



Interim Report 2012

Bertelsmann

at a Glance

Key Figures (IFRS)

in € millions	H1 2012	H1 2011
Business Development (continuing operations)		
Group revenues	7,572	7,209
thereof:		
– RTL Group	2,819	2,751
– Random House	947	787
– Gruner + Jahr	1,111	1,113
– Arvato	2,090	1,954
– Print	562	573
Operating EBIT	731	739
Return on sales in percent ¹⁾	9.7	10.3
Group profit or loss	353	269
Investments	299	352
	6/30/2012	12/31/2011
Group Balance Sheet		
Equity	6,006	6,149
Equity ratio in percent	33.3	33.9
Total assets	18,037	18,149
Economic debt ²⁾	5,475	4,913
Employees (headcount) (continuing operations)		
Germany	38,262	37,519
International	65,506	65,233
Total	103,768	102,752

The figures from H1 2011 and total assets as of December 31, 2011 have been adjusted.

¹⁾ Based on operating EBIT.

²⁾ 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

- Mediengruppe RTL Deutschland launches new free-to-air TV channel RTL Nitro, achieving good audience shares from the start
- The European soccer championship was a crowd-puller for the French channel M6: the France vs. Sweden match was watched by 12.2 million viewers, the channel's second-highest rating ever
- RTL Group's various online platforms generated more than 1.2 billion video views in the first six months of the year, a 33 percent increase year on year

www.rtl-group.com

Random House

- Outstanding Random House revenue and profit increases
- E L James' "Fifty Shades" trilogy sells more than 30 million copies March–June
- E-book sales continue to grow significantly in all territories

www.randomhouse.com

Gruener + Jahr

- Entry into the digital marketing business in India through acquisition of a majority stake in Networkplay India Ltd.
- Successful launch of "Neon" in France and "Vogue" in Holland
- New apps from "Geomini," "P.M. History," "P.M. Magazin," "Gala Starfinder," Kino.de, and many other brands

www.guj.com

Arvato

- High double-digit growth in China with customer relationship management and supply chain management
- Expansion of e-commerce businesses in the European core markets
- Expansion of the product portfolio for customers in the energy and utilities sector through acquisition of Perdata Gesellschaft für Informationsverarbeitung mbH

www.arvato.com

Print

- Bertram Stausberg takes over management of both the printing unit and Prinovis
- Prinovis enters into technology partnership with Siemens for programming e-magazines for tablets and smartphones
- New digital printing press for OPM completes the range of technical print products and opens up new sales opportunities

Corporate Investments/Corporate Center

- Bertelsmann enters the growth market of education via the University Ventures Fund
- New Corporate Centers opened in New Delhi and São Paulo
- Funds expand investments in digital businesses and the Asian region

Dear Readers, Dear friends of Bertelsmann,

Bertelsmann looks back on a satisfactory first half in which our businesses delivered a solid performance, and we took important initial steps in the long-term transformation of our company.

Our revenues showed considerable growth – including organic growth – in the first six months of this current fiscal year. Our Group result increased significantly year on year, and we were able to replicate last year's strong operational performance and high profitability. These are encouraging results, which are due not least thanks to our strong market positions.

The business year to date has shown that Bertelsmann is in a good starting position. But it also illustrates that our competitive environment and our customers' media-usage behavior is changing as part of the transformation to digital. We therefore plan to develop Bertelsmann in line with four strategic priorities going forward. In the years ahead we will:

- **strengthen our core business**
- advance the **transformation** of our businesses **to digital**
- build **new growth platforms** beyond our existing activities
- increasingly open up **regional growth markets**

I am very pleased that we have already made significant progress in each of these areas in the year to date:

- **By focusing Arvato on growth:** Bundling Prinovis and our international printers into a separate unit allows Arvato to focus specifically on the rapidly growing services business.
- **By our divisions embracing digital businesses as integral components of their value proposition:** RTL Group's online platforms logged more than 1.2 billion video views in the first half of the year. Random House generated almost a quarter of its revenues with e-books – and the trend is continuing upward. Gruner + Jahr is growing dynamically in the digital-marketing sector, and Arvato has significantly expanded its e-commerce business in the core European markets.



- **By continually strengthening our new businesses:**

In the first half of the year BMG acquired three new prestigious music publishers: Bug Music, R2M, and Dreyfuss. Our recently launched University Ventures Fund has successfully completed its first investments in the education sector, and our BDMI and BAI funds now hold 45 investments in North America, Europe, and Asia.

- **By increasing our presence in the world's key growth markets:**

In recent months we have opened two new Corporate Centers in Delhi and in São Paulo, which will support and expand our businesses locally.

These first steps taken towards the transformation are only a selected number of the initiatives we will implement in the next few years. We have resolved to make our strategy visible through an entire catalog of measures and I would be delighted if you would accompany us on the journey ahead, with your lively interest!

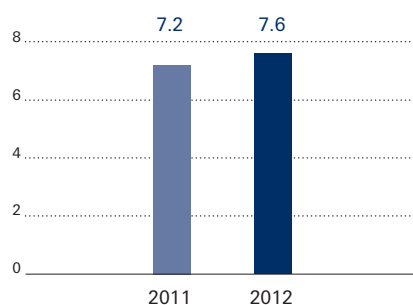
Yours sincerely,

Dr. Thomas Rabe,
Chairman and CEO, Bertelsmann

Group Interim Management Report

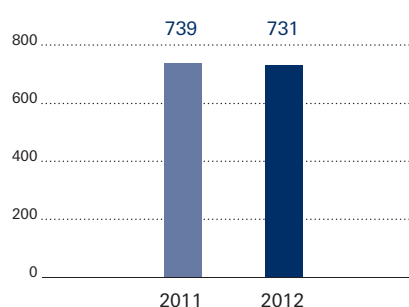
After a good start to 2012, the positive trend continued in the following months. In the first half of 2012, Bertelsmann achieved a strong increase in revenues and a stable operating EBIT compared to the previous year. Group revenues rose by 5.0 percent to €7.6 billion. Operating EBIT was €731 million, almost reaching the high level of the previous year. The return on sales was 9.7 percent (H1 2011: 10.3 percent). Group profit rose significantly from €269 million to €353 million. Bertelsmann is cautiously optimistic for business in the rest of the year. The outlook is characterized by a high level of uncertainty concerning future global economic development – in the euro zone, in particular.

Revenues in € billions



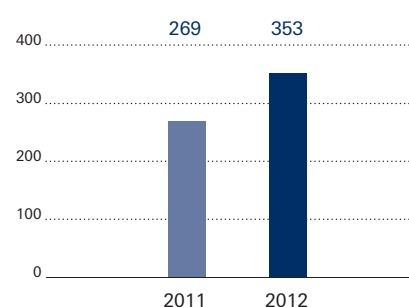
- Revenue growth of 5.0 percent year-on-year; organic revenue growth of 3.7 percent
- Revenue increase at Random House, Arvato, and RTL Group

Operating EBIT in € millions



- Nearly stable operating EBIT
- Random House benefits from strong bestseller performance
- Return on sales of 9.7 percent after 10.3 percent for the same period in the previous year

Group Profit in € millions



- Improved Group profit of €353 million compared to €269 million in the previous year
- Significantly lower special items and elimination of the negative contributions to operating EBIT from discontinued operations

Business and Economic Conditions

Description of Business and Organizational Structure

Bertelsmann operates in around 50 countries with a focus on media content and media-related production and services. Alongside its geographic core markets in Western Europe (especially Germany, France, the United Kingdom, and Spain) and in the United States, Bertelsmann is strengthening its presence in growth markets such as China, India, and Brazil. The Bertelsmann divisions are RTL Group with television, radio, and television production operations; the book publishing group Random House; the magazine publisher Gruner + Jahr; the business process outsourcer Arvato; and retrospectively as of January 1, 2012 the new Print segment, which comprises the European gravure printing activities and all of the international printing companies previously managed by Arvato. For the first time, the remaining operating activities are grouped under Corporate Investments. These consist of the music rights company BMG, the education-related activities, and the club and direct marketing businesses including the direct marketing company Inmediaone. The funds for digital media, Bertelsmann Digital Media Investments (BDMI) and Bertelsmann Asia Investments (BAI), are also allocated to Corporate Investments.

