expired on February 22, 2010, the company had received offers to sell for 2001 profit participation certificates with a nominal value of €214 million, some 43 percent of the outstanding volume. Bertelsmann purchased all the profit participation certificates offered for a total price of €386 million, which was paid out from existing liquidity. The purpose of this initiative was to simplify the capital structure.

In February 2010, Group M6 management exercised the put option to dispose of its stake of 5.1 percent in Canal Plus France to Vivendi. On February 22, 2010, payment of €384 million was received by the Group.

The following business activities are part of the ongoing optimization of the Group portfolio and the disposal of non-core activities: In February, Direct Group sold its 50 percent share in the Italian book club Mondolibri to its former joint venture partner Mondadori. In April 2010, the sale of the Portuguese activities of Direct Group was announced. Also in April, Direct Group and the Spanish media company Grupo Planeta reached an agreement under which Planeta would invest in the Spanish club business Círculo de Lectores.

Overall Economic Developments

The global economy currently seems to be on the path to recovery, though the dynamics vary from country to country. While many emerging economies report a stronger upswing, economic growth in most advanced national economies is more restrained and volatile. The Kiel Institute for the World Economy (IfW) finds that although the latest indicators point toward strong global economic expansion, there remain significant risks to recovery in industrialized nations. This view is shared by the European Central Bank (ECB), which highlights continued tensions in the financial markets, protectionist efforts and renewed spikes in the price of oil and other commodities as factors capable of harming global economic growth.

Contrary to global economic trends, actual economic development in the U.S. has remained modest. According to the latest ECB assessments, declining consumer prices coupled with lower consumer and government spending have weakened the U.S. economy in the first quarter of 2010 following an increase in gross domestic product (GDP) in the previous quarter.

In the face of the crisis of confidence in the financial markets, the risks of an economic setback in the euro zone have risen sharply – with major ramifications above all for Greece, Spain and Portugal. Overall economic production rose only slightly, with a wide disparity among member states. Germany is proving to be an important engine of recovery in the euro zone.

The expansionary dynamics of Germany's economy, profiting from the global economic trends, has increased noticeably since the beginning of the year. According to the Federal Statistics Office, GDP in the second quarter of 2010 was 2.2 percent higher than in the first quarter when adjusted for price-related, seasonal and calendar effects. Positive signals in the quarterly comparison came from both Germany and abroad. The major factor in the upswing was the dynamics of investments and foreign trade, but private and state consumer spending also contributed to the growth in GDP.

Despite positive indicators, IfW experts unanimously point toward a climate of great uncertainty characterized by rising national debts, skittishness in the European financial markets and overheating economies in emerging markets, especially China.

Developments in Relevant Markets

The trend of the European advertising markets was largely very positive in the first six months of 2010. Given the stronger economy, Bertelsmann's key European TV advertising markets grew sharply between 8 and 14 percent in the first six months of 2010 over the same period last year. The trend of the book markets in the U.S. and Germany was stable in the first half year. In the UK, the ongoing economic crisis and difficult situation in retail led to a downward market trend. Strong growth in the digital book business provided positive signals in the U.S. market. The magazine advertising markets were strongly burdened by the economic crisis in 2009, but a recovery was evident in the first half of 2010. The overall trend in the magazine market was uneven, with slightly positive tendencies in Germany. Printing volumes for magazines, catalogs and advertising in Europe were up slightly from the previous year. The printing market has remained characterized by overcapacities and price pressure, however. The overall trend in the markets for services was stable in the first half of 2010. Sustained price pressure was compensated by an economic upturn and an increasing willingness by customers to outsource.

Results of Continuing Operations

The following analysis concerns continuing operations as of June 30, 2010. The previous year's figures have been adjusted for discontinued operations in accordance with IFRS 5. The activities of the British Five Group, whose sale was initiated in the first half of 2010, are classified under discontinued operations and reported separately in accordance with IFRS 5. The figures from all divisions except RTL Group are directly comparable to those reported last year.

Revenue

In the first half of 2010, Bertelsmann increased revenues from continuing operations over the previous year by 3.9 percent, from €7.1 billion to €7.4 billion, with organic revenue growth at 2.8 percent. Portfolio and exchange rate effects contributed 1.1 percent overall to the growth in revenues.

Revenues in all divisions except Direct Group developed positively in H1 2010 compared to the same period last year. RTL Group profited from powerful growth of the TV advertising markets in Western Europe. Random House's business showed stable development, especially in North America and Germany. Gruner + Jahr reported an overall stable trend in its revenues: significantly better business in Germany was offset by the uneven development of international business. Arvato benefited from a brighter economic picture, reporting increased revenue above all in its international services business and Digital Services unit. Revenue at Direct Group declined due in part to divestments.

There were only minor changes in the geographical breakdown of revenues compared to H1 2009. While the share of revenues from Germany was down to 34.1 percent from 34.9 percent in the previous year, the revenues share generated by other European countries amounted to 46.8 percent (H1 2009: 47.3 percent). The U.S. share of total revenues grew from 13.1 percent to 13.7 percent. The ratio of the four revenue streams (products and merchandise, advertising, services, rights and licenses) remained largely balanced, even after a change in categorization from last year.

Operating EBIT and Operating EBITDA

Bertelsmann achieved an operating EBIT of €755 million in the period under review, exceeding the comparable previous year figure of €497 million by 51.9 percent. The return on sales of 10.3 percent was well above the previous year figure of 7.0 percent. Against the backdrop of a global economic recovery, all divisions except Arvato reported growth in net operating income, in some cases significant. The cost-cutting and efficiency program introduced in the previous year supported the earnings trend. The upturn in the advertising markets gave a strong boost to earnings at RTL Group and Gruner + Jahr, though this assessment must take into account the limited basis of comparison in the previous year. In addition to improved market conditions, in some cases significant, a continuous cost discipline in the other divisions helped produce stronger earnings. Operating EBITDA from continuing operations rose to €1,021 million in the first half of 2010 (H1 2009: €765 million).

