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Bertelsmann at a Glance

Key Figures (IFRS)	H1 2008	H1 2007
in € millions		
Business Development		
Consolidated revenues (continuing operations)	7,635	7,728
RTL Group	2,864	2,891
Random House	766	832
Gruner + Jahr	1,361	1,387
Arvato	2,270	2,243
Direct Group	570	577
Operating EBIT (continuing operations)	681	739
Return on sales in percent	8.9	9.6
Net income	372	51
Investments (continuing operations)	405	494
	06/30/2008	12/31/2007
Consolidated Balance Sheet		
Equity	6,193	6,124
Equity ratio in percent	29.7	28.1
Total assets	20,830	21,776
Economic debt*	7,368	7,720
Employees (continuing operations)		
Germany	37,997	36,584
Other countries	56,647	57,076
Total	94,644	93,660

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

Highlights of the 1st Six Months

RTL Group

- Fremantle Media initiates its next global hit, "Hole in the Wall"
- RTL Radio family in France reports highest listener market shares since 2001
- RTL Nederland launches RTL 24, a news channel for mobile phones

Random House

- 161 titles on the "N.Y. Times" bestseller lists
- Acquisition of distinctive publishers in the U.S. and Germany
- Markus Dohle new Chairman and CEO as of June 1, 2008

Gruner + Jahr

- Continuation of the "Expand Your Brand"-initiative
- Acquisition of all shares in "Financial Times Deutschland"
- Launch of the women's monthly "Femmes" in France

Arvato

- Launch of the multi-partner bonus program "DeutschlandCard"
- Acquisition of further Telekom service centers and opening of a service center in Mexico
- Expansion of Blu-ray Disc production capacity

Direct Group

- Strategy focused on the major markets in Europe
- Stable business performance by the Clubs in Germany and France
- Acquisition of the historic "Pergaminho" publishing group in Portugal

Corporate

- Launch of the recruiting initiative "Create Your Own Career"
- Involvement in the second social-marketing campaign "Du bist Deutschland"
- Venture Capital fund BDMI and Asia fund BAI invest in the U.S. and China

Ladies and Gentlemen,



The corporate strategy pursued by the Bertelsmann AG Executive Board is oriented toward organic growth. Our objective is to occupy a leading, competitive position in attractive markets: not necessarily to be the biggest, but one of the most significant and successful among the big players. The Bertelsmann Executive Board wants to achieve 4 percent annual organic growth by no later than the year 2015.

Excellent progress was made in the first half of 2008 in implementing our growth strategy and in making key decisions

for enhancing Bertelsmann's growth outlook over the long-term. These included the sale of the direct customer business in North America, run by our subsidiary Direct Group North America, to Najafi Companies, a private investor based in Phoenix, Arizona. Additional smaller club businesses are in the process of being sold. Going forward, we will be concentrating on the big European markets through the Direct Group. Our 50 percent stake in the joint venture Sony BMG Music Entertainment will be sold to the partner shareholder Sony Corporation, subject to regulatory approval. This decision is similarly in alignment with our revised growth strategy of concentrating on defined growth segments.

Bertelsmann significantly improved its net income in the first half. We saw organic growth of 1.4 percent on continuing operations during the period under review. Earnings before interest and taxes (EBIT) increased markedly. In all, given the difficult economic conditions, we are satisfied with the business performance of the first six month.

Yours,

Hartmut Ostrowski

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Business Development

In the first half of 2008, Bertelsmann maintained much of last year's positive business momentum. Despite the difficult economic environment, revenues from continuing operations rose 1.4 percent on a portfolio- and exchange rate-adjusted basis versus the first half of 2007. Reported revenues were slightly lower at €7.6 billion (H1 2007: €7.7 billion). Operating EBIT from continuing operations, impacted by declining consumer spending and exchange rate effects, fell by 7.8 percent to €681 million (H1 2007: €739 million). Net income rose significantly to €372 million (H1 2007: €51 million). Discontinued operations, which are reported separately in accordance with IFRS 5, include certain Direct Group businesses, particularly the North American operations, and the 50 percent interest in the joint venture Sony BMG Music Entertainment.

Business and Economic Conditions

Description of the Business

Bertelsmann's businesses are Media and Services. The core businesses are the creation, bundling, and distribution of media content, production, and service. Internal financial management and reporting are conducted on the basis of the Group's organizational structure, consisting of the divisions RTL Group, Random House, Gruner + Jahr, Arvato, and Direct Group. The RTL Group is in TV and radio production; Random House is in book publishing; Gruner + Jahr does magazines and print media; Arvato does media services and print activities, and the Direct Group runs the media clubs business. Bertelsmann operates in the core markets of Western and Central Europe, the U.S., and numerous other growth markets.

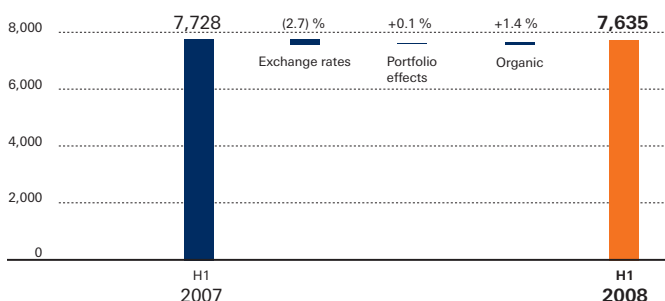
Bertelsmann AG is a nonpublic stock corporation, responsible for business policy and strategic management of the Group as an operative management holding company.