Bertelsmann SE & Co. KGaA is a capital market-oriented, privately held Kommanditgesellschaft auf Aktien (KGaA; partnership limited by shares). As a Group holding company, it performs central functions. Internal corporate management and reporting follow the Group's organizational structure, which consists of the operating segments, the remaining operating activities under Corporate Investments, and the Corporate Center.

Foundations (Bertelsmann Stiftung, Reinhard Mohn Stiftung, BVG-Stiftung) indirectly hold 80.9 percent of Bertelsmann SE & Co. KGaA shares, with the remaining 19.1 percent held indirectly by the Mohn family. Bertelsmann Verwaltungsgesellschaft (BVG) controls all voting rights at the Annual General Meetings.

Change of Legal Form

The change of legal form from Bertelsmann AG to Bertelsmann SE & Co. KGaA, a partnership limited by shares (KGaA), was completed on August 20, 2012. KGaA is a proven legal form for businesses owned by families or foundations that is widely used in Germany. On May 4, 2012, the Annual General Meeting of Bertelsmann AG resolved upon the Group's proposed change of legal form. The change came into effect and was officially completed with its entry into the commercial register on

August 20, 2012. This change in legal form effectively preserves the Group's identity. The conditions of ownership and the structure of the Group will remain unchanged. The boards of Bertelsmann SE & Co. KGaA as well as the management and supervisory structures are explained below.

As a KGaA, the business is managed by a personally liable partner (general partner). In the case of Bertelsmann SE & Co. KGaA, the Bertelsmann Management SE, represented by its Executive Board, is responsible for the management of the business. The statutory bodies consist of the Supervisory Board and the General Meeting at the KGaA level, and the Executive Board, Supervisory Board, and the General Meeting at the level of the managing general partner (SE). The Supervisory Board of the KGaA is elected by the limited partners at the General Meeting. Bertelsmann Verwaltungsgesellschaft mbH (BVG) controls 100 percent of the voting rights at the General Meeting of the KGaA. As well as supervising the management of the business by the general partner, the Supervisory Board of the KGaA has extensive notification and supervision rights and also forms the Audit Committee. The members of the Bertelsmann Management SE Supervisory Board are appointed by the General Meeting of Bertelsmann Management SE. The voting rights at the General Meeting of Bertelsmann Management SE are exercised by the BVG. The Supervisory Board of Bertelsmann Management SE supervises the Executive Board and advises it on strategic matters and important business transactions. The Executive Board is responsible for independently managing the company.

Strategy

Bertelsmann is a global media enterprise occupying leading market positions in its core sectors of television, books, newspapers, and outsourcing and print services. Bertelsmann develops media and communication offerings that excite people around the world and provide customers with innovative solutions. Bertelsmann's primary objective is continuous growth of the company's value through a sustained increase in profitability.

The Executive Board develops the business through four strategic initiatives: in addition to strengthening the core business, Bertelsmann will drive the digital transformation forward. Penetrating the growth regions of Asia and South America will reinforce the establishment and development of new growth platforms as the third strategic initiative.

Thomas Rabe, who took over as Chairman and CEO of Bertelsmann on January 1, 2012, began by conducting a Group-wide dialog with executives and employee representatives from all key Bertelsmann markets and sectors to discuss the state of the company, the future orientation, and the overall conditions this requires.

Value-Oriented Management System

The central performance indicator for assessing the profitability from operations and return on invested capital is Bertelsmann Value Added (BVA). BVA measures the profit realized above and beyond the appropriate return on invested capital. This form of value orientation is reflected in strategic investment and portfolio planning and the management of Group operations and is the basis for management compensation. BVA is calculated as the difference between net operating profit after tax (NOPAT) and the cost of capital. NOPAT is calculated as operating EBIT less a standard tax rate of 33 percent. Cost of capital is the product of the weighted average cost of capital and the level of capital invested. The uniform weighted average cost of capital after taxes is 8 percent. Invested capital is calculated on the basis of the Group's operating assets less non-interest-bearing operating liabilities. The present value of operating leases is also taken into account when calculating the invested capital. BVA was €90 million in the first half of 2012 (H1 2011: €87 million).

Operating EBIT is also used as a separate key performance indicator. This is calculated before interest and taxes, and adjusted for special items. This procedure yields a normalized, sustainable indicator of operating performance that helps to improve predictability and comparability. Operating EBIT from continuing operations came to €731 million in the period under review (H1 2011: €739 million).

Operating free cash flow, as measured through the cash conversion rate, also warrants attention alongside BVA and operating EBIT. This is calculated as the ratio of operating free cash flow to operating EBIT and serves as a measure of cash generated from business activities. Operating free cash flow does not reflect interest, tax, or dividend payments, and is already adjusted for replacement and expansion investments. Both operating EBIT and operating free cash flow are adjusted for special items. The Group aims to maintain a cash conversion rate of 95 to 100 percent as a long-term average. The cash conversion rate remained unchanged at 92 percent in the first half of 2012 (H1 2011: 92 percent). Bertelsmann's management and controlling system also includes the internal financial targets (see section entitled "Financial Guidelines").

Overall Economic Developments

Global economic growth continued in the first half of 2012 but remained fragile. Problems are being caused in particular by the prevailing uncertainty due to the renewed intensification of the sovereign debt crisis in the euro zone. According to the summer forecast by the Kiel Institute for the World Economy (IfW), the current annual rate for global gross domestic product (GDP) in the first quarter of 2012 was 3.1 percent. Based on confidence indicators, however, the IfW expects moderate economic expansion for the second half of 2012.

The real GDP in the United States was growing at a current annual rate of 2.0 percent at the start of 2012. Based on its initial estimates, the Bureau of Economics expects to see a slower current annual rate of 1.5 percent.

The economic situation in the euro zone remains weak. According to the European Central Bank (ECB), real GDP stagnated in the first quarter of 2012, having already fallen to a current annual rate of 1.2 percent in the previous quarter. However, Eurostat's flash estimate indicates a renewed weakening of GDP in the second half of 2012. Compared to the previous quarter, GDP fell by 0.2 percent in the second quarter 2012.

At the start of the year, the German economy began to recover after a slow phase last year lasting several months. As announced by the Federal Office of Statistics, real GDP rose by 0.5 percent in the first quarter of 2012 compared to the previous quarter after adjustments for price, seasonal, and calendar effects; by contrast, in the second quarter of 2012 it rose by just 0.3 percent. Above all, low interest rates and the resulting favorable financing conditions stimulated the German economy. Moreover, private consumption was supported by the persistently robust labor market situation. By mid-year, falling demand in the wake of the euro crisis placed increasing demands on the German industrial sector, which had been fairly crisis-resistant up until this point.

So far, the overall economic developments are within the current year trend anticipated in the 2011 Group Management Report.