Special Items

While the economic crisis caused special items to increase to €-290 million last year, the economic recovery in the first half of 2010 brought about much lower special items of €-30 million, primarily for restructuring expenses. Impairments of goodwill and other intangible assets with indefinite useful life came to €-1 million (H1 2009: €-92 million).

Group Result

Adjusting the operating EBIT for special items of €-30 million resulted in an EBIT of €725 million (H1 2009: €207 million). The financial result was €-317 million, up from €-200 million in the previous year. The difference is attributable in part to effects from the buyback of profit participation certificates in the spring of 2010, which resulted in a charge of €43 million to the financial result. Income tax expenses fell to €-109 million (H1 2009: €-135 million) due in part to the creation of deferred tax assets.

The Group result increased sharply from €-333 million in the previous year to €246 million. The interest of Bertelsmann AG shareholders in the Group result was €170 million (H1 2009: €-368 million). The non-controlling interests in the Group result came to €76 million (H1 2009: €35 million).

Results of Discontinued Operations

Discontinued operations in the period under review include the activities of the British Five Group, whose sale by RTL Group was announced on July 23, 2010. Also included are follow-up effects from the 2009 sale of Direct Group activities in the Netherlands and in the Flemish part of Belgium.

Revenue from discontinued operations came to €142 million, up from €113 million during the same period last year. The operating EBIT from discontinued operations was €-7 million (H1 2009: €-22 million). After taking into account special items, this yielded an EBIT of €-50 million (H1 2009: €-206 million).

Financial and Asset Position

Financial Guidelines

The financial policy targets are designed to ensure a balance between financial security, return on equity and growth. Bertelsmann is therefore basing its financing on the requirements of a credit rating of BBB+/Baa1 and the qualitative/quantitative criteria pertaining thereto. Credit ratings and transparency play an important role in maintaining Bertelsmann's financial security and independence.

Basically, the Bertelsmann Group is centrally financed by Bertelsmann AG and its financing company Bertelsmann U.S. Finance LLC. Bertelsmann AG provides the Group companies with liquidity and manages the issuance of guarantees and letters of comfort for Group companies. The Group forms largely a single financial unit, thereby optimizing its capital procurement and investment opportunities.

The financial control system employs quantitative financial targets concerning the Group's economic debt and, to a decreasing extent, its capital structure. One key financial target is a dynamic leverage factor calculated as the ratio of economic debt to operating EBITDA (after modifications) and limited to a maximum of 3.0. There are plans to lower the leverage factor limit due to stricter demands in the wake of the financial crisis. Economic debt is defined as net financial debt plus provisions for pensions, profit participation capital and present value of operating leases. Another key financial target is the coverage ratio, calculated as the ratio of operating EBITDA to financial result (limit: 4.0).

The leverage factor as of June 30, 2010, was at 2.8, under Bertelsmann's self-imposed maximum. As of December 31, 2009, net financial debt slightly decreased to €2,782 million in the period under review from €2,793 million. Over the past twelve months, Bertelsmann has reduced its net financial debt by more than €800 million through operating free cash flow generation. The economic debt was €6,016 million as of June 30, 2010, a decrease of €8 million since the end of 2009 (December 31, 2009: €6,024 million). One factor to consider here is the rise in pension provisions, which grew from €1,406 million to €1,745 million primarily as a result of a reduced discount interest rate.
Liquidity was down due to the buyback of profit participation certificates and the repayment of capital market obligations to €1,402 as of June 30, 2010, from €2,085 million as of December 31, 2009. Bertelsmann also has access to lines of credit of some €1.5 billion. These lines of credit were unutilized as of June 30, 2010. Part of this credit reserve is a syndicated loan of €1.2 billion available until 2012 and on a revolving basis.

Financing Activities

In March 2010, Bertelsmann spent a total of €386 million purchasing profit participation certificates from 2001 that had been offered for sale to Bertelsmann as part of a public buyback offer.

In April 2010, the financing company Bertelsmann U.S. Finance LLC repaid a $100 million tranche of a U.S. private placement and a €750 million bond on schedule. Of this bond, €75 million had already been repurchased in 2009.

Rating

Bertelsmann has been rated by the rating agencies Standard & Poor's (S&P) and Moody's since June 2002. Bertelsmann is currently rated "Baa2" by Moody's (outlook: stable) and "BBB" by S&P (outlook: stable). Both credit ratings are in the category of investment grade. Bertelsmann's short-term credit quality rating is "A-2" from S&P and "P-2" from Moody's.

The Group's financing policy remains based on the requirements of a "BBB+/Baa1" credit rating.

Group Cash Flow Statement (Summary)

in € millions	H1 2010	H1 2009
Cash flow from operating activities	831	546
Cash flow from investing activities	79	(290)
Cash flow from financing activities	(1,646)	(516)
Change in cash and cash equivalents	(736)	(260)
Currency effects and other changes in cash and cash equivalents	53	16
Cash at 1/1	2,085	1,583
Cash at 6/30	1,402	1,339

Cash Flow Statement

The Bertelsmann cash flow statement is calculated based on EBIT. In the period under review, Bertelsmann generated net cash from operating activities of €831 million (H1 2009: €546 million). The Group's sustainable operating free cash flow adjusted for non-recurring items was €902 million (H1 2009: €529 million). The cash conversion rate, as an indicator of the quality of cash generated by business activities, reached 121 percent in the first half of 2010 (H1 2009: 115 percent). Cash flow from investment activities was €79 million (H1 2009: €-290 million), including the proceeds from the sale of Canal Plus France shares to Vivendi in the amount of €384 million. A cash flow of €-1,646 million was identified for financing activities in the period under review (H1 2009: €-516 million). Dividends totaling €-271 million were paid to Bertelsmann AG shareholders and non-controlling shareholders (H1 2009: €-241 million). As of June 30, 2010, the Bertelsmann Group had cash and cash equivalents of €1,402 million (H1 2009: €1,339 million).