Strategy

Bertelsmann's core businesses are media related, including media production and services for both Group-internal and external customers. Bertelsmann is focusing on moving into new growth markets, in parallel with growing our existing businesses. Bertelsmann sees its investment focus in the existing Western European and U.S. core markets in the medium term. Investment should focus on businesses with high organic growth

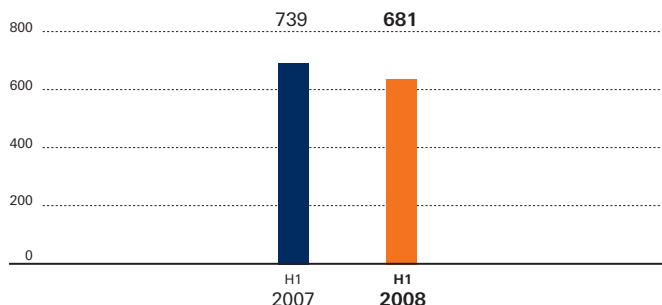
Revenue

in € millions



Operating EBIT

in € millions



The comparative figures from the previous period have been adjusted in line with IFRS 5.

potential. Simultaneously, Bertelsmann is working to strengthen the presence in growth markets such as Russia, China, and India over the long term. Bertelsmann's objective is to be a market leader and to extend its leading position in selected, attractive markets. The sale of the 50 percent interest in Sony BMG and the strategic restructuring of the Direct Group are parts of the efforts to realign the Group around growth businesses more intensively. Bertelsmann's financial objective is to enhance the value of the enterprise through steadily increasing earnings and organic growth. The central performance indicator for assessing the profitability of the Group's operations and the return on invested capital is Bertelsmann Value Added (BVA).

Significant Events in the Current Fiscal Year

On January 1, 2008 Hartmut Ostrowski took over as Executive Board Chairman for Bertelsmann AG. Rolf Buch succeeds Mr. Ostrowski as CEO of Arvato, also filling the vacated position on the Bertelsmann AG Executive Board.

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

In March 2008, Bertelsmann announced that options were being reviewed regarding its Direct Group North America operations. This unit operates book, music, and DVD clubs in the U.S. and Canada. Options concerning other Direct Group businesses also underwent strategic review.

In the spring of 2008, Bertelsmann AG issued 6-year promissory notes in the amount of €500 million.

In May 2008, the newly launched fund Bertelsmann Asia Investments (BAI) took a strategic 4.5 percent in shares of the compa-

ny China Distance Education Learning (CDEL). CDEL is a provider of online educational products in the Chinese market. BAI also purchased shares in a venture capital fund that invests in Chinese companies in the media, Internet, software, and high-tech sectors.

Markus Dohle became the new Chairman and CEO of Random House and was appointed to the Bertelsmann AG Executive Board on June 1, 2008. Mr. Dohle succeeds Peter Olson, who voluntarily resigned as of May 31, 2008.

Overall Economic Developments

According to the Deutsche Bundesbank, the global economy was still accelerating slightly at the start of 2008. However, major commodity and food price rises caused a sharp rise in inflation over the first and second quarters, hampering global economic growth.

The slowing of the U.S. economy negatively affected economic growth around the world. In parallel to the real estate crisis, surging energy and food prices eroded consumer buying power. Though U.S. household consumption increased 1 percent in the first half of 2008, this rate was far below the increase seen in recent years.

The Eurozone economy remained stable overall in the first quarter. According to the Deutsche Bundesbank, the substantial GDP growth seen in the first quarter was, however, mainly attributable to rapid expansion in France and the strong German economy. Europe too has been increasingly feeling the economic impact of less favorable financing, the strong euro, rising commodity prices and the resulting deterioration of buying power.

Consumer and energy price increases have dampened consumer spending in Germany. Based on the latest reports, this situation is expected to persist for the next several months.

Results of continuing operations

The following earnings analysis is based on segment reporting (primary reporting format), thus concerning continuing operations as of June 30, 2008. The continuing operations of Bertelsmann are the RTL Group, Random House, Gruner + Jahr, Arvato, and Direct Group businesses in German- and French-speaking countries and southern Europe (Italy, Portugal & Spain).

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

Revenues

Revenues from continuing operations for the first half of 2008 totaled €7,635 million (H1 2007: €7,728 million). This decline was primarily due to exchange rate effects. Arvato revenues increased 1.2 percent, while Random House revenues decreased 7.9 percent on exchange rate effects. RTL Group, Gruner + Jahr and Direct Group revenues came in roughly at the previous year's level.

Adjusted for portfolio and exchange rate effects to afford comparability, revenues rose by 1.4 percent compared with the first half of 2007, due particularly to strong business at Arvato. RTL Deutschland and Arvato's offset printing and service businesses performed well. However, gravure revenues declined for the company Prinovis, run jointly by Gruner + Jahr and Arvato. Portfolio and other effects had a minimal 0.1 percent impact on revenues. Exchange rate effects, largely concerning appreciation of the euro versus the U.S. dollar and British pound, impacted revenues by -2.7 percent. The revenue breakdown by geographic area changed only minimally versus the first half of 2007. Revenues in Germany rose to 36.1 percent versus 35.7 percent for the same period in 2007. The share of revenues generated in the other European countries remained unchanged against the previous year at 47.7 percent. The U.S. accounted for a revenue share of 11.7 percent (H1 2007: 12.6 percent); the other countries 4.5 percent (H1 2007: 4.0 percent). The percentage of revenues derived from the four business categories (content, advertising, direct-to-customer, and media services including production revenues) also remained largely unchanged versus the first half of 2007.