Developments in Relevant Markets

Uncertain economic conditions caused by the ongoing unresolved debt crisis in the euro zone and concerns about the growth of the U.S. economy are affecting the markets relevant to Bertelsmann to varying degrees.

Development in the European TV advertising markets was mixed in the first six months of 2012. Only the German advertising market showed slight growth in the period under review, while the remaining advertising markets declined, particularly in Southern and Eastern Europe.

Overall, of the book markets in the United States, UK, and Germany were largely stable. The decline in physical book sales in the United States continued in 2012 but was offset by continued growth in e-book business. Digital book sales particularly in the UK grew sharply during the first six months of 2012, reaching a significant market share as physical book sales declined. Bricks-and-mortar bookstore sales declined in Germany as well, while digital business showed significantly accelerated growth.

In the first half of 2012, advertising revenues in the magazine market declined in Germany, France, and above all in Spain, while the advertising business in China, particularly, improved significantly year on year. The circulation market in the European core countries showed uneven development.

In the first six months of 2012, Arvato benefited from a positive market development thanks to the ongoing trend toward outsourcing. The services business grew significantly.

The print markets for magazines, catalogs, and promotional materials in Germany, Europe, and the United States continued to shrink.

Significant Events in the Current Fiscal Year

On February 20, 2012, RTL Group transferred its shares in the Greek Alpha Media Group to the co-shareholder and thereby exited the Greek broadcasting market.

At the end of the successful fundraising phase, Bertelsmann announced the launch of the education sector University Ventures Fund I, L.P. on January 17, 2012. The fund will join other investors in forming partnerships with leading universities to spearhead courses of study and continuing education programs in Europe and the United States.

In January 2012, Bertelsmann also announced that it would consolidate the European gravure printing activities and all of Arvato's international printing companies into a separate business unit outside of the Arvato division. This is intended to simplify Arvato's structure and increase the division's focus on growth with an emphasis on services.

In February 2012, RTL Group announced the departure of Gerhard Zeiler as CEO effective April 18, 2012. This meant that Zeiler also left the Bertelsmann Executive Board, where he was succeeded by Anke Schäferkordt, CEO of Mediengruppe RTL Deutschland.

The planned change of legal form was announced on March 28, 2012. On May 4, 2012, Bertelsmann AG's Annual General Meeting approved the announced change of legal form from an Aktiengesellschaft to an SE & Co. KGaA. The change of legal form became effective when it was entered in the commercial register on August 20, 2012.

Results of Operations

Results of Continuing Operations

The following analysis relates to continuing operations as of June 30, 2012. The book clubs in Russia and Ukraine as well as in the Czech Republic and Slovakia that were shown as discontinued operations in the previous year are once again classified as continuing operations.

Please refer to the section entitled "Performance of the Group Divisions" for a more detailed picture of the earnings situation.

Revenue Development

Group revenues in the first half of 2012 were €7.6 billion, 5.0 percent up on the previous year (H1 2011: €7.2 billion). Organic revenue growth was 3.7 percent. Exchange rate effects amounted to 1.6 percent and portfolio effects to -0.3 percent.

In the first half of 2012, virtually all divisions reported positive revenue development. RTL Group revenues improved in particular as a result of higher revenues at RTL Germany and Fremantle Media as well as positive exchange rate effects. Random House significantly increased its revenues in the United States, Germany, and the UK. In addition, Random House benefited from exchange rate effects. Gruner + Jahr posted slightly declining revenues in the period under review. Arvato benefited primarily from higher revenues in its service businesses in Europe. The print units grouped together in the Print segment showed declining year-on-year revenues.

There were only minor changes in the geographical breakdown of revenues compared to the first half of 2011. Revenue share in Germany was 36.0 percent, compared to 36.3 percent during the same period last year. The revenue share generated by businesses in France amounted to 16.7 percent (H1 2011: 18.0 percent), while other European countries accounted for

24.2 percent (H1 2011: 26.0 percent). The U.S. share of total revenues increased to 16.6 percent (H1 2011: 13.6 percent) and other countries accounted for a share of 6.5 percent (H1 2011: 6.1 percent). Overall, the share of total revenues represented by foreign business increased slightly from 63.7 percent to 64.0 percent. The ratio of the four revenue streams (products and merchandise, advertising, services, rights and licenses) to overall revenue remained largely constant compared to the first half of 2011.

Operating EBIT and Operating EBITDA

Bertelsmann achieved an operating EBIT of €731 million in the period under review (H1 2011: €739 million). Return on sales of 9.7 percent was below the previous year's level of 10.3 percent. While RTL in Germany was able to improve its results thanks to a slightly higher advertising market, declining advertising markets in RTL's remaining core countries had a negative impact on operating EBIT. Random House benefited from an extraordinary bestseller performance, growing e-book sales and positive currency effects. The operating EBIT for Gruner + Jahr was down year-on-year due to declining advertising revenues and expenses related to new and digital businesses. Arvato posted a stable year on year operating EBIT. In the Print segment, the operating EBIT increased significantly due to cost measures implemented in the previous year.

In the first half of 2012, Group operating EBITDA came to €954 million (H1 2011: €993 million).

Special Items

Special items came to €-19 million in the first half of 2012, from €-60 million in the previous year. They consisted of impairment losses totaling €-27 million (H1 2011: €-9 million), adjustments to the carrying amounts of assets held for sale of €12 million, net capital gains and losses of €23 million (H1 2011: €-7 million), restructuring expenses, and other special items in the sum of €-27 million (H1 2011: €-44 million).

EBIT

Adjusting the operating EBIT for special items of €-19 million (H1 2011: €-60 million) resulted in an EBIT of €712 million (H1 2011: €679 million).

Group Profit or Loss

The financial result was €-198 million compared to €-195 million in the previous year. Income tax expenses were €-160 million (H1 2011: €-109 million). The previous year's figure had been boosted in particular by tax refunds from previous accounting periods in Germany.

Taking into account the knock-on effects from discontinued operations on earnings after taxes of €-1 million, Group profit increased from €269 million in the previous year to €353 million. The share of Bertelsmann shareholders increased to €279 million (H1 2011: €183 million). The non-controlling interests in the Group profit came to €74 million (H1 2011: €86 million).

Net Assets and Financial Position Financial Guidelines

The primary objective of Bertelsmann's financial policy is to achieve a balance between financial security, return on equity, and growth. For this, Bertelsmann bases its financing policy on the requirements of a "Baa1/BBB+" credit rating and the associated qualitative and quantitative criteria. Credit ratings and transparency are of great importance to the company's financial security and independence.

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

Bertelsmann utilizes a financial control system employing quantitative financial targets concerning the Group's economic debt and, to a lesser extent, its capital structure. One key financial target is a dynamic leverage factor calculated as the ratio of economic debt to operating EBITDA and limited to a maximum of 2.5. Economic debt is defined as net financial debt plus provisions for pensions, profit participation capital, and the net present value of operating leases. Like the operating EBITDA, the economic debt may be modified for calculation purposes. As of June 30, 2012, the leverage factor was 2.7. The net financial debt was

€1,987 million compared to €1,809 million as of December 31, 2011. The economic debt was €5,475 million as of June 30, 2012 (December 31, 2011: €4,913 million). The increase is primarily attributable to the rise in the provisions for pensions as a result of the lower discount interest rates.

Liquidity was down to €1,632 million as of June 30, 2012, from €1,764 million as of December 31, 2011, also due to the payment of dividends. Furthermore, Bertelsmann has credit agreements in place with major international banks. These revolving lines of credit can be utilized at floating rates based on EURIBOR or LIBOR. In fiscal 2011, a syndicated loan originally available until 2012 was renewed early with a term until 2016. This forms the backbone of the strategic credit reserve. In 2012, Bertelsmann extended the term of this syndicated loan by a further period of one year, until 2017.

