

BERTELSMANN

At a Glance

Key Figures (IFRS)

in € millions	H1 2019	H1 2018
Business Development		
Group revenues	8,612	8,237
Operating EBITDA	1,292	1,071
EBITDA margin in percent ¹⁾	15.0	13.0
Group profit	502	501
Investments ²⁾	578	476
Consolidated Balance Sheet	6/30/2019	12/31/2018
Equity	9,871	9,838
Equity ratio in percent	37.6	38.8
Total assets	26,226	25,343
Economic debt ³⁾	7,065	6,619

Due to rounding, there may be slight variances in the percentages calculated in this report.

As of January 1, 2019, the new financial reporting standard IFRS 16 Leases was applied for the first time. In accordance with the transitional provisions of IFRS 16, prior-year comparatives have not been adjusted. Further details are presented in the section "Impact of New Financial Reporting Standards."

1) Operating EBITDA as a percentage of revenues.

2) Taking into account the financial debt assumed, investments amounted to €580 million (H1 2018: €497 million).

3) Net financial debt less 50 percent of the par value of the hybrid bonds plus pension provisions, profit participation capital and lease liabilities.

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Interactive Interim Report

The Bertelsmann Interim Report 2019 can also be accessed online at ir2019.bertelsmann.com

Highlights of the First Six Months



- Market position strengthened: Groupe M6 agrees to the acquisition of free-to-air children's channel Gulli and five attractive pay-TV channels from Lagardère.
- Podcast push in Germany and France: RTL Group launches Audio Alliance, Audio Now and RTL Originals.
- Fremantle gets on track for success with the second season of drama series "American Gods," the show format "America's Got Talent: The Champions" and strong UFA productions including the new season of "Charité."
- Michelle Obama's autobiography "Becoming" continues to be the top-selling title across all formats.
- No other book format is growing so fast: Audiobooks enjoy lasting popularity and show 30 percent growth in the United States and Britain.
- Penguin Random House expands its portfolio with acquisitions in the United States, United Kingdom, Spain and Germany.

www.rtlgroup.com

www.penguinrandomhouse.com



- Arvato Supply Chain Solutions implements a B2C e-commerce fulfillment solution for an international fashion brand.
- Arvato Systems once again strengthens its position as a partner for digital transformation and is awarded "Leader" status by several analysts.
- Arvato Financial Solutions makes it possible for customers of a leading international e-commerce marketplace to receive an itemized monthly invoice.
- Early 2019 marks the creation of Majorel, a customer experience services group that operates in 28 countries worldwide.
- Bertelsmann reorganizes its worldwide printing business, thereby creating the basis for a more intensive collaboration between the individual divisions of the Bertelsmann Printing Group.
- The direct-marketing businesses remain on a growth trajectory, increasing their revenues and operating profit.
- In June, the app of the multi-partner rewards program DeutschlandCard soars past three million registered users.

www.arvato.com

www.bertelsmann-printing-group.com



- Successful print innovation: Gruner + Jahr expands its portfolio of personality magazines with “Wohllebens Welt,” the new nature magazine from GEO and bestselling author Peter Wohlleben.
- In France, Prisma Media consolidates its position as the market leader in digital video reach with close to 20 million unique users per month.
- “Stern” magazine launches the podcast “Faking Hitler” and reexamines the 1980s forgery scandal with previously unreleased material. The podcast is also the basis for a TV series on RTL, making it the first fiction collaboration of the newly founded Bertelsmann Content Alliance.

www.guj.com



- BMG continues its dynamic growth: Revenues increase by almost 12 percent, operating profit by nearly 17 percent. The digital business also continues to grow.
- Fast-growing recordings business benefits from releases by Keith Richards, Kylie Minogue, Jack Savoretti, Kontra K, Lil Dicky, Avril Lavigne and Dido.
- Music publishing highlights include Lewis Capaldi and Juice WRLD; BMG songwriters are responsible for numerous chartbusters.

www.bmg.com



- Increase in revenue and earnings: Bertelsmann Education Group continues on its growth path.
- Online education provider Relias grows both organically and through acquisitions; its customer base expands to over 11,150 institutions.
- Online learning platform Udacity launches new Nanodegree offerings and expands its B2B business.

www.bertelsmann-education-group.com



- Bertelsmann Investments’ global network of shareholders grows to over 200 companies and funds.
- Bertelsmann has invested more than €1 billion in young digital companies and funds since 2006 with financial returns of more than €600 million in the same period.
- Bertelsmann Investments acquires stakes in Partech Africa fund and in the London-based VC fund Blossom Capital.

www.bertelsmann-investments.com



Thomas Rabe
Chairman and CEO of Bertelsmann

Dear Readers, Dear Friends of Bertelsmann,

Bertelsmann continued its positive business performance in the first half of 2019: We made further progress in implementing our strategy and improving our growth profile.