Operating EBIT and Operating EBITDA

Operating EBIT from continuing activities declined by €58 million versus the first half of 2007 during the period under review to €681 million. Return on sales was a high 8.9 percent for the first half, even after the 9.6 percent achieved one year ago. Earnings were up slightly for Arvato and Gruner + Jahr, however, these were behind the levels of the previous year for Random House and Direct Group. The RTL Group fell slightly short of last year's high level of earnings, due particularly to substantial investment by the French broadcaster M6 to acquire broadcast rights to the Euro 2008 soccer championships.

Operating EBITDA from continuing activities declined year-on-year in the first half of 2008 to €948 million versus €1,022 million one year ago.

Special Items

Special items affecting continuing activities in the first half of 2008 totaled €-44 million (H1 2007: €-267 million). The high figure for the previous year's mainly concerned charges in connection with litigation over the files-sharing platform Napster. During the first half of 2008, these mainly represented restructuring expenses for the gravure company Prinovis (Gruner + Jahr: €-12 million; Arvato €-12 million) and Random House (€-12 million), as well as an impairment of goodwill in the Arvato division (€-15 million). The charges are in contrast to a total €10 million from capital gains.

Results of discontinued operations

Discontinued operations, which are reported on separately in the Interim Report 2008, comprise the 50 percent interest in the joint venture Sony BMG Music Entertainment. It also includes certain Direct Group operations, such as Direct Group North America and other operations that have undergone a strategic review conducted in the spring of 2008. These include operations in Australia, China, the UK, New Zealand, the Netherlands (Flanders), and Eastern Europe. The sale of Direct Group North America was announced on July 11, 2008.

Revenues

Revenues from discontinued operations totaled €964 million, versus €1,229 million in the first half of 2007. The business results of Sony BMG and Direct Group North America were responsible for this decline.

Operating EBIT and EBIT

Operating EBIT from discontinued operations increased somewhat to €-18 million, up by €7 million. Factoring out special items in the amount of €-38 million (H1 2007: €-30 million) representing restructuring expenses, EBIT came to €-56 million (H1 2007: €-55 million).

Net Income

EBIT for the first half of 2008, reflecting operating EBIT from continuing activities plus special items totaling €-44 million, increased substantially versus the period of the previous year, up 35 percent to €637 million. The net financial result was nearly unchanged at €-201 million (H1 2007: €-196 million). Income taxes amounted to €6 million following tax expenses of €-164 million in the first half of 2007. €184 million from the revaluation of deferred tax assets as at June 30, 2008 in Germany were responsible for the improvement. After-tax earnings from continuing operations thus totaled €442 million (H1 2007: €112 million).

Net operating profit/loss after tax from discontinued operations is to be reported as a single item on the income statement per IFRS 5. After-tax earnings from discontinued operations thus totaled €-70 million (H1 2007: €-61 million).

Including after-tax earnings from discontinued operations, net income was up significantly to €372 million (H1 2007: €51 million). Of this total, €284 million was attributable to Bertelsmann AG shareholders (H1 2007: €-51 million), and €88 million to minority interests (H1 2007: €102 million).

Assets and Financial Analysis

Financial Guidelines and Financing Activities

Bertelsmann financing guidelines are designed to ensure a balance between the objectives of financial security, return on equity, and growth. The group's financing policy is based on the requirements of a "BBB+" / "Baa1" credit rating.

All group financing is arranged and managed centrally via Bertelsmann AG and its financing companies Bertelsmann U.S. Finance, LLC, and Bertelsmann Capital Corporation N.V. Bertelsmann AG is responsible for ensuring that Group companies are supplied with adequate liquidity. The Group acts as a single financial unit in the marketplace, thereby optimizing its capital procurement and investment opportunities.

Bertelsmann financial management is based on quantified financing targets, principally oriented around economic debt. One key financing measure employed is a dynamic leverage factor, calculated as the ratio of economic debt to operating EBITDA (modified). With the inclusion of operating leases into the definition of economic debt starting with fiscal year 2008, a leverage factor of 3.0 is not to be exceeded.

One major financing measure conducted in the first half of 2008 was the issuance of six-year promissory notes for €500 million in the spring of 2008. The funds were appropriated in June 2008 to pay down existing credit lines. Net financial debt totaled €4,488 million as of June 30, 2008 (December 31, 2007: €4,282 million). Economic debt from continuing operations, consisting of net financial debt plus pension provisions, profit participation capital, and the present value of operating leases, totaled €7,368 million (December 31, 2007: €7,720 million). Economic debt does not include cash and cash equivalents, financial debt, and pension provisions connected with discontinued operations. Assets and liabilities owned by discontinued operations are to be reported separately from other balance sheet assets and liabilities per IFRS 5. The sale prices of Direct Group North America and the stake in Sony BMG are only payable upon closing, thus having no effect in reducing economic debt as of June 30, 2008.