Financing Activities

Bertelsmann bought back its own promissory notes with a nominal value of €30 million during the first half of 2012. In addition, Bertelsmann swapped a promissory note falling due in 2014 with a nominal value of €60 million for a promissory note with the same value falling due in 2019. In June 2012, Bertelsmann AG performed a private placement as part of the existing Debt Issuance Programme in the amount of €75 million with a twenty-year term. In this way, Bertelsmann used the current low interest rate for a long-term capital increase.

Rating

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

Cash Flow Statement

Earnings before interest and taxes is the starting parameter for preparing the Bertelsmann cash flow statement. In the period under review, Bertelsmann generated net cash from operating activities of €615 million (H1 2011: €742 million). The Group's long-term operating free cash flow adjusted for non-recurring items was €670 million (H1 2011: €657 million); the cash conversion rate in the first half of 2012 remained unchanged at 92 percent (H1 2011: 92 percent). Cash flow from investing activities was €-267 million (H1 2011: €-337 million). The cash flow from financing activities came to an outflow of €-505 million in the period under review (H1 2011: €-774 million). Dividends paid to the shareholders of Bertelsmann SE & Co. KGaA came to €-180 million (H1 2011: €-180 million). Dividends to non-controlling shareholders and other payments to shareholders came to €-176 million (H1 2011: €-216 million). As of June 30, 2012, the Bertelsmann Group had cash and cash equivalents of €1,632 million (December 31, 2011: €1,764 million).

Group Cash Flow Statement (Summary)

in € millions	H1 2012	H1 2011
Cash flow from operating activities	615	742
Cash flow from investing activities	(267)	(337)
Cash flow from financing activities	(505)	(774)
Change in cash and cash equivalents	(157)	(369)
Currency effects and other changes in cash and cash equivalents	11	(11)
Cash and cash equivalents 1/1	1,778	2,020
Cash and cash equivalents 6/30	1,632	1,640
Less cash and cash included with assets held for sale	-	(9)
Cash and cash equivalents 6/30 (according to Group Balance Sheet)	1,632	1,631

Investments

As anticipated, total investments of €299 million in the cash flow statement during the first half of 2012 were below the previous year's level (H1 2011: €367 million). A total of €133 million was invested in property, plant and equipment (H1 2011: €160 million). Investments in intangible assets came to €75 million (H1 2011: €80 million) and were attributable primarily to RTL Group for investments in film rights. Investments in financial assets came to €62 million (H1 2011: €87 million). Purchase price payments for consolidated investments (less acquired cash and cash equivalents) totaled €29 million (H1 2011: €40 million).

Consolidated Balance Sheet

Total assets came to €18.0 billion as of June 30, 2012 (December 31, 2011: €18.1 billion). Equity came to €6.0 billion as of June 30, 2012 (December 31, 2011: €6.1 billion). The equity ratio was 33.3 percent (December 31, 2011: 33.9 percent). As a result of the current significantly lower discount interest rates compared to December 31, 2011, pension provisions rose significantly to €2,051 million as of June 30, 2012 (December 31, 2011: €1,738 million).

Employees

As of June 30, 2012, Bertelsmann had 103,768 employees worldwide (December 31, 2011: 102,752).

Performance of the Group Divisions

RTL Group

The leading European entertainment network increased its revenues in a difficult economic environment, often in declining advertising markets, to a solid €2.8 billion (H1 2011: €2.8 billion). Against this backdrop, RTL Group's operating EBIT, at €498 million, did not reach the record result seen in the previous year (€545 million).

Revenues were up especially at Mediengruppe RTL Deutschland and the content arm Fremantle Media. The German TV advertising market was the only one to show slight growth during the reporting period; the remaining advertising markets declined, particularly in Southern and Eastern Europe.

The German RTL channels also improved their operating profit. However, the decline in advertising revenues in most other countries, along with pressure on margins for Fremantle Media and portfolio effects, led to a lower overall operating EBIT.

RTL Group maintained its leading audience positions in its key countries, even though the popular live broadcasts of the European soccer championship were broadcast by the competition in nearly every country. In the German TV market, RTL Television was again the clear number one among young viewers. In France, M6 was once again the only major general-interest channel to gain audience share.

A new channel launched in Germany, RTL Nitro, is rapidly attaining good market share. RTL Group's online platforms and mobile applications continued to show dynamic growth. In addition, the Group's channels launched a number of new digital offerings that complement the linear TV program with background information and social media options ("second screen").

Random House

The world's largest trade publishing group generated record half-year revenues and operating results, driven by the strength of its many bestsellers and continued growth in e-book sales. Favorable currency exchange rates also contributed to its positive performance. Revenues grew to €947 million (H1 2011: €787 million), and operating EBIT increased significantly to €113 million (H1 2011: €69 million).

Random House had spectacular publishing success with the record-breaking "Fifty Shades" trilogy by E L James. Its English-language imprints sold more than 30 million copies

between March and June, with sales evenly divided between the trade paperback and e-book editions.

In the United States, Random House placed 155 titles on the national New York Times bestseller lists. As well as the “Fifty Shades” titles, these included: “Calico Joe” by John Grisham, “Gone Girl” by Gillian Flynn, “The Lorax” by Dr. Seuss, and George R. R. Martin’s “A Song of Ice and Fire” fantasy series.

The Random House Group UK commanded a 22 percent share of the overall Sunday Times bestseller lists. In Germany, Verlagsgruppe Random House further improved its market-leading position thanks to a strong publishing portfolio. Despite the challenging economic environment in Spain, Random House Mondadori benefited from an increase in Latin American sales revenue.

Random House publishers worldwide expanded their e-book programs to nearly 42,000 titles and substantially increased its digital-publishing offerings. The US publishing group launched the author portal, which provides its authors with real-time information about their sales figures, royalties, and licensing deals, as well as social-media tools for connecting to their readers.

Gruner + Jahr

Europe’s leading magazine publisher kept revenues stable during the reporting period, while its operating result decreased significantly. Revenues for the first six months came to €1.1 billion (H1 2011: €1.1 billion); operating EBIT was €85 million after €124 million in the prior year.

The earnings trend is due mainly to a significant decline in advertising markets for consumer magazines in Germany and other European countries. Also, factors including increased investment in the accelerated digital transformation of the content and marketing ranges as well as in the global “House of Content” digital project had a negative impact on earnings.

In Germany, circulation revenues remained almost stable, thanks in part to successful launches of new titles and line extensions. Revenues in the strategic growth field of digital marketing increased significantly, due in particular to the continuing internationalization of the EMS subsidiaries Ligatus and Adyard.

The international business continued to show a mixed performance. France, Spain, and Austria were unable to maintain the prior year’s revenue and earnings levels due to weak advertising markets. By contrast, the businesses in the Netherlands, China, and India continued to record strong revenue growth.

The United States company Brown Printing increased its revenues and earnings during the reporting period. Dresdner Druck- und Verlagshaus exceeded its excellent prior-year revenue performance, and profits remained stable at a high level.

Arvato

The business process outsourcing (BPO) provider Arvato increased its first-half revenues considerably to €2.1 billion (H1 2011: €2.0 billion). Operating EBIT rose slightly to €83 million after €80 million in the first half of the prior year. In order to focus Arvato on high-growth services, the European gravure operations and the international printers were grouped into a separate business unit outside the division with retroactive effect from January 1. The figures have been adjusted accordingly, including those for the prior year.