A glance at our key indicators for the first six months of the year illustrates this: At €8.6 billion, our revenues reached their highest level in 12 years. Our growth is increasingly organic. Our growth businesses are a major contributor to this: Collectively, they organically grew their revenues by 10.6 percent to €3.1 billion, and thus generate around 35 percent of our total revenues.

Our operating EBITDA improved significantly to a record level of nearly €1.3 billion. Almost all of our divisions achieved growth, with Penguin Random House and Arvato leading the way.

At €502 million, our Group profit once again exceeded the half-billion-euro mark.

In short, our strategy, which we are pursuing with creativity and entrepreneurship, is bearing fruit. In recent months, we have made further progress on every one of our strategic priorities. Here are just a few highlights:

Strengthening the core: In France, the RTL Group subsidiary Groupe M6 signed an agreement to acquire the children's channel Gulli. Penguin Random House placed 191 titles in the "New York Times" bestseller lists, 21 of them at number one. Gruner + Jahr continued its strategy of building media products around well-known personalities with the new nature magazine "Wohllebens Welt," which features bestselling author Peter Wohlleben. Majorel, the customer-relationship-management company founded at the beginning of the year by Bertelsmann and the Saham Group, had a successful first half of the year. And the Bertelsmann Printing Group has reorganized its global printing business to further strengthen collaboration among the Group's individual companies.

Digital transformation: RTL Group increased its digital revenues in the first half of the current year by 21 percent to €513 million (H1 2018: €424 million). The Group had 1.2 million paying subscribers to its video-on-demand platforms TV Now in Germany and Videoland in the Netherlands at the half-year mark – an increase of 46.2 percent within a year. Gruner + Jahr increased its digital share of total revenues in its core markets of Germany and France to 34 percent. Bertelsmann now reaches around 3.1 billion followers with its social media offerings.

Growth platforms: Fremantle’s successes in the first half included the second season of the drama series “American Gods” and the talent show “America’s Got Talent: The Champions.” BMG continued to benefit from growing global demand for music streaming and further strengthened its position by signing new artists like Richard Marx and acquiring catalogs. Arvato further expanded its logistics and financial services activities. The Bertelsmann Education Group also grew significantly; our e-learning subsidiary Relias, for example, increased its customer base to around 11,200 institutions.

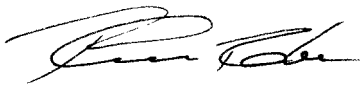
Expansion in growth regions: Our company expanded its global network of startups and funds to 208 shareholdings; Bertelsmann Asia Investments alone made 23 new and follow-up investments in the reporting period. In recent years, Bertelsmann has invested around €1 billion euros in young digital companies and funds through its four funds. The total financial returns to date exceed €600 million. In Brazil, Bertelsmann acquired full ownership of Afferolab, one of the country’s largest providers of corporate training.

We have also stepped up our collaboration activities – both within our Group and with external partners. Examples include the Bertelsmann Content Alliance, launched in February, which creates comprehensive offerings for creative professionals in Germany, and our growing ad-sales alliance, the Ad Alliance. We will continue to work on expanding these partnerships in the months ahead.

At the same time, we will focus even more intensively than before on strengthening our tech skills, especially in the fields of cloud, data and artificial intelligence. We want to become the technologically leading media, services and education company.

I am confident that we will continue on our successful path and very much welcome your continued interest in us!