Consolidated Cash Flow Statement (Summary)

in € millions	H1 2008	H1 2007
Cash flow from operating activities	779	520
Cash flow from investing activities	(387)	(110)
Cash flow from financing activities	(620)	(503)
Change in cash and cash equivalents	(228)	(93)
Currency effects and other changes in cash and cash equivalents	(285)	1
Cash and cash equivalents at the beginning of the period	1,131	986
Cash and cash equivalents at the end of the period	618	894

Rating

Since coverage was initiated in 2002, Bertelsmann has been rated “Baa1” by Moody’s and “BBB+” by Standard & Poor’s (S&P), meaning that both rating agencies consider it to be an investment grade issuer. Both rating services categorize our credit outlook as stable. Bertelsmann’s short-term credit quality is rated “P-2” by Moody’s and “A-2” by S&P.

Controlling Systems

The central performance indicator for assessing the profitability of the Group’s operations and the return on invested capital is Bertelsmann Value Added (BVA). This focus on enterprise value is reflected both in the management of the Group’s business operations and in the strategic management of its investments and portfolios, and is integrated within all of its entrepreneurial activities by being linked to the management compensation system. For the first half of 2008, BVA generated a figure of €-67 million on continuing and discontinued operations (H1 2007: €-66 million).

Operating EBIT is another key performance indicator, defined as net operating profit that is generally recurring under normal economic conditions. This figure is calculated before financial result and taxes, and adjusted for special items.

Cash Flow Statement

The Bertelsmann cash flow statement is calculated based on EBIT. In the first half of 2008, cash flow of €779 million (H1 2007: €520 million) was generated from operating activities. The comparative value of the previous year was burdened by payments in connection with the settlement of the legal disputes with music publishers. Cash flow from investing activities declined to €-387 million (H1 2007: €-110 million). High proceeds from the disposal of investments, in particular for Grupo Media Capital are included in the comparative value of the previous year. Cash flows of €-620 million were utilized for financing activities during the period under review

(H1 2007: €-503 million). Dividends distributed to Bertelsmann AG shareholders and minority interest holders of consolidated investments accounted for cash flows of €-274 million (H1 2007: €-254 million). As of June 30, 2008, Group cash and cash equivalents amounted to €618 million (June 30, 2007: €894 million).

In the cash flow from operating activities, €-40 million (H1 2007: €96 million) is attributable to discontinued operations. In the cash flow from investing activities, €-24 million (H1 2007: €1 million) is attributable to discontinued operations. In the cash flow from financing activities, €-8 million (H1 2007: €-92 million) is attributable to discontinued operations.

Bertelsmann uses the cash conversion rate to assess the operating cash flows generated. It is calculated from the ratio of operating free cash flow to Operating EBIT. Bertelsmann’s target is a cash conversion rate of 100 percent. For the first half of 2008 the cash conversion rate from continuing and discontinued operations reached 111 percent (H1 2007: 86 percent).

Investments

In the first half of 2008, investments in property, plant and equipment, intangible assets, and financial investments including purchase price payments fell by €76 million to €430 million (H1 2007: €506 million). Investments in property, plant and equipment totaled €201 million (H1 2007: €241 million). This was principally attributable to Arvato. An amount of €97 million was invested in intangible assets (H1 2007: €78 million), the majority of which by the RTL Group. Investments in financial assets totaled €50 million (H1 2007: €41 million). An amount of €82 million (H1 2007: €146 million) was spent on purchase price payments for consolidated investments (net of cash and cash equivalents acquired).

Investments in property, plant and equipment attributable to discontinued operations totaled €25 million (H1 2007: €12 million).

Balance Sheet

As of June 30, 2008, total assets came to €20.8 billion (December 31, 2007: €21.8 billion). Equity increased from €6,124 million as of December 31, 2007 to €6,193 million as of June 30, 2008, raising the equity ratio to 29.7 percent (December 31, 2007: 28.1 percent). Provisions for pensions declined from €1,558 million to €1,226 million. The decrease in provisions for pensions was due in part to the reallocation of pension provisions attributable to the joint venture Sony BMG to the balance sheet item "Liabilities included in assets held for sale" as of June 30, 2008, required under IFRS 5.

Employees

As of June 30, 2008, the number of Group employees from continuing operations rose to 94,644 worldwide (December 31, 2007: 93,660).

Other Information

Changes on the Supervisory Board

The Supervisory Board elected Gunter Thielen as Chairman on January 11, 2008. Mr. Thielen succeeds the departing Dieter Vogel, who remains a shareholder of Bertelsmann Verwaltungsgesellschaft mbH (BVG). Richard Sarnoff and John R. Joyce retired from the Supervisory Board at the end of the Annual General Meeting on May 31, 2008, their term of office having expired. Bertelsmann AG Supervisory Board member Oswald Lexer died on June 10, 2008. Helmut Gettkant was elected labor representative on the Bertelsmann AG Supervisory Board on June 23, 2008. Mr. Gettkant succeeds Willi Pfannkuche in this office, who departed the Supervisory Board in January 2008.

Significant Events After the Balance Sheet Date

In July 2008, Bertelsmann announced the sale of Direct Group North America to Najafi Companies based in Phoenix, Arizona. The transaction closed in August 2008.

In July 2008, it was announced that Direct Group operations would be concentrated on the markets of German-and French-speaking countries and Southern Europe going forward, as part of the strategic realignment being implemented by the Executive and Supervisory Boards.

In August 2008, Bertelsmann AG and Sony Corporation reached a deal for Sony to acquire Bertelsmann's 50 percent interest in Sony BMG. Sony and Bertelsmann had established Sony BMG as a joint venture in August 2004. It was agreed as part of the deal that Sony

BMG would continue to contract with Sony production subsidiary Sony DADC and Bertelsmann media service provider Arvato Digital Services in the former proportion, agreements with Arvato being extended by up to six years. Completion of the transaction is subject of antitrust clearance in several countries.