In its new alignment, Arvato continues to take the strategic approach of providing integrated services to help large companies successfully develop their customer relationships.

Major growth drivers in the first half of the year included Arvato Infoscore’s integrated financial services based around risk management and collection; the BPO services in the European core markets of Germany, France, UK, and Spain; the international supply chain management business in the IT/high-tech segment; and service businesses in the growth market of China.

As anticipated, the worldwide revenues from replication that Arvato realizes with clients in the entertainment industry declined further during the reporting period.

Print

The European gravure operations and international printers hived off from Arvato with retroactive effect from January 1 achieved slightly lower first-half revenues of €562 million during the reporting period, after €573 million in the prior year. Thanks primarily to cost effects, operating EBIT surged to €20 million (H1 2011: €14 million).

The gravure company Prinovis recorded positive sales performance and significant progress in cost management. The company developed new products and services in a market which remained tight.

In the United States, Coral Graphics increased earnings; the companies there signed new contracts with major customers. The concentration of machinery and personnel of the United States business at the Berryville site should ensure future positive effects on costs.

A new management structure designed to create synergies and sales advantages was introduced for the Southern European operations, which faced a challenging market environment.

Corporate Investments/Corporate Center

In the first half of the year, Corporate Investments reported revenues of €227 million (H1 2011: €214 million) and a reduced operating loss of €-27 million (H1 2011: €-58 million). This still reflects start-up losses for the building of new businesses.

The music rights company BMG integrated Bug Music, the music publisher it acquired last year. In addition, it also bought up two new publishers with R2M Music and Dreyfuss Music, while also signing additional international artists. The company has been provided with additional capital.

Bertelsmann joined other prominent investors in setting up the University Ventures Fund to initiate innovative higher education programs in Europe and the United States in partnership with leading universities. Several investments were made, including one in an online university in the United States.

The BDMI fund for global digital investments and the BAI fund for investments in promising Asian companies acquired new holdings.

At the direct-selling company Inmediaone, the first half was dominated by a strategic realignment and restructuring measures. The club and direct marketing businesses recorded

further revenue declines but maintained nearly stable results. The Eastern European subsidiaries will remain in the company and were reclassified as continuing operations.

The focus at the Corporate Center was on the strategic process initiated by the new Bertelsmann management team under Thomas Rabe, as well as on setting up a new central department for business development and new businesses, and the change of legal form to a Kommanditgesellschaft auf Aktien (KGaA; partnership limited by shares). Bertelsmann opened new Corporate Centers in New Delhi and São Paulo, Brazil, to accelerate the expansion of business there.

Significant Events after the Balance Sheet Date

In July, 2012, Bertelsmann announced that Judith Hartmann would become the new CFO. In this capacity, she will also be a member of the Bertelsmann Group Management Committee (GMC).

Also in July 2012, Bertelsmann AG issued a benchmark bond with a ten-year term in the amount of €750 million. The bond, which is listed in Luxembourg, has a fixed coupon of 2.625 percent. In addition, the private placement performed in June 2012 for €75 million under the existing Debt Issuance Programme with a term of 20 years was increased by €25 million in July 2012 for a total of €100 million.

On August 29, 2012, the Chief Executive Officer of Druck- und Verlagshaus Gruner + Jahr AG, Dr. Bernd Buchholz, resigned his Executive Board mandate at Bertelsmann Management SE with immediate effect.

Risks and Opportunities

Risk Management System

Please refer to the 2011 Group Management Report for a description of Bertelsmann's risk management system (RMS) and the accounting-related RMS and internal control system (ICS).

Significant Changes in Risks since the 2011 Group Management Report

Please also refer to the 2011 Group Management Report for a presentation of key risks to the Bertelsmann Group. The following significant changes to the report of December 31, 2011, have been identified as part of the risk report of June 30, 2012. Overall, after the first half-year, the same Group risks are considered material as those existing as of December 31, 2011. Nonetheless, the significance of individual types of risk has changed. The legal and regulatory risks assessed as moderate as of December 31, 2011, as well as the risks of pricing and discounting have become more significant. By contrast, supplier risks have become less important.

Strategic and Operational Risks

There is still great uncertainty concerning the extent, duration, and impact of the European sovereign debt crisis. For Bertelsmann, this primarily results in risks to businesses which depend on the advertising market.

In addition, the strategic and operational risk situation for the individual business units and the Group remains essentially unchanged in comparison to the 2011 Group management report.

Legal and Regulatory Risks

For Bertelsmann, the significance of legal and regulatory risks has increased due, among other things, to possible changes of the legal environment, which could primarily impact individual Arvato businesses in Germany, and legal disputes.

For all other unchanged legal risks, please refer to the Group Management Report 2011.

Financial Market Risks

Risks associated with the financing of the Bertelsmann Group have not changed significantly compared to 2011.

Overall Risk

The overall risk position has increased as a result of the changes described above. However, no risks endangering Bertelsmann's continued existence were identified as of June 30, 2012. Nor are there any 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 2011 Group Management Report.

Outlook

After a solid start in 2012, global economic dynamics have weakened again to a certain extent by mid-year. According to the European Central Bank (ECB), the global economy remains on a very tentative and fragile path to recovery. The latest information indicates a renewed slowdown of the global dynamics. Economic estimates by the Kiel Institute for the World Economy (IfW) concerning global development remain at 3.4 percent for 2012 and 3.8 percent for 2013. The Deutsche Bundesbank estimates that the global economy could gain momentum later in the year. However, there are still considerable downward risks from the prevailing uncertainty over the European sovereign debt crisis.

In the United States, the IfW continues to expect moderate real GDP growth of 2.1 percent this year and 2.0 percent in 2013. The ECB also assumes a moderate economic recovery for the United States but also points out uncertainty over the future path of budget consolidation.

The economic differences between the individual euro zone countries are likely to increase. In the euro zone, the IfW expects real GDP to fall by 0.4 percent in 2012 and to increase by 0.9 percent in 2013.

Despite a number of positive factors, the outlook for the German economy is overshadowed by uncertainty over the development within the European Monetary Union. Reducing this uncertainty would also benefit investments, and the economic expansion in Germany could increase significantly during the second half of the year. The IfW expects real GDP to grow by 0.9 percent in the current year. The estimate for 2013 remains unchanged at 1.7 percent.

These estimates are based on an extraordinarily high level of uncertainty and risks as economic developments cannot be accurately predicted. The future development of the euro crisis and its resulting impact on demand and the financial markets remain the most important factors influencing

Bertelsmann's business development. Currently, Bertelsmann still expects that fiscal year 2012 will see a moderate increase in Group revenues. A slight decline is anticipated for the operating EBIT. In contrast to the forecast in the 2011 Group Management Report, Gruner + Jahr is expected to show a weaker revenue and operating EBIT trend for fiscal 2012 due to a significant decline in the advertising markets for consumer magazines in Germany and other European countries. The Print segment is expected to show decreasing revenue and operating EBIT development compared to fiscal year 2011 due to the difficult market environment. The development of revenue and operating EBIT at Random House for fiscal 2012 will exceed previous expectations thanks to extraordinary bestseller performance. Group return on sales is expected to remain unchanged at over 10 percent and Group profit to remain above the previous year's figure.