Investments

In the first half of 2010, investments in intangible assets; property, plant and equipment; financial assets and purchase price payments for consolidated investments were reduced by €16 million to €365 million (H1 2009: €381 million). Investments in intangible assets came to €90 million (H1 2009: €82 million). Investments in property, plant and equipment were €100 million (H1 2009: €148 million). Investments in financial assets were reduced to €18 million (H1 2009: €21 million). The purchase price payments for consolidated investments (less cash and cash equivalents) amounted to €157 million (H1 2009: €130 million).

A total of €9 million of these investments were for discontinued operations (H1 2009: €6 million).

Group Balance Sheet

Total assets came to €18.6 billion as of June 30, 2010 (December 31, 2009: €19.4 billion). Liquidity fell by €683 million due primarily to debt repayments. The sale of Canal Plus shares reduced other short-term financial assets by €384 million. Equity came to €6.0 billion as of June 30, 2010 (December 31, 2009: €6.0 billion). The equity ratio increased to 32.3 percent (December 31, 2009: 30.9 percent). Provisions for pensions increased significantly from €1,406 million (December 31, 2009) to €1,745 million as of June 30, 2010. The reason for this increase is the almost universally lower long-term capital market interest rates that must be applied in discounting the benefit obligations.

Employees

As of June 30, 2010, Bertelsmann had 100,151 employees in continuing operations worldwide (December 31, 2009: 102,704). The decline by 2,553 employees can be attributed to portfolio changes and the implementation of measures from the cost-cutting and efficiency program.

Other Information

Annual General Meetings

An extraordinary general meeting was held in the first quarter to vote on a change to the Articles of Association relating to the holding of own profit participation certificates. Among the agenda items at the ordinary general meeting of Bertelsmann AG in the second quarter were another change to the Articles of Association to adjust the profit participation capital and a vote on how to use the retained earnings.

Significant Events after the Closing Date

The establishment of a joint venture between the Spanish club business Círculo de Lectores and the media corporation Grupo Planeta was completed on July 19, 2010, after the official permits were issued.

Also in July 2010, RTL Group announced the sale of the Five Group.

Risk Report

Risk Management System

Please refer to the 2009 Group management report for a description of the risk management system (RMS) and the accounting-related RMS and internal control system.

Significant Risks

There has been no significant change from the information in the 2009 Group management report in the assessment of significant risks to which Bertelsmann sees itself exposed. This assessment can be augmented by the following trends and additions:

For the second half of 2010, Bertelsmann expects economic conditions to further stabilize, with the tempo of growth in the first six months possibly slowing. Given the slowing pace of global economic expansion, the persistent uncertainty surrounding economic development in the U.S. and the continued low level of visibility in the advertising markets, a sustained easing of economic tensions in 2010 is not a certain assumption.

In this context, the assessments on financial market risks as well as on strategic and operative risks contained in the 2009 Group management report remain valid without change. With regard to compliance risks, the following has to be added: On May 19, 2010, the German Federal Cartel Office searched the offices of Mediengruppe RTL Deutschland. They claimed to have information alleging that Mediengruppe RTL Deutschland and ProSiebenSat1 Media AG coordinated their strategy towards platform operators concerning both the encryption of their free-TV signals and signal protection measures. At this stage it is not clear whether any allegation will be raised against Mediengruppe RTL Deutschland, and therefore it is not possible to reliably assess what the outcome of this investigation might be.

One additional note on the operative risk position is that the current discussion about a possible raising of the discounted value-added tax rate for print products could have negative consequences on the business of Gruner + Jahr in Germany.

Overall Risk

Bertelsmann's overall risk position changed only insignificantly compared to the information presented in the 2009 Group management report. Overall, no risks endangering the continued existence of Bertelsmann were identified in the first half year. Nor are there any substantial risks discernible from the current perspective that could threaten the continued existence of the Group.

Opportunities

The assessment of opportunities has not changed substantially compared to the information presented in the 2009 Group management report.

Outlook

After a phase of noticeable recovery in the global economy since the beginning of 2010, the momentum for growth seems to be slowing. The European Central Bank (ECB) expects a slowing of global economic expansion in the coming months due to the end of temporary effects such as favorable inventory cycles and political incentives. The Kiel Institute for the World Economy (IfW) also sees risks to recovery in industrialized nations, and though it forecasts a worldwide growth in production of 3.7 percent in 2011, its predictions for overall economic production in the euro zone are only 1 percent in 2010 and 2011, with negative effects coming from European-wide consolidation efforts and the remaining risks in the financial markets.

The IfW forecasts a slowing of the rise in production in the U.S. as well, from 3 percent in 2010 to 2.4 percent in 2011. It can be assumed that subdued consumer sentiment, continued high unemployment and the decline in government subsidies will weaken the economy.

Looking at the economic situation in Germany, the Deutsche Bundesbank assumes that the positive signals currently evident in the global economy will determine the coming months as well. The prerequisite for this, however, is the limitation of the fiscal problems of some European countries and the uncertainties they engender in the financial markets. In its monthly report of June 2010, the Deutsche Bundesbank predicts a 1.9 percent rise in real gross domestic product for 2010 and somewhat slower growth of 1.4 percent in 2011. It is also assumed that the positive developments in the labor market will continue to have a stabilizing effect on mood indicators such as the consumer and business climate.

Overall year-on-year growth is expected in 2010 in the traditional media markets of Bertelsmann's core geographic regions, while online advertising revenue in particular is expected to grow. The other markets in which Bertelsmann operates – and whose development depends on a variety of factors such as consumer sentiment and a willingness by companies to invest – can also expect modest growth.

For the current fiscal year, Bertelsmann expects year-on-year gains in both revenues and operating EBIT as well as a Group result of over €500 million. Given a return on sales of 9.3 percent in fiscal year 2009 and a return on sales of 10.3 percent as of June 30, 2010, a return on sales in the range of 10 percent is now expected for the year 2010 overall. A leverage factor of well below 3.0 is expected by the end of fiscal year 2010.