Bertelsmann thus announced with regard to this transaction that Bertelsmann Music Group would be realigning its business around the management of music rights, taking over selected European catalogs of music rights from Sony BMG. They comprise the works of more than 200 artists. The catalogs will continue to be distributed by Sony Music.

Risk Report

Please refer to the 2007 Annual Report for information on risk management systems and processes. The assessment of material risks for the Bertelsmann Group and Bertelsmann AG has not changed significantly in relation to the discussion provided in the 2007 Annual Report.

One new risk not discussed in the 2007 Risk Report concerns competitive distortions stemming from the issue of the expansion of public broadcasters' online activities, still unresolved under the Interstate Broadcasting Agreement. Unrestricted publicly financed online activity on the part of public broadcasters would pose considerable competition for Bertelsmann on the Internet.

Overall Risk

In the first half of 2008, no substantial risks were identified for Bertelsmann AG. Equally, from today's viewpoint, no substantial risks are apparent that could threaten the Group's continuing existence.

Business Development in the Divisions

Segment Reporting Primary Format (Continuing Operations)

in € millions	RTL Group		Random House		Gruner + Jahr		Arvato	
	H1 2008	H1 2007	H1 2008	H1 2007	H1 2008	H1 2007	H1 2008	H1 2007
Consolidated revenues	2,857	2,886	765	831	1,348	1,374	2,090	2,057
Intercompany revenues	7	5	1	1	13	13	180	186
Divisional revenues	2,864	2,891	766	832	1,361	1,387	2,270	2,243
Operating EBIT	494	510	31	44	117	116	102	101
Special items	6	(28)	(12)	–	(11)	(1)	(29)	(6)
EBIT	500	482	19	44	106	115	73	95
Return on sales ¹	17.2 %	17.6 %	4.0 %	5.3 %	8.6 %	8.4 %	4.5 %	4.5 %
Scheduled depreciation and amortization	79	86	14	18	40	43	110	111
Impairment losses	1	127	–	–	–	1	19	6
thereof in special items	–	123	–	–	–	–	16	4
Investments ²	131	148	23	7	65	59	132	157
Employees (closing) ⁴	11,761	11,392	5,845	5,764	14,793	14,448	52,927	51,846

¹ Operating EBIT as a percentage of divisional revenues

³ Includes remaining BMG operations

² Less acquired cash and cash equivalents

⁴ The number of employees of the previous period corresponds to the status on December 31, 2007



The leading European entertainment network reports virtually consistent revenues and a slight decrease in operating result for the first half of the year. Mediengruppe RTL Deutschland saw a clear increase in profits, while operating results at Groupe M6 in France were diminished by a large investment in broadcasting rights for the European Football Championship. M6's live broadcasts from the event set new viewer records. The channel also increased its access primetime audience share. Mediengruppe RTL Deutschland registered a significant increase in ad sales and remained the undisputed market leader among its core target demographic of 14- to 49-year-old viewers. The worldwide production arm Fremantle Media once again made a major profit contribution, driven by its U.S. business. RTL Group expanded its "catch-up TV" offerings in Germany, France, the U.K. and the Netherlands, giving viewers the option to watch popular TV programs free on the Internet.

The world's largest trade book publishing group registered a decline in first-half revenues and operating results, mainly due to unfavorable currency exchange rates, a slowdown in consumer spending in some key markets, as well as such ongoing economic pressures as rising shipping and marketing costs. Random House, Inc. placed 161 titles on the "N.Y. Times" bestseller lists. The London-based Random House Group outperformed its marketplace, accounting for over 30 percent of all bestsellers listed in the "Sunday Times". Random House grew its portfolio with the acquisition of the distinctive publishers The "Monacelli Press" and "Watson-Guption Publications" in the U.S. and Hugendubel Verlage in Germany. In the U.S., Random House sold more e-book downloads in the first half of 2008 than in all of 2007, while Random House U.K. enhanced its digital business with new services. The company also saw a change-over at the top on June 1, 2008 with the appointment of Markus Dohle as Chairman and CEO.

Europe's largest magazine publisher posted slightly lower half year revenues than in the first half of 2007, while the operating result came in marginally higher. Declining revenues primarily reflected deteriorating consumer confidence and adverse conditions in the print ad markets. The salient activities in the first half year were increasing online capacity, investing in new publications, cost management, and disposing of weaker publications. The "Expand Your Brand"-initiative continuing on track. In Germany, the "Brigitte" family of brands and "Gala" performed well despite difficult conditions for print ads and publication sales. In March G+J bought "Financial Times Deutschland" outright, and sold the publication "Frau im Spiegel". In France, revenues rose, counter to the market trend. The new monthly Magazine "Femmes" was launched. Sales in the growth market China remained solid, while business in Spain suffered from recessionary tendencies. The Prinovis gravure joint ventures was impacted by persistent costs and competitive pressures.