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

Group Income Statement

in € millions	H1 2012	H1 2011 (adjusted)
Revenues	7,572	7,209
Other operating income	223	229
Changes in inventories	113	137
Own costs capitalized	11	9
Cost of materials	(2,776)	(2,612)
Royalty and license fees	(429)	(387)
Personnel costs	(2,331)	(2,208)
Amortization, depreciation, and impairment charges for intangible assets and property, plant and equipment	(222)	(269)
Other operating expenses	(1,453)	(1,434)
Results from investments accounted for using the equity method	3	11
Impairments on investments accounted for using the equity method	(10)	(5)
Income from other participations	(12)	6
Capital gains/losses	23	(7)
EBIT (earnings before interest and taxes)	712	679
Interest income	11	32
Interest expenses	(101)	(106)
Other financial income	40	48
Other financial expenses	(148)	(169)
Financial result	(198)	(195)
Earnings before taxes from continuing operations	514	484
Income taxes	(160)	(109)
Earnings after taxes from continuing operations	354	375
Earnings after taxes from discontinued operations	(1)	(106)
Group profit or loss	353	269
attributable to:		
Bertelsmann shareholders		
Earnings from continuing operations	280	289
Earnings from discontinued operations	(1)	(106)
Earnings attributable to Bertelsmann shareholders	279	183
Non-controlling interests		
Earnings from continuing operations	74	86
Earnings from discontinued operations	–	–
Earnings attributable to non-controlling interests	74	86

Details on adjustments of figures for the first half-year 2011 are set out in the section “Accounting Principles” on page 20 and section “Discontinued Operations” on page 22.

Group Statement of Comprehensive Income

in € millions	H1 2012	H1 2011
Group profit or loss	353	269
Currency translation differences		
– Changes recognized in equity	43	(72)
– Reclassification adjustments for gains (losses) included in profit or loss	1	(5)
Available-for-sale financial assets		
– Changes in fair value recognized in equity	2	(10)
– Reclassification adjustments for gains (losses) included in profit or loss	–	–
Cash flow hedges		
– Changes in fair value recognized in equity	14	(30)
– Reclassification adjustments for gains (losses) included in profit or loss	(8)	(1)
Actuarial gains/losses on defined benefit plans	(208)	44
Share of other comprehensive income of investments accounted for using the equity method	6	(7)
Other comprehensive income (after taxes)	(150)	(81)
Group total comprehensive income	203	188
attributable to:		
Bertelsmann shareholders	134	106
Non-controlling interests	69	82

Reconciliation to Operating EBIT (Continuing Operations)

in € millions	H1 2012	H1 2011 (adjusted)
EBIT from continuing operations	712	679
Special items		
Impairment on goodwill, other intangible assets with indefinite useful life and gain on purchases according to IFRS 3.34	(1)	1
Adjustments to carrying amount of previously classified assets held for sale	(12)	–
Impairment on other financial assets	18	3
Impairments on investments accounted for using the equity method	10	5
Capital gains/losses	(23)	7
Restructuring and other special items	27	44
Operating EBIT from continuing operations	731	739
Operating EBITDA from continuing operations	954	993

Details on adjustments of figures from the first half-year 2011 are set out in the section “Accounting Principles” on page 20 and section “Discontinued Operations” on page 22.

Group Balance Sheet

in € millions	6/30/2012	12/31/2011 (adjusted)
Assets		
Non-current assets		
Goodwill	6,051	6,011
Other intangible assets	595	593
Property, plant and equipment	1,926	1,932
Investments accounted for using the equity method	549	583
Other financial assets	423	410
Trade accounts receivable	5	10
Other accounts receivable and other assets	350	350
Deferred tax assets	1,253	1,148
	11,152	11,037
Current assets		
Inventories	1,514	1,444
Trade accounts receivable	2,522	2,581
Other accounts receivable and other assets	1,092	1,150
Other financial assets	9	7
Current income tax receivable	99	77
Cash and cash equivalents	1,632	1,764
	6,868	7,023
Assets held for sale	17	89
	18,037	18,149
Equity and Liabilities		
Equity		
Subscribed capital	1,000	1,000
Capital reserve	2,345	2,345
Retained earnings	1,895	1,962
Bertelsmann shareholders' equity	5,240	5,307
Non-controlling interests	766	842
	6,006	6,149
Non-current liabilities		
Provisions for pensions and similar obligations	2,051	1,738
Other provisions	98	97
Deferred tax liabilities	94	96
Profit participation capital	413	413
Financial debt	2,858	2,976
Trade accounts payable	132	155
Other liabilities	569	613
	6,215	6,088
Current liabilities		
Other provisions	405	443
Financial debt	761	597
Trade accounts payable	2,465	2,413
Other liabilities	2,079	2,244
Current income tax payable	106	134
	5,816	5,831
Liabilities related to assets held for sale	-	81
	18,037	18,149

The figures from the previous year have been adjusted due to completion of the business combination of Hungarian language cable channels. Further details are set out in the section "Acquisitions and Disposals."

Group Cash Flow Statement

in € millions	H1 2012	H1 2011 (adjusted)
Group earnings before interest and taxes	711	602
Taxes paid	(224)	(128)
Depreciation and write-ups of non-current assets	238	277
Capital gains/losses	(22)	59
Change in provisions for pensions and similar obligations	(49)	(39)
Change in other provisions	(29)	(29)
Change in net working capital	(49)	(37)
Other effects	39	37
Cash flow from operating activities	615	742
– thereof from discontinued operations	–	(32)
Investments in:		
– intangible assets	(75)	(80)
– property, plant and equipment	(133)	(160)
– financial assets	(62)	(87)
– purchase prices for consolidated investments (net of acquired cash)	(29)	(40)
Proceeds from disposal of subsidiaries and other business units	(12)	7
Proceeds from disposal of other fixed assets	44	23
Cash flow from investing activities	(267)	(337)
– thereof from discontinued operations	–	(5)
Proceeds from bonds and promissory notes	74	–
Redemption of bonds and promissory notes	(32)	(207)
Proceeds from/redemption of other financial debt	(42)	(28)
Interest paid	(153)	(149)
Interest received	10	28
Dividends to Bertelsmann shareholders	(180)	(180)
Dividends to non-controlling shareholders and payments to partners in partnerships (IAS 32.18b)	(176)	(216)
Change in shareholders' equity	(6)	(22)
Cash flow from financing activities	(505)	(774)
– thereof from discontinued operations	–	(5)
Change in cash and cash equivalents	(157)	(369)
Currency effects and other changes in cash and cash equivalents	11	(11)
Cash and cash equivalents 1/1	1,778	2,020
Cash and cash equivalents 6/30	1,632	1,640
Less cash and cash included with assets held for sale	–	(9)
Cash and cash equivalents 6/30 (according to the Group balance sheet)	1,632	1,631

The figures for discontinued operations from H1 2011 have been adjusted.

Change in Net Financial Debt

in € millions	H1 2012	H1 2011
Net financial debt at 1/1	(1,809)	(1,913)
Cash flow from operating activities	615	742
Cash flow from investing activities	(267)	(337)
Interest, dividends, and changes in equity, additional payments (IAS 32.18b)	(505)	(539)
Currency effects and other changes in net financial debt	(21)	29
Net financial debt at 6/30	(1,987)	(2,018)

Net financial debt is net of the balance sheet positions "cash and cash equivalents" and "financial debt."