The forecasts are based on Bertelsmann's current business strategy. In general, the forecasts reflect a careful consideration of risks and opportunities and are based on operational planning and the medium-term outlook for the corporate divisions. The intensity and sustainability of the upturn following the economic crisis is still uncertain from the current perspective. As a result, the effects that ongoing economic developments will have on Bertelsmann's business cannot be conclusively assessed at this time. All statements regarding potential economic developments represent opinions advanced on the basis of information currently available. Should underlying suppositions fail to apply and/or further risks arise, actual results may differ from those expected. Accordingly, no assurances can be provided concerning the accuracy of such statements.

Segment Information (Continuing Operations)

	RTL Group		Random House		Gruner + Jahr		Arvato	
in € millions	H1 2010	H1 2009	H1 2010	H1 2009	H1 2010	H1 2009	H1 2010	H1 2009
Revenues from external customers	2,657	2,471	790	733	1,206	1,203	2,165	2,087
Intersegment revenues	4	4	1	1	11	14	147	156
Divisional revenues	2,661	2,475	791	734	1,217	1,217	2,312	2,243
Operating EBIT	533	375	40	20	130	55	99	103
Special items	(12)	(86)	–	(15)	(5)	(112)	(15)	(65)
EBIT	521	289	40	5	125	(57)	84	38
Return on sales[1]	20.0%	15.2%	5.1%	2.7%	10.7%	4.5%	4.3%	4.6%
Scheduled depreciation and amortization	90	78	13	14	33	38	104	111
Impairment losses	7	74	–	11	1	92	1	60
thereof in special items	–	72	–	11	–	91	1	58
Results from investments accounted for using the equity method	21	7	–	–	5	2	–	(2)
Additions to non-current assets[2]	81	173	7	12	10	16	65	121
Employees (closing date)[3]	11,507	12,241	5,281	5,432	13,247	13,571	60,323	60,323

Figures from the previous year were adjusted in accordance with IFRS 5.
[1] Operating EBIT as a percentage of divisional revenues.
[2] Additions to property, plant and equipment and to intangible assets (including goodwill).
[3] The number of employees in the previous period is the figure as of December 31, 2009.

RTL Group

In the first half of 2010, Europe's leading entertainment network benefited from powerful growth in the TV advertising markets in Western Europe and comprehensive cost-cutting measures introduced in the previous year. Both revenues and operating EBIT increased significantly. All units of RTL Group contributed to the increase in earnings, but in particular Mediengruppe RTL Deutschland, which outperformed the overall market, the French Groupe M6 and RTL Nederland. RTL Group maintained its leading positions in audience markets in key countries, even though almost all of the World Cup matches with the highest ratings were broadcast by competitors. The German family of channels achieved a record 34.8 percent audience share in the main target group. In France the digital free TV channel W9 continued its strong growth, and the main channel M6 also significantly increased its revenues and operating EBIT in the first half year. Fremantle Media, the production arm of RTL Group, also saw higher revenues and operating EBIT thanks to many successful international formats.

Random House

The world's largest trade book publishing group, despite difficult market conditions, significantly increased its first-half 2010 sales and operating EBIT, driven by major increases in revenues and profits from its U.S. division and rapidly rising digital sales. Random House placed 138 titles on the "New York Times" bestseller lists, including the Stieg Larsson Millennium trilogy, which sold 6.5 million print and e-books in the U.S. and Germany during the half year. Random House UK contributed one quarter of the "Sunday Times" bestsellers. Verlagsgruppe Random House grew its market share in a flat overall market. Random House U.S. e-book sales surged 300 percent in the first six months, and comparably in Germany and UK. The company's e-book program in these countries cumulatively expanded to 20,000 titles. The UK Group's Nigella Lawson digital cooking app became an immediate global bestseller. Random House announced the discontinuation of its publishing operations in Japan and Korea.

Gruner + Jahr

Europe's leading magazine publisher recorded stable revenues in the period under review; operating EBIT increased significantly as a result of comprehensive cost-cutting measures in the previous year and a performance that outpaced the market. G+J was able to improve its competitiveness by adapting its structures to new market conditions and further lowering its cost base. Advertising revenues rose thanks to better overall economic performance, while G+J gained additional market shares. In Germany, several new titles began regular publication following successful market tests. The online marketing activities of G+J EMS were significantly extended, while G+J EMS maintained its leading position in coverage and quality in the German mobile segment. International business performance varied: business in China continued to gain momentum, while performance in Eastern Europe, Italy and Spain was more modest in a much weaker market environment. The Corporate Publishing division successfully expanded across Europe. Meanwhile, the Prinovis and Brown print units saw a slight recovery.

Direct Group		Total divisions		Corporate		Consolidation/other		Continuing operations	
H1 2010	H1 2009	H1 2010	H1 2009	H1 2010	H1 2009	H1 2010	H1 2009	H1 2010	H1 2009
530	579	7,348	7,073	10	12	–	–	7,358	7,085
2	2	165	177	1	–	(166)	(177)	–	–
532	581	7,513	7,250	11	12	(166)	(177)	7,358	7,085
(6)	(10)	796	543	(42)	(46)	1	–	755	497
(2)	(13)	(34)	(291)	4	–	–	1	(30)	(290)
(8)	(23)	762	252	(38)	(46)	1	1	725	207
(1.1%)	(1.7%)	10.6%	7.5%	–	–	–	–	10.3%	7.0%
13	14	253	255	6	9	–	–	259	264
–	1	9	238	–	8	–	–	9	246
–	1	1	233	–	8	–	–	1	241
–	(1)	26	6	(5)	(1)	–	–	21	5
11	30	174	352	1	9	(1)	–	174	361
8,817	10,087	99,175	101,654	976	1,050	–	–	100,151	102,704

Arvato

The media and communications service provider Arvato increased its revenues during the first half year; year-on-year operating EBIT was roughly unchanged. The main growth drivers were the French call center business and the Digital Services division, particularly in Europe and South America. In a persistently difficult economic environment, the print business slightly recovered and achieved growth, primarily in offset. The market for print services on the Iberian Peninsula remained difficult. In the Services division, Arvato was able to win new customers by offering integrated services. Electronic software distribution grew and the value chain of the music business was extended with the addition of music merchandising. Arvato also gained market share in a number of relevant markets, including CD and DVD replication and the German print business. To offset the late cyclical consequences of the economic crisis, Arvato again focused on managing costs and optimizing processes, enhancing its competitive position while continuing the transformation to an integrated provider of comprehensive solutions.