Direct Group		Total Divisions		Corporate ³		Consolidation/Other		Continuing Operations	
H1 2008	H1 2007	H1 2008	H1 2007	H1 2008	H1 2007	H1 2008	H1 2007	H1 2008	H1 2007
567	572	7,627	7,720	8	8	-	-	7,635	7,728
3	5	204	210	-	-	(204)	(210)	-	-
570	577	7,831	7,930	8	8	(204)	(210)	7,635	7,728
(11)	(9)	733	762	(52)	(33)	-	10	681	739
2	-	(44)	(35)	-	(234)	-	2	(44)	(267)
(9)	(9)	689	727	(52)	(267)	-	12	637	472
(1.9) %	(1.6) %	9.4 %	9.6 %	-	-	-	-	8.9 %	9.6 %
13	13	256	271	9	9	-	-	265	280
-	-	20	134	1	-	-	-	21	134
-	-	16	127	1	-	-	-	17	127
25	108	376	479	29	15	-	-	405	494
8,175	9,220	93,501	92,670	1,143	990	-	-	94,644	93,660



Media and communications service provider Arvato posted slightly higher revenues and operating results for the first six months of the year. The service operations benefited from an increasing trend towards outsourcing, strong service center demand, and brisk logistics business. The worldwide service center network was expanded through the takeover of additional Telekom locations and establishment of a new subsidiary in Mexico. Arvato launched the “DeutschlandCard”, a new customer-retention program. The Print unit performed well overall. The offset printing business grew considerably in Germany and the U.S., while losing momentum somewhat in Spain and Italy. Prinovis’ gravure earnings were stable despite a difficult business environment. The newly organized Storage Media unit increased its earnings in a similarly difficult market, thanks primarily to ancillary integrated services. Production capacity for Blu-ray discs was expanded.



The Direct Group club and bookselling businesses maintained steady revenues in the first half year in the markets where operations are now concentrated pursuant to the strategic realignment, toward German- and French-language countries as well as Southern European countries, posting a lower operating result year-on-year. The club businesses in Germany and France were stable; in Portugal the Direct Group acquired the venerable “Pergaminho” publishing house. The Direct Group continuing pursuing the strategic goal of building up the club value chain (proprietary publishers, bookselling, online, distribution) and marketing our expanded product offering to club members and new customer groups.

Corporate

The Corporate division, consisting of the Bertelsmann AG Corporate Center and Corporate Investments, posted lower operating EBIT for the first half year versus the previous year period, due to the non-recurrence of one-time effects. Expenses accrued during the period under review for the recruiting initiative “Create Your Own Career” and investment in the second social marketing campaign “Dubist Deutschland,” aimed towards creating a more pro-child social environment. Bertelsmann also made a larger donation to support victims of the devastating earthquake in China that occurred in May 2008. The Corporate Center focused mainly on portfolio-management activities (Direct Group North America, Sony BMG) and additional fund investments. The venture capital fund BDMI invested in the Chinese teen portal “Yoho” and the US transaction service provider “Imagespan”, increasing the number of individual investment holdings in the portfolio to 17. The Asia fund BAI made an initial investment in the online educational provider “CDEL”. In June, it was decided to close the social network “Bloomstreet”, part of Corporate.

Opportunities

There have been no significant changes to the assessment of opportunities in relation to the discussion provided in the 2007 Annual Report.

Outlook

The ECB and Institute for World Economy at Kiel University forecast slowing of the global economy in 2008, with the potential for gradual recovery in the course of 2009 depending on commodity price trends. The muted economic growth projected for 2008 is seen primarily as a function of US economic slowing, which will likely continue to affect large industrial economies such as Germany's.

For full year 2008 Bertelsmann projects results from continuing activities to exceed fiscal year 2007 revenue and EBIT levels on an adjusted basis, while maintaining its financial targets. Operating EBIT is estimated to come in slightly lower year-on-year,

while net income is expected to rise given the elimination of certain special-item charges and lower tax expense versus previous year.

The Executive Board anticipates that a dividend distribution equal to 15 percent of the nominal amount of the Bertelsmann profit participation certificate ISIN DE0005229942 can again be made for fiscal year 2008.

These expectations are in view of the Bertelsmann Group's present business strategy, reflecting our assessment of risks and opportunities. All forward-looking statements made concerning potential future developments are based on information currently available. Should underlying suppositions fail to materialize and/or further risks arise, actual results may deviate from the results expected. Accordingly, no assurances can be provided concerning the accuracy of such statements.

Consolidated Income Statement (Continuing operations)

in € millions	H1 2008	H1 2007
Revenues	7,635	7,728
Other operating income	308	297
Change in inventories	1	(35)
Own costs capitalized	101	117
Cost of materials	(2,529)	(2,598)
Royalty and license fees	(360)	(358)
Personnel costs	(2,179)	(2,184)
Amortization of intangible assets and depreciation of property, plant and equipment	(267)	(283)
Other operating expenses	(2,071)	(1,999)
Results from investments accounted for using the equity method	33	45
Results from other participations	9	9
Special items	(44)	(267)
EBIT (Earnings before interest and taxes)	637	472
Interest income	45	87
Interest expenses	(156)	(201)
Other financial expenses and income	(90)	(82)
Financial result	(201)	(196)
Earnings before taxes from continuing operations	436	276
Income taxes	6	(164)
Earnings after taxes from continuing operations	442	112
Earnings after taxes from discontinued operations	(70)	(61)
Net income	372	51
attributable to:		
Share of profit of Bertelsmann shareholders	284	(51)
Minority interest	88	102

Reconciliation to Operating EBIT from continuing operations

in € millions	H1 2008	H1 2007
EBIT from continuing operations	637	472
Special items		
– Impairment of goodwill, other intangible assets with indefinite useful life, other financial assets and assets held for sale	15	128
– Capital gains/losses	(10)	(104)
– Other special items	39	243
Operating EBIT from continuing operations	681	739