Group Statement of Changes in Equity

	Subscribed capital	Capital reserve	Other retained earnings	Retained earnings					Bertelsmann shareholders' equity	Non-controlling interests	Total
				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 investments accounted for using the equity method			
in € millions											
Balance as of 1/1/2011	1,000	2,345	2,522	(224)	45	16	(263)	11	5,452	1,034	6,486
Group profit or loss	–	–	183	–	–	–	–	–	183	86	269
Other comprehensive income	–	–	–	(76)	(9)	(28)	43	(7)	(77)	(4)	(81)
Group total comprehensive income	–	–	183	(76)	(9)	(28)	43	(7)	106	82	188
Dividend distribution	–	–	(180)	–	–	–	–	–	(180)	(178)	(358)
Changes in ownership interests in subsidiaries that do not result in a loss of control	–	–	(13)	–	–	–	–	–	(13)	(9)	(22)
Equity transactions with shareholders	–	–	(193)	–	–	–	–	–	(193)	(187)	(380)
Other changes	–	–	(1)	–	–	–	–	–	(1)	–	(1)
Balance as of 6/30/2011	1,000	2,345	2,511	(300)	36	(12)	(220)	4	5,364	929	6,293
Balance as of 1/1/2012	1,000	2,345	2,461	(192)	20	45	(385)	13	5,307	842	6,149
Group profit or loss	–	–	279	–	–	–	–	–	279	74	353
Other comprehensive income	–	–	–	40	9	5	(205)	6	(145)	(5)	(150)
Group total comprehensive income	–	–	279	40	9	5	(205)	6	134	69	203
Dividend distribution	–	–	(180)	–	–	–	–	–	(180)	(149)	(329)
Changes in ownership interests in subsidiaries that do not result in a loss of control	–	–	(12)	–	–	–	–	–	(12)	–	(12)
Equity transactions with shareholders	–	–	(192)	–	–	–	–	–	(192)	(149)	(341)
Other changes	–	–	(10)	–	–	–	1	–	(9)	4	(5)
Balance as of 6/30/2012	1,000	2,345	2,538	(152)	29	50	(589)	19	5,240	766	6,006

¹⁾Of that, on June 30, 2012, a total of €3 million (June 30, 2011: €-4 million) is attributable to assets classified as held for sale according to IFRS 5.

Segment Information (Continuing Operations)

	RTL Group		Random House		Gruner + Jahr		Arvato		Print	
in € millions	H1 2012	H1 2011 (adjusted)	H1 2012	H1 2011 (adjusted)	H1 2012	H1 2011 (adjusted)	H1 2012	H1 2011 (adjusted)	H1 2012	H1 2011 (adjusted)
Revenues from external customers	2,816	2,748	945	787	1,108	1,110	2,010	1,870	474	488
Intersegment revenues	3	3	2	–	3	3	80	84	88	85
Divisional revenues	2,819	2,751	947	787	1,111	1,113	2,090	1,954	562	573
Operating EBIT	498	545	113	69	85	124	83	80	20	14
Special items	(7)	(8)	–	(34)	–	(2)	(15)	(8)	–	(10)
EBIT	491	537	113	35	85	122	68	72	20	4
Return on sales ¹⁾	17.7%	19.8%	11.9%	8.8%	7.6%	11.1%	4.0%	4.1%	3.6%	2.4%
Scheduled depreciation and amortization	81	94	13	12	21	21	72	73	25	29
Impairments on intangible assets and property, plant and equipment ²⁾	–	11	–	15	(1)	1	(1)	–	–	–
- thereof in special items	–	–	–	15	(1)	–	–	–	–	–
Operating EBITDA	579	650	126	81	106	146	154	153	45	43
Results from investments accounted for using the equity method	12	20	–	–	6	7	(1)	–	–	–
Additions to non-current assets ³⁾	85	111	3	19	13	13	111	92	13	10
Number of employees (closing date) ⁴⁾	11,867	12,184	5,436	5,343	11,842	11,822	63,025	61,257	6,614	7,068
Number of employees (average) ⁴⁾	11,896	12,300	5,383	5,302	11,880	11,747	62,587	60,416	6,707	7,170

The figures from H1 2011 have been adjusted. Additional information on the adjustment of previously published information is set out in the section "Notes on Segment Reporting."

¹⁾ Operating EBIT as a percentage of divisional revenues.

²⁾ Including write-ups and gains in accordance with IFRS 3.34.

³⁾ Additions to property, plant and equipment and intangible assets (including goodwill).

⁴⁾ The number of employees in the prior period corresponds to the number on December 31, 2011.

Selected Explanatory Notes

Accounting Principles

This interim financial report for Bertelsmann SE & Co. KGaA has been prepared according to Section 37w of the Wertpapierhandelsgesetz (WpHG – German Securities Trading Act) and has been subject to a limited review by the Group's auditor. It contains condensed consolidated interim financial statements prepared in accordance with IAS 34 Interim Financial Reporting, including selected explanatory notes. This report was prepared using the same fundamental accounting and measurement methods as in the consolidated financial statements of December 31, 2011. A detailed description of these methods and the amended standards to be applied from 2012 can be found in the notes to the consolidated financial statements in the Annual Report 2011. The effects from the first-time adoption of the new accounting standards as of June 30, 2012, are not material for the Bertelsmann Group. The Bertelsmann Group has not opted for early adoption of any additional standards, interpretations, or changes that have been published but are not yet mandatory.

The consolidated income statement for the interim reporting period corresponds to the structure of the consolidated income statement from the previous fiscal year as reported in the Annual Report 2011. The changes discussed therein performed at the end of 2011 are now also taken into account in these interim financial statements.

As a result of changed market data, the data basis used to set the interest rate for discounting pension obligations and obligations similar to pensions in the euro zone was augmented as of May 31, 2012 in order to ensure reasonable calculation of the interest rates in line with the regulations included in IAS 19. The downgrading of many companies with an AA rating over the course of the past few months had previously led to a substantial reduction in the bond spectrum. The method used to derive the interest-structure curve from various bonds has remained unchanged. As of May 31, 2012, the interest rate determined based on the previous, smaller data basis would be 3 percent and 90 basis points lower than the interest rate now used.

Other operating activities (Corporate Investments)		Total Divisions		Corporate Center		Consolidation		Continuing operations	
H1 2012	H1 2011 (adjusted)	H1 2012	H1 2011 (adjusted)	H1 2012	H1 2011 (adjusted)	H1 2012	H1 2011 (adjusted)	H1 2012	H1 2011 (adjusted)
219	206	7,572	7,209	–	–	–	–	7,572	7,209
8	8	184	183	–	–	(184)	(183)	–	–
227	214	7,756	7,392	–	–	(184)	(183)	7,572	7,209
(27)	(58)	772	774	(43)	(33)	2	(2)	731	739
3	1	(19)	(61)	–	–	–	1	(19)	(60)
(24)	(57)	753	713	(43)	(33)	2	(1)	712	679
(11.9)%	(27.1)%	10.0%	10.5%	–	–	–	–	9.7%	10.3%
9	9	221	238	2	2	–	2	223	242
–	–	(2)	27	–	–	1	–	(1)	27
–	–	(1)	15	–	–	–	–	(1)	15
(18)	(49)	992	1,024	(41)	(31)	3	–	954	993
(14)	(16)	3	11	–	–	–	–	3	11
2	3	227	248	1	–	(1)	–	227	248
4,422	4,552	103,206	102,226	562	526	–	–	103,768	102,752
4,472	4,573	102,925	101,508	562	520	–	–	103,487	102,028

Scope of Consolidation

The condensed Group interim financial statements as of June 30, 2012, include Bertelsmann SE & Co. KGaA and all material companies that have business operations and with regard to which Bertelsmann SE & Co. KGaA has a direct or indirect opportunity or actual power to govern the financial and operating policy. As of June 30, 2012, Bertelsmann SE & Co. KGaA's group of consolidated companies comprised 837 companies including 16 entries and 26 exits in the first half of 2012.