Direct Group

The club and bookselling businesses operated by Direct Group recorded lower revenues in the first half year as a result of divestments and declining membership numbers; year-on-year operating losses were significantly curtailed thanks to ongoing cost-cutting measures. Falling member revenues affected the markets in Germany and France in particular. Direct Group continued to adjust its portfolio. The businesses in Portugal, Italy and Australia were sold in the first half of the year. In Spain, however, the club and direct marketing business are gaining new momentum through a joint venture between leading publishing and bookselling group Planeta and Círculo de Lectores that will see Círculo club corners added to some 25 Casa del Libro bookstores throughout Spain operated by Planeta. The partnership was approved by the cartel office in July. In German-speaking countries, Direct Group completed the merger of Austria's Donauland club with Der Club Bertelsmann in Germany. Austrian club members have since been managed from Germany.

Corporate

The Corporate division, which includes the Corporate Center and Corporate Investments, reported lower operating losses in H1 2010 thanks to the elimination of start-up losses and the implementation of personnel-related and other structural measures aimed at sustainably reducing the cost base. Offsetting this were Corporate's costs for staging Bertelsmann's 175th anniversary festivities, including preparations for a party with some 12,000 employees at the Group's headquarters in Gütersloh and a gala event in Berlin. BMG Rights Management, a joint venture with KKR in which Bertelsmann holds just under 50 percent, expanded significantly in H1 2010 with the purchase of primarily U.S. music publishers and catalogs. The acquisition of Cherry Lane Music Publishing means BMG now manages rights to songs by artists from Elvis Presley and John Denver to the Black Eyed Peas. The BDMI and BAI funds, part of Corporate Investments, had a total of 24 investments at the reporting date. The division also acquired a new investment in German online marketing specialist Dealunited.

Group Income Statement

in € millions	H1 2010	H1 2009
Revenues	7,358	7,085
Other operating income	247	257
Change in inventories	14	15
Own costs capitalized	112	106
Cost of materials	(2,360)	(2,265)
Royalty and license fees	(376)	(347)
Personnel costs	(2,252)	(2,201)
Amortization of intangible assets and depreciation of property, plant and equipment	(266)	(268)
Other operating expenses	(1,750)	(1,897)
Results from investments accounted for using the equity method	21	5
Income from other participations	7	7
Special items	(30)	(290)
EBIT (earnings before interest and taxes)	725	207
Interest income	18	35
Interest expenses	(136)	(159)
Other financial income	34	77
Other financial expenses	(233)	(153)
Financial result	(317)	(200)
Earnings before taxes from continuing operations	408	7
Income taxes	(109)	(135)
Earnings after taxes from continuing operations	299	(128)
Earnings after taxes from discontinued operations	(53)	(205)
Group profit or loss	246	(333)
attributable to:		
Bertelsmann shareholders		
Earnings from continuing operations	219	(182)
Earnings from discontinued operations	(49)	(186)
Earnings attributable to Bertelsmann shareholders	170	(368)
Non-controlling interests		
Earnings from continuing operations	80	54
Earnings from discontinued operations	(4)	(19)
Earnings attributable to non-controlling interests	76	35

Figures from the previous year were adjusted in accordance with IFRS 5.

Group Statement of Comprehensive Income

in € millions	H1 2010	H1 2009
Group profit or loss	246	(333)
Currency translation differences		
– Changes recognized directly in equity	267	(25)
– Reclassification adjustments for gains (losses) included in profit or loss	–	–
Available-for-sale financial assets		
– Changes in fair value recognized in equity	(20)	12
– Reclassification adjustments for gains (losses) included in profit or loss	–	–
Cash flow hedges		
– Changes in fair value recognized in equity	75	(18)
– Reclassification adjustments for gains (losses) included in profit or loss	1	–
Actuarial gains/losses on defined benefit plans	(230)	27
Share of other comprehensive income of equity-accounted investments	24	(8)
Other comprehensive income (after taxes)	117	(12)
Group comprehensive income	363	(345)
attributable to:		
Bertelsmann shareholders	274	(380)
Non-controlling interests	89	35

Reconciliation to Operating EBIT (Continuing Operations)

in € millions	H1 2010	H1 2009
EBIT from continuing operations	725	207
Special items		
– Impairment of goodwill, other intangible assets with indefinite useful life, other financial assets and assets held for sale	1	113
– Capital gains/losses	6	(15)
– Other special items	23	192
Operating EBIT from continuing operations	755	497
Operating EBITDA from continuing operations	1,021	765

Group Balance Sheet

in € millions	6/30/2010	12/31/2009
Assets		
Non-current assets		
Goodwill	6,197	6,124
Other intangible assets	684	770
Property, plant and equipment	2,261	2,282
Investments accounted for using the equity method	479	492
Other financial assets	424	366
Trade accounts receivable	6	8
Other accounts receivable and other assets	289	311
Deferred tax assets	1,191	1,053
	11,531	11,406
Current assets		
Inventories	1,623	1,777
Trade accounts receivable	2,388	2,481
Other accounts receivable and other assets	1,262	1,125
Other financial assets	7	391
Current income tax receivable	69	55
Cash and cash equivalents	1,402	2,085
	6,751	7,914
Assets held for sale	311	58
	18,593	19,378
Equity and Liabilities		
Equity		
Subscribed capital	1,000	1,000
Capital reserve	2,345	2,345
Retained earnings	1,723	1,534
Shareholders' equity	5,068	4,879
Non-controlling interests	944	1,101
	6,012	5,980
Non-current liabilities		
Provisions for pensions and similar obligations	1,745	1,406
Other provisions	133	140
Deferred tax liabilities	93	103
Profit participation capital	413	706
Financial debt	3,930	3,889
Trade accounts payable	47	83
Other liabilities	593	590
	6,954	6,917
Current liabilities		
Other provisions	378	412
Financial debt	254	989
Trade accounts payable	2,502	2,588
Other liabilities	2,117	2,257
Current income tax payable	172	205
	5,423	6,451
Liabilities included in assets held for sale	204	30
	18,593	19,378