Consolidated Balance Sheet

in € millions	June 30, 2008	December 31, 2007
Assets		
Non-current assets		
Goodwill	6,670	7,256
Other intangible assets	756	1,113
Property, plant and equipment	2,559	2,767
Investments accounted for using the equity method	541	553
Other financial assets	647	666
Trade accounts receivable	9	17
Other accounts receivable and other assets	361	337
Deferred tax assets	992	908
	12,535	13,617
Current assets		
Inventories	1,944	2,079
Trade accounts receivable	2,436	3,126
Other accounts receivable and other current assets	1,167	1,569
Other financial assets	52	14
Current income tax receivable	107	199
Cash and cash equivalents	618	1,131
	6,324	8,118
Assets held for sale	1,971	41
	20,830	21,776
Equity and Liabilities		
Equity		
Subscribed capital	1,000	1,000
Capital reserve	2,345	2,345
Retained earnings	1,785	1,625
Shareholders' equity	5,130	4,970
Minority interest	1,063	1,154
	6,193	6,124
Non-current liabilities		
Provisions for pensions and similar obligations	1,226	1,558
Other provisions	113	132
Deferred tax liabilities	143	188
Profit participation capital	706	706
Financial Debt	3,910	4,788
Trade accounts payable	78	91
Other liabilities	720	691
	6,896	8,154
Current liabilities		
Other provisions	312	447
Financial Debt	1,196	625
Trade accounts payable	2,629	3,488
Other liabilities	2,138	2,584
Current income tax payable	272	322
	6,547	7,466
Liabilities included in assets held for sale	1,194	32
	20,830	21,776

Consolidated Cash Flow Statement

in € millions	H1 2008	H1 2007
EBIT (Earnings before interest and taxes)	581	417
Taxes paid	(81)	(255)
Depreciation and write-ups of non-current assets	313	453
Capital gains/losses	(10)	(116)
Change in provisions for pensions	(52)	(42)
Change in other provisions	(43)	21
Other effects	(22)	(60)
Change in net working capital	93	102
Cash flow from operating activities	779	520
– thereof from discontinued operations	(40)	96
Investments in:		
– intangible assets	(97)	(78)
– property, plant and equipment	(201)	(241)
– financial assets	(50)	(41)
– purchase prices for consolidated investments (net of acquired cash)	(82)	(146)
Proceeds from disposal of investments	(10)	284
Proceeds from disposal of other non-current assets	54	115
Payments for marketable securities and other short-term investments	(1)	(3)
Cash flow from investing activities	(387)	(110)
– thereof from discontinued operations	(24)	1
Proceeds from bonds and promissory notes	498	650
Redemption of bonds and promissory notes	(50)	–
Change in other financial debt	(608)	(805)
Interest paid	(135)	(161)
Proceeds from release of currency and interest swaps	–	100
Change in shareholders' equity	(19)	–
Dividends to Bertelsmann shareholders and minorities	(274)	(254)
Additional payments to minorities and partnerships (IAS 32)	(32)	(33)
Cash flow from financing activities	(620)	(503)
– thereof from discontinued operations	(8)	(92)
Change in cash and cash equivalents	(228)	(93)
Currency effects and other changes in cash and cash equivalents	(285)	1
Cash and cash equivalents on January 1	1,131	986
Cash and cash equivalents on June 30	618	894

Consolidated Statement of Recognized Income and Expense

in € millions	H1 2008	H1 2007
Currency translation differences	(131)	(47)
Net change in fair value of available-for-sale securities	(6)	4
Net change in fair value of cash flow hedges	(5)	(10)
Actuarial gains and losses on defined benefit plans	158	135
Income and expenses recognized directly in equity¹	16	82
Net income	372	51
Recognized income and expenses	388	133
attributable to:		
Bertelsmann shareholders	300	35
Minority interest	88	98

¹ Attributable to discontinued operations: €10 million (2008) and €-5 million (2007)

Selected Explanatory Notes

Accounting Principles

This half year report was subjected to an audit review by the Group auditor and prepared in compliance with Section 37w of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act). It contains an interim consolidated financial statements prepared in accordance with IAS 34 (Interim Financial Reporting), including selected explanatory disclosures. The same accounting policies were applied in preparing the report as in the consolidated financial statements as of December 31, 2007. A detailed description of these policies is published in the Notes to the Consolidated Financial Statements in the 2007 Annual Report. IFRIC 11: IFRS 2: Group and Treasury Share Transactions was applied for the first time as of January 1, 2008. This interpretation was endorsed by the IASB and adopted by the EU. This initial application does not give rise to any effects.

Scope of Consolidation

The interim financial statements for the half year ended June 30, 2008 include in its consolidation not only Bertelsmann AG but also all material companies for which Bertelsmann AG either directly or indirectly has the option of determining financial and business policy. As of June 30, 2008, the Bertelsmann AG scope of consolidation included 1,269 companies (previous year: 1,248), 56 of which were additions, these include 920 fully consolidated companies.

Acquisitions and Disposals

In the first half year of 2008, a total of €82 million was paid for acquisitions less cash and cash equivalents acquired, including financial debt. Costs for these acquisitions as defined by IFRS 3 totaled €70 million. The resulting goodwill amounted to €58 million. Other intangible assets determined as part of the purchase price allocation as set out in IFRS 3 totaled €14 million.