As of June 30, 2012, 761 companies were fully consolidated.

Acquisitions and Disposals

In the first half of 2012, the Group made several acquisitions that, taken on their own, were not material. Their total impact on the Group's financial position and results of operations was also immaterial. The consideration paid for acquisitions less cash and cash equivalents acquired amounted to €29 million. The consideration transferred for business combinations in the sense of IFRS 3 totaled €34 million. The acquisitions re-

sulted in goodwill totaling €23 million as part of the preliminary purchase price allocations. Finalization of the purchase price allocation for the Hungarian language cable channels led to an adjustment in the prior year's figures for intangible assets in the consolidated balance sheet in the amount of €9 million due to the recognition of customer relationships and brands, and to corresponding adjustments in deferred tax liabilities of €1 million. Goodwill from this transaction decreased to €78 million. A detailed description of the acquisition of the Hungarian language cable channels can be found in the notes to the consolidated financial statements in the Annual Report 2011.

The divestments yielded negative cash flows of €-12 million (H1 2011: net cash received of €7 million) after consideration of decreases in cash and cash equivalents and follow-on effects.

Discontinued Operations

In Bertelsmann's consolidated financial statements as of December 31, 2011, Direct Group was carried as a discontinued operation with the exception of its business in Germany and the joint venture *Círculo de Lectores* in Spain. After various international units were sold in fiscal year 2011, only a few Eastern European units remain as of the date the consolidated interim financial statements were prepared. As a result of changed market conditions, the planned disposal of the Eastern European units is currently no longer regarded as highly probable, and as a result classification as a disposal

group and disclosure of these units as discontinued operations according to IFRS 5 was abandoned, and the Eastern European business was once again carried under continuing operations. All of the effects from reclassifying the Eastern European business to continuing operations are recognized in profit and loss in the consolidated income statement item "Other operating expenses." The figures from the first half of 2011 in the Group income statement and Group cash flow statement have been adjusted accordingly.

Income Taxes

Tax expenses for the first half-year of 2012 were calculated in line with IAS 34 using the average annual tax rate expected for the whole of 2012. The estimated average annual tax rate for 2012 is 31.1 percent.

The reversal of impairment in the amount of €43 million on deferred tax assets for existing losses carried forward in the United States and the recognition of deferred tax assets on losses carried forward in France in the amount of €21 million reduced the total tax expense to €-160 million.

Other Information

On May 4, 2012, Bertelsmann AG's general meeting resolved the previously announced change of legal form from an Aktiengesellschaft to an SE & Co. KGaA. The change of legal form became effective when it was entered in the commercial register on August 20, 2012.

particular in advertising-driven companies as well as Arvato's customer-oriented services.

As a result of the seasonal influences on the divisions, higher revenues and a higher operating result tend to be expected in the second half of the year compared to the first half-year. The higher revenues in the second half of the year are due to the increasing demand during the year-end holiday season, in

In the first half of 2012, own promissory-note in the amount of €30 million were repurchased ahead of term, and a promissory-note loan for the amount of €60 million that was due in February 2014 was exchanged for a promissory-note loan with the same nominal value and a term through to May 2019. In June 2012, a private placement in the amount of €75 million was performed, with a term through to 2032.

Notes to the Segment Reporting

The bundling of European gravure printing activities and the associated international printing companies – with the exception of Mohn Media Group and GGP Pößneck – to form a single business unit outside of Arvato caused the corporate structure to change. In addition, a substantial increase in operating units in Corporate Investments in the past few years impacted the internal structure such that these activities

are now reported separately, bundled to form "Other operating activities." The figures from the first half of the previous year have been adjusted accordingly. As a result, segment reporting thus shows five operating reportable segments: RTL Group, Random House, Gruner + Jahr, Arvato, and Print, as well as Other operating activities (Corporate Investments).

Reconciliation of Segments' EBIT to the Group profit or loss

in € millions	H1 2012	H1 2011 (adjusted)
Total amount of segments' EBIT	777	770
Other operating activities (Corporate Investments)	(24)	(57)
Corporate Center	(43)	(33)
Consolidation	2	(1)
EBIT from continuing operations	712	679
Financial result	(198)	(195)
Earnings before taxes from continuing operations	514	484
Income taxes	(160)	(109)
Earnings after taxes from continuing operations	354	375
Earnings after taxes from discontinued operations	(1)	(106)
Group profit or loss	353	269

Events after the Reporting Date

In July 2012, a benchmark bond for €750 million was placed. The bond, which is listed in Luxembourg, has a ten-year term and a fixed coupon of 2.625 percent. It is used to refinance pending maturities. The private placement

performed in June 2012 for €75 million was increased by €25 million one month later for a total of €100 million. Bertelsmann SE & Co. KGaA was entered in the commercial register on August 20, 2012.

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting 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 interim management report of the Group includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected development of the Group for the remaining months of the financial year.

Gütersloh, August 29, 2012

Bertelsmann SE & Co. KGaA

represented by:

Bertelsmann Management SE, the personally liable partner
The Executive Board

Dr. Rabe

Buch

Dohle

Dr. Hesse

Schäferkordt

Auditor's Review Report

To Bertelsmann SE & Co. KGaA

We have reviewed the condensed consolidated interim financial statements – comprising income statement, statement of comprehensive income, balance sheet, statement of cash flows, statement of changes in equity, and selected explanatory notes – and the interim Group management report of Bertelsmann SE & Co. KGaA, Gütersloh, for the period from January 1 to June 30, 2012 which are part of the half-year financial report pursuant to § (Article) 37w WpHG (“Wertpapierhandelsgesetz”: German Securities Trading Act). The preparation of the condensed consolidated interim financial statements in accordance with the IFRS applicable to interim financial reporting as adopted by the EU and of the interim Group management report in accordance with the provisions of the German Securities Trading Act applicable to interim Group management reports is the responsibility of the Executive Board of the managing general partner. Our responsibility is to issue a review report on the condensed consolidated interim financial statements and on the interim Group management report based on our review.

We conducted our review of the condensed consolidated interim financial statements and the interim Group management report in accordance with German generally accepted standards for the review of financial statements promulgated by the Institut der Wirtschaftsprüfer (Institute of Public Auditors in Germany) (IDW). Those standards require that we plan and perform the review so that we can preclude through critical evaluation, with moderate assurance, that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with

the IFRS applicable to interim financial reporting as adopted by the EU, and that the interim Group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim Group management reports. A review is limited primarily to inquiries of company personnel and analytical procedures and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot express an audit opinion. Based on our review, no matters have come to our attention that cause us to presume that the condensed consolidated interim financial statements have not been prepared, in all material respects, in accordance with the IFRS applicable to interim financial reporting as adopted by the EU, nor that the interim Group management report has not been prepared, in all material respects, in accordance with the provisions of the German Securities Trading Act applicable to interim Group management reports.

Bielefeld, August 29, 2012

PricewaterhouseCoopers

Aktiengesellschaft

Wirtschaftsprüfungsgesellschaft

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The Interim Report and current information about Bertelsmann are also posted at:

www.bertelsmann.com

This Interim Report is also available in German.

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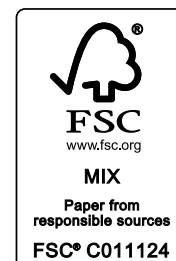
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Innovative use of combined heat and power technology when printing this product reduced CO₂ emissions by up to 52% in comparison to conventional methods in Germany.

Dr. Schorb, ifeu-Institut



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