Group Cash Flow Statement

in € millions	H1 2010	H1 2009
EBIT (earnings before interest and taxes)	675	1
Taxes paid	(202)	(149)
Depreciation and write-ups of non-current assets	314	673
Capital gains/losses	10	(15)
Change in provisions for pensions and similar obligations	(46)	(7)
Change in other provisions	(60)	(11)
Other effects	24	23
Change in net working capital	116	31
Cash flow from operating activities	831	546
– thereof from discontinued operations	9	(50)
Investments in:		
– intangible assets	(90)	(82)
– property, plant and equipment	(100)	(148)
– financial assets	(18)	(21)
– purchase prices for consolidated investments (net of acquired cash)	(157)	(130)
Proceeds from disposal of subsidiaries and joint ventures	39	9
Proceeds from disposal of other fixed assets	402	90
Proceeds from disposal of short-term marketable securities	3	1
Contributions to/withdrawals from pension plans	–	(9)
Cash flow from investing activities	79	(290)
– thereof from discontinued operations	(9)	(6)
Proceeds from bonds and promissory notes	–	795
Redemption of bonds and promissory notes	(750)	(887)
Change in other financial debt	(357)	16
Interest paid	(198)	(200)
Interest received	18	22
Proceeds from release of currency and interest swaps	–	4
Change in shareholders' equity	(58)	2
Dividends to Bertelsmann shareholders and non-controlling shareholders	(271)	(241)
Additional payments to partners in partnerships (IAS 32.18b)	(30)	(27)
Cash flow from financing activities	(1,646)	(516)
– thereof from discontinued operations	(2)	(12)
Change in cash and cash equivalents	(736)	(260)
Currency effects and other changes in cash and cash equivalents	53	16
Cash and cash equivalents 1/1	2,085	1,583
Cash and cash equivalents 6/30	1,402	1,339

Figures from the previous year relating to discontinued operations were adjusted in accordance with IFRS 5.

Change in Net Financial Debt

in € millions	H1 2010	H1 2009
Net financial debt at 1/1	(2,793)	(3,445)
Cash flow from operating activities	831	546
Cash flow from investing activities	79	(290)
Interest, dividends and changes in equity, additional payments (IAS 32.18b)	(539)	(440)
Currency effects and other changes in net financial debt	(360)	21
Net financial debt at 6/30	(2,782)	(3,608)

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

Group Statement of Changes in Equity

in € millions	Subscribed capital	Capital reserve	Other retained earnings	Other comprehensive income[1]: Currency translation differences	Available-for-sale financial assets	Cash flow hedges	Actuarial gains/losses on defined benefit plans	Share of other comprehensive income of equity-accounted investments	Shareholders' equity	Non-controlling interests	Total
Balance as of 1/1/2009	1,000	2,345	2,419	(416)	24	8	(269)	(3)	5,108	1,123	6,231
Adjustment	–	–	–	–	–	–	–	–	–	7	7
Balance as of 1/1/2009 (adjusted)[2]	1,000	2,345	2,419	(416)	24	8	(269)	(3)	5,108	1,130	6,238
Group comprehensive income	–	–	(368)	(25)	12	(18)	27	(8)	(380)	35	(345)
Dividend distribution	–	–	(120)	–	–	–	–	–	(120)	(124)	(244)
Other changes	–	–	(64)	–	–	–	16	–	(48)	(1)	(49)
Balance as of 6/30/2009	1,000	2,345	1,867	(441)	36	(10)	(226)	(11)	4,560	1,040	5,600
Balance as of 1/1/2010	1,000	2,345	2,149	(445)	43	1	(207)	(7)	4,879	1,101	5,980
Group comprehensive income	–	–	170	262	(19)	68	(229)	22	274	89	363
Dividend distribution	–	–	(60)	–	–	–	–	–	(60)	(218)	(278)
Changes in ownership interests in subsidiaries that do not result in a loss of control	–	–	(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

[1] Of that, a total of €66 million as of June 30, 2010 (previous year: €65 million) is attributable to assets classified as held for sale.
[2] The adjustment to the balance as of January 1, 2009 is due to the completion of the Alpha Media Group business combination.

The effects in the row "Changes in ownership interests in subsidiaries that do not result in a loss of control" is due to the increase in interests in several fully consolidated participations.

Selected Explanatory Notes

Accounting Principles

This interim report was prepared in accordance with Section 37w (5) of the German Securities Trading Act (WpHG) and reviewed by the Group auditor. It contains interim Group financial statements prepared in accordance with IAS 34 (Interim Financial Reporting), including select explanatory notes. Basically, this report was prepared using the same accounting methods as applied in the preparation of the Group financial statements of December 31, 2009. A detailed description of these methods is published in the notes to the Group financial statements in the 2009 annual report. Exceptions are the new and revised accounting standards and interpretations that have been compulsory since January 1, 2010:

- Amendments to IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions
- Revised version of IFRS 3 Business Combinations
- Amendment to IAS 27: Consolidated and Separate Financial Statements

The revised standard IFRS 3 amended the measurement of non-controlling interests, the recognition of business combinations achieved in stages and the treatment of contingent consideration as well as acquisition-related costs. In the Bertelsmann Group, non-controlling interests continue to be measured at the fair value of the proportionate identifiable net assets. In business combinations achieved in stages, interests already held on the date of acquisition are remeasured at fair value. Adjustments of contingent consideration are recognized in profit or loss. Acquisition-related costs with the exception of costs for the issue of equity or debt instruments are recognized as expenses on the date they arise. The key changes to IAS 27 (2008) relate to the accounting for increases and decreases in ownership interests without a change of control. According to the new regulations, changes in ownership interests that do not impact full consolidation are taken directly to equity. The recognition of hidden reserves and adjustment of goodwill already recognized no longer apply. In the case of a loss of control, the remaining interests are remeasured at their fair value. In the case of non-controlling interests, losses are allocated without restriction in line with the proportionate interest.