Discontinued Operations

During the first half of 2008, in the process of portfolio optimization, Bertelsmann AG initiated the sale of several of its operations that meet IFRS 5 requirements for recognition as discontinued operations. They include the 50 percent share in the music joint venture Sony BMG, which was sold to Sony Corporation under a contract dated August 5, 2008 and was previously recognized in the BMG division; the North American direct-sales business (Direct Group North America) sold, under a contract dated July 11, 2008 to the private investor Najafi Companies of Phoenix, Arizona; and the club business in China, Australia, the UK, New Zealand, the Netherlands (Flanders), Poland, Russia, the Czech Republic, Slovakia, and the Ukraine previously recognized in the Direct Group division. The sale of the club business in the countries above is expected to reach completion during the first half of the fiscal year 2009. Completion of the transaction with Sony Corporation is subject to approval under the antitrust law of various countries and is expected in the fall of the current fiscal year. The contract with Najafi Companies takes effect during August of the current fiscal year.

For the operations presented above, the present financial statements recognize separately income, assets and liabilities, and cash inflows in accordance with IFRS 5. Previous year figures in the income and cash flow statements have been adjusted in accordance with IFRS 5.

Results of discontinued operations comprise the following:

Income statement – Discontinued Operations

in € millions	H1 2008	H1 2007
Revenues	964	1,229
Income	24	20
Expenses	(1,006)	(1,274)
Operating EBIT from discontinued operations	(18)	(25)
Special items	(38)	(30)
EBIT (Earnings before interest and taxes) from discontinued operations	(56)	(55)
Financial result	(12)	(9)
Earnings before taxes from discontinued operations	(68)	(64)
Income taxes	(2)	3
Earnings after taxes from discontinued operations	(70)	(61)

Special Items

Special items for discontinued operations include restructuring costs totalling €-38 million (of which €-29 million at Sony BMG).

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

Assets and Liabilities Held for Sale

in € millions	June 30, 2008	December 31, 2007
Assets		
Non-current assets	982	-
Current assets	989	41
	1,971	41
Equity and Liabilities		
Non-current liabilities	196	-
Current liabilities	998	32
	1,194	32

Income Taxes

The revaluation of deferred tax assets as at June 30, 2008 in Germany led to a deferred tax asset of €184 million.

Condensed Consolidated Statement of Changes in Equity

in € millions	Shareholders' equity	Minority interest	Total
Balance as of January 1, 2007	4,930	1,088	6,018
Net income	(51)	102	51
Income and expenses recognized directly in equity	86	(4)	82
Dividends	(120)	(122)	(242)
Other changes	14	(6)	8
Balance as of June 30, 2007	4,859	1,058	5,917
Balance as of January 1, 2008	4,970	1,154	6,124
Net income	284	88	372
Income and expenses recognized directly in equity	16	-	16
Dividends	(120)	(165)	(285)
Other changes	(20)	(14)	(34)
Balance as of June 30, 2008	5,130	1,063	6,193

With regard to the special items and financial debt for continuing operations included in these interim consolidated financial statements, reference is made to the explanations in the management report (p. 4 et seq.)

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable accounting principles for interim financial reporting, the interim consolidated financial statements give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group, and the Group interim management report presents a true and fair view of the development and performance of the business and the position of the Group, in addition to outlining the principal opportunities and risks potentially affecting Group results over the remainder of the fiscal year.

Gütersloh, August 26, 2008

Bertelsmann AG
The Executive Board

Ostrowski	Buch	Dohle
Dr. Kundrun	Dr. Rabe	Zeiler

Review Report by the Auditors

To Bertelsmann AG,

We have reviewed the condensed interim consolidated financial statements of Bertelsmann AG, Gütersloh – comprising the balance sheet, income statement, cash flow statement, statement of recognised income and expense and selected explanatory notes – together with the Group interim management report of Bertelsmann AG, Gütersloh, for the period from January 1, 2008 to June 30, 2008, that are part of the half year financial report according to section 37 w WpHG [„Wertpapierhandelsgesetz“: „German Securities Trading Act“]. The preparation of the condensed interim consolidated financial statements in accordance with those IFRS applicable to interim financial reporting as adopted by the EU, and in accordance with the IFRS for interim financial reporting as issued by the International Accounting Standards Board (IASB), and of the Group interim management report in accordance with the requirements of the WpHG applicable to Group interim management reports, is the responsibility of the Company’s management. Our responsibility is to issue a report on the condensed interim consolidated financial statements and on the Group interim management report based on our review.

We performed our review of the condensed interim consolidated 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 consolidated 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 in accordance with the IFRS for interim financial reporting as issued by the IASB, and that the Group interim management report has not been prepared, in material aspects, in accordance with the requirements of the WpHG applicable to Group interim 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 consolidated financial statements have not been prepared, in material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, and in accordance with the IFRS for interim financial reporting as issued by the IASB, or that the Group interim management report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to Group interim management reports.

Bielefeld, August 27, 2008

KPMG Deutsche Treuhand-Gesellschaft
Aktiengesellschaft
Wirtschaftsprüfungsgesellschaft

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on Bertelsmann are posted at:
www.bertelsmann.de
www.bertelsmann.com

The Interim Report is also available
in German.

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Financial Calendar

November 11, 2008
Announcement of figures for the
first nine months of 2008

March 24, 2009
Annual Press Conference for the
fiscal year 2008

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