In addition, the following revised standards and interpretations have been applied for the first time:

- Amendments to IFRIC 9 Reassessment of Embedded Derivatives
- Amendments to IAS 39 Financial Instruments: Recognition and Measurement
- IFRIC 12 Service Concession Arrangements
- IFRIC 15 Agreements for the Construction of Real Estate
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation
- IFRIC 17 Distribution of Non-cash Assets to Owners
- IFRIC 18 Transfers of Assets from Customers
- Improvements to International Financial Reporting Standards (2008)
- Improvements to International Financial Reporting Standards (2009)

The effects on the Group from the first-time adoption of these regulations are insignificant.

The Bertelsmann Group did not implement any additional standards, interpretations or amendments that have been published but are not yet mandatory.

Scope of Consolidation

In addition to Bertelsmann AG, the interim Group financial statements as of June 30, 2010, also include all material companies whose financial and business policies Bertelsmann AG can directly or indirectly determine. As of June 30, 2010, the Bertelsmann AG scope of consolidation includes a total of 968 companies (June 30, 2009: 1,043), including 22 acquisitions in 2010; 829 companies were fully consolidated.

Acquisitions and Disposals

The consideration paid for acquisitions in H1 2010 less cash and cash equivalents acquired amounted to €157 million. The acquisition costs for these acquisitions as defined in IFRS 3 totaled €7 million.

In January 2010, Arvato acquired from S.K. Management- und Beteiligungs GmbH the remaining 37 percent interest in the Arvato Infoscore Group – a full-service provider of solutions for integrated data, information and receivables management that was acquired in July 2005. This acquisition was based on a put option held by the non-controlling shareholder. The purchase price totaled €141 million. The interest on which the put option is based was already 100 percent consolidated in Bertelsmann AG's Group financial statements in accordance with IAS 32. As a result, there is no material impact on the Group's assets, financial position and results of operations in the year under review. The purchase price paid is disclosed in the cash flow from investing activities.

The Group made several other acquisitions in the first half of 2010, but they were not material and their impact on the Group's financial position and results of operations is also minor.

The acquisitions resulted in goodwill of €8 million.
The disposals yielded incoming payments of €39 million for the Group. As part of its portfolio optimization, Direct Group sold its Portuguese companies in April 2010 – the book club Círculo de Leitores, the book retail chain Bertrand and the publishing companies belonging to the publisher Bertrand – to the Portuguese publishing group Porto Editora. The purchase price received totaled €27 million, €20 million of which was to repay a financing loan. The sale resulted in a gain totaling €1 million.
Other Direct Group sales included the 50 percent interest in the Italian book club Mondolibri to the former joint venture partner Mondadori and the club businesses in Australia and New Zealand to local management via the A&WN Trust.
Also sold in the first half of 2010 were Random House's publishing company in Asia and Gruner + Jahr's Russian business.
The disposals during the year under review had the following impact on the Bertelsmann Group's assets and liabilities at the time of their deconsolidation:

Effects of Disposals

in € millions	6/30/2010
Non-current assets	
Goodwill	–
Other intangible assets	7
Property, plant and equipment	11
Other non-current assets	–
	18
Current assets	
Inventories	20
Other current assets	66
Cash and cash equivalents	8
	94
Liabilities	
Provisions for pensions and similar obligations	–
Financial debt	4
Other liabilities	60
	64

Discontinued Operations

In the first half of 2010, RTL Group entered into the process of identifying potential buyers of Five, which is classified as held for sale at June 30, 2010. Accordingly, Five's assets and liabilities are presented separately on the balance sheet. In addition, Five has been treated as a discontinued operation for the period ended June 30, 2010, therefore the earnings of Five and its cash flows are disclosed separately as well. Previous year's figures in the Income Statement and previous year's disclosure in the Cash Flow Statement have been adjusted in accordance with IFRS 5.
Five operations are fully consolidated over the six month period, as RTL Group disposed of Five to the Northern & Shell company owned by British publisher Richard Desmond on July 23, 2010. The terms of the agreement include a net cash payment of €118 million. The total cash consideration payable to RTL Group for its 100 percent shareholding in Five amounts to €124 million before an adjustment related to a cash-pooling mechanism (€-6 million). The regulatory risk is taken by the purchaser. The top holding company of Northern & Shell has provided back-to-back guarantees to RTL Group for the guarantees provided by RTL Group on behalf of Five in prior years.
An impairment loss of €-39 million on the remeasurement of this disposal group to the lower of its carrying amount and its fair value less costs to sell has been recognized as of June 30, 2010.

In addition to the impairment on Five Group, the special items of €-43 million also include other expenses of €-4 million relating to businesses of Direct Group that were formerly classified as discontinued. The earnings from discontinued operations comprise the following:

Income Statement (Discontinued Operations)

in € millions	H1 2010	H1 2009
Revenues	142	113
Income	–	20
Expenses	(149)	(155)
Operating EBIT from discontinued operations	(7)	(22)
Special items	(43)	(184)
EBIT (earnings before interest and taxes)	(50)	(206)
Financial result	(3)	(5)
Earnings from discontinued operations before taxes	(53)	(211)
Income taxes	–	6
Earnings from discontinued operations after taxes	(53)	(205)

The carrying amounts of Five and the other assets and liabilities classified as held for sale are shown in the following table.

Assets and Liabilities Held for Sale

in € millions	6/30/2010	12/31/2009
Assets		
Non-current assets		
Goodwill	–	3
Other intangible assets	30	–
Property, plant and equipment	9	3
Other non-current assets	4	4
Deferred tax assets	5	1
Current assets		
Inventories	195	14
Other current assets	66	25
Cash and cash equivalents	2	8
	311	58
Liabilities		
Non-current liabilities		
Provisions for pensions and similar obligations	–	2
Financial debt	–	1
Other non-current liabilities	70	–
Deferred tax liabilities	13	–
Current liabilities		
Trade accounts payable	89	19
Other current liabilities	32	8
	204	30

Income Taxes

Due to the clearly improved earnings expectations compared with the previous year, deferred tax assets on existing tax loss carryforwards in Germany were revaluated. This led to tax income of €75 million.

Special Items

in € millions	H1 2010	H1 2009
Impairment of goodwill, other intangible assets with indefinite useful life, other financial assets and assets held for sale		
Alpha Media Group, RTL Group	–	(70)
Gruner + Jahr Spain	–	(21)
Random House Asia (IFRS 5)	–	(11)
Other	(1)	(11)
Capital gains/losses		
Ren TV, RTL Group	(12)	–
Empolis, Arvato	–	7
Xlibris, Corporate	–	7
Other	6	1
Other special items		
Restructuring and severance payments, Arvato	(13)	(15)
Restructuring and severance payments, Gruner + Jahr	(3)	(18)
Restructuring and severance payments, Direct Group	(2)	(11)
Restructuring and severance payments, Random House	–	(2)
Restructuring and severance payments, RTL Group	–	(13)
Restructuring, severance payments and impairment on non-current assets, Prinovis	(3)	(111)
Impairment on real estate, Gruner + Jahr	–	(13)
Other	(2)	(9)
	(30)	(290)

Special items relate primarily to transactions that are not of an operational nature, as they cannot be repeated. They include income and expense items which distort the assessment of the results of operations of the divisions and of the Group due to their size and infrequency of occurrence. In the period under review, special items totaled €-30 million. On April 15, 2010, RTL Group signed an option agreement with the controlling shareholders of the Ren TV Group. Through this agreement, RTL Group lost its significant influence on the Russian TV broadcaster. The loss of the significant influence led to reclassification of the investment, previously recognized at equity, to the category "Other financial assets" and thus also to revaluation at fair value in accordance with IAS 39 (no impact at June 30, 2010). The foreign currency translation differences in relation to this investment were recycled from the other comprehensive income to the income statement for an amount of €-12 million.

Other Information

On February 2, 2010, Bertelsmann called upon the holders of the 2001 profit participation certificates to submit sales proposals at a price of 180 percent. When the offer expired on February 22, 2010, the company had received sales proposals for 2001 profit participation certificates with a nominal value of €214 million, some 43 percent of the outstanding volume. Bertelsmann accepted all the sales proposals on February 23, 2010. The previous maximum nominal buyback figure of €150 million was raised to €214 million in accordance with the conditions of the offer. The total purchase price for the profit participation certificates collected came to €386 million and was paid from existing liquidity. The purpose of this initiative was to simplify the capital structure, since the profit participation certificate has lost its original function as an equity instrument. The payment is disclosed in the Cash Flow Statement under "Change in other financial debt."

In April 2010, the financing company Bertelsmann U.S. Finance LLC repaid a $100 million tranche of a U.S. private placement and in June 2010 a €750 million bond on schedule. €75 million of the bond had already been bought back in 2009.

On February 1, 2010, the management of Groupe M6 exercised its put option, to dispose of its stake of 5.1 percent in Canal Plus France to Vivendi. On February 22, 2010, payment of €384 million was received by the Group. This is carried under "Proceeds from disposal of other fixed assets" in the Group Cash Flow Statement.

The increase in the fully consolidated participations resulted in payments totaling €58 million. These payments are disclosed in the Group Cash Flow Statement under "Cash flow from financing activities."

Information on Segment Report

For the segment information in table form please refer to the Group interim management report on pages 12 f.

Reconciliation of the Total Segment Result to the Group Result

in € millions	H1 2010	H1 2009
Total amount of segments' EBIT	762	252
Corporate	(38)	(46)
Consolidation/other	1	1
EBIT from continuing operations	725	207
Financial result	(317)	(200)
Earnings before taxes from continuing operations	408	7
Income taxes	(109)	(135)
Earnings after taxes from continuing operations	299	(128)
Earnings after taxes from discontinued operations	(53)	(205)
Group profit or loss	246	(333)

Events after the Balance Sheet Date

The establishment of a joint venture between the Spanish club business Círculo de Lectores and the media corporation Grupo Planeta was completed on July 19, 2010, after the official permits were issued.
Also in July 2010, RTL Group announced the sale of the Five Group to Northern & Shell, a company owned by British publisher Richard Desmond.

Responsibility Statement

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

Gütersloh, August 26, 2010

Bertelsmann AG
The Executive Board

Ostrowski	Buch	Dr. Buchholz
Dohle	Dr. Rabe	Zeiler

Review Report by the Auditors

To Bertelsmann AG

We have reviewed the condensed interim Group financial statements of Bertelsmann AG, Gütersloh – comprising the Group balance sheet, Group income statement, Group statement of comprehensive income, Group cash flow statement, Group statement of changes in equity and selected explanatory notes – together with the Group interim management report of Bertelsmann AG, for the period from January 1 to June 30, 2010 that are part of the interim financial report according to § 37 w WpHG ["Wertpapierhandelsgesetz": "German Securities Trading Act"]. The preparation of the condensed interim Group financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and of the Group interim management report in accordance with the requirements of the WpHG applicable to interim Group management reports, is the responsibility of the Company's management. Our responsibility is to issue a report on the condensed interim Group financial statements and on the Group interim management report based on our review.
We performed our review of the condensed interim Group financial statements and the Group interim management report in accordance with the German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with a certain level of assurance, that the condensed interim Group financial statements have not been prepared, in material aspects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and that the Group interim management report has not been prepared, in material aspects, in accordance with the requirements of the WpHG applicable to interim Group management reports. A review is limited primarily to inquiries of company employees and analytical assessments 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 issue an auditor's report.
Based on our review, no matters have come to our attention that cause us to presume that the condensed interim Group financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, or that the Group interim management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim Group management reports.

Bielefeld, August 27, 2010

KPMG AG
Wirtschaftsprüfungsgesellschaft

Prof. Dr. Nonnenmacher	Dr. Kreher
Wirtschaftsprüfer	Wirtschaftsprüfer

Financial Calendar

November 11, 2010
Announcement of figures for the first nine months of 2010

March 29, 2011
Annual Press Conference for fiscal year 2010

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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.

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