Yours,

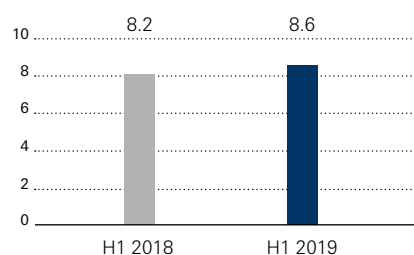


Thomas Rabe

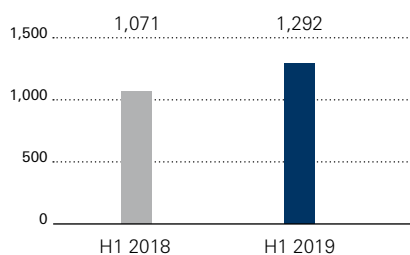
Group Interim Management Report

In the first half of 2019, Bertelsmann reported a successful business performance with improved organic growth and a high operating profit. Group revenues rose 4.6 percent to €8.6 billion (H1 2018: €8.2 billion) driven by organic growth of 3.2 percent. In addition to the book publishing business, the Group's strategic growth platforms were the main contributors to this, especially Fremantle, the digital businesses of RTL Group, BMG, Arvato Supply Chain Solutions and the Bertelsmann Education Group. Operating EBITDA increased to €1,292 million (H1 2018: €1,071 million). In addition to the positive business performance, the significant increase is also attributable to the first-time application of the new financial reporting standard IFRS 16 Leases. The EBITDA margin increased to 15.0 percent (H1 2018: 13.0 percent). At €502 million, Group profit once again exceeded half a billion euros (H1 2018: €501 million). For 2019, Bertelsmann anticipates continued positive business performance.

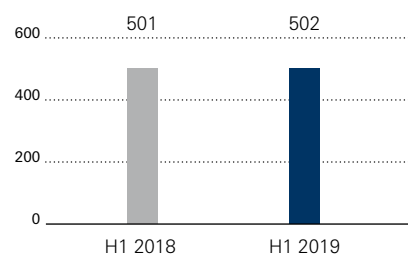
Revenues in € billions



Operating EBITDA in € millions



Group Profit in € millions



- Revenue growth of 4.6 percent, improved organic growth of 3.2 percent
- Continued expansion of growth businesses with strong organic revenue growth

- Increase in operating EBITDA to €1,292 million, attributable in part to new financial reporting standard, on a comparable basis above the high prior-year level
- EBITDA margin of 15.0 percent compared to 13.0 percent during the same period last year

- Group profit exceeds high level of the same period last year
- Negative impact from special items and higher other financial expenses in the financial result

Fundamental Information about the Group

Corporate Profile

Bertelsmann operates in the core business fields of media, services and education in around 50 countries worldwide. The geographic core markets are Western Europe – in particular, Germany, France and the United Kingdom – and the United States. In addition, Bertelsmann is strengthening its involvement in growth markets such as Brazil, India and China. The Bertelsmann divisions are RTL Group (television), Penguin Random House (books), Gruner + Jahr (magazines), BMG (music), Arvato (services), Bertelsmann Printing Group (printing), Bertelsmann Education Group (education) and Bertelsmann Investments (funds).

Bertelsmann SE & Co. KGaA is a publicly traded but unlisted company limited by shares. As a Group holding company, it exercises central corporate functions. Internal corporate management and reporting follow the Group's organizational structure, which consists of the operating divisions and Corporate.

Three foundations (Bertelsmann Stiftung, Reinhard Mohn Stiftung and 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 General Meeting of Bertelsmann SE & Co. KGaA and Bertelsmann Management SE (general partner).

Strategy

Bertelsmann aims to achieve a fast-growing, digital, international and diversified Group portfolio. The Group strategy comprises four strategic priorities: strengthening the core businesses, driving the digital transformation forward, developing growth platforms and expanding into growth regions.

In the first half of 2019, Bertelsmann once again made considerable progress in implementing its strategy. The core businesses were further strengthened, for instance, by new original productions at RTL Group and the upcoming addition of the children's television channel Gulli to the family of channels in France. Penguin Random House continued to expand the book publishing business through organic growth and acquisitions, including the acquisition of the British children's book publishing company Little Tiger Group

and creative successes such as Michelle Obama's memoir "Becoming." At the beginning of the year, Bertelsmann and the Saham Group completed the merger of their global CRM businesses under a newly formed company, Majorel. The global print businesses of Bertelsmann Printing Group were restructured both organizationally and in terms of staffing to further reinforce collaboration among the individual printing companies and to achieve gains in both efficiency and effectiveness. As yet another strategic focus, there were efforts to establish collaborations in the Bertelsmann Group, particularly by founding Bertelsmann Content Alliance in Germany. The continued digital transformation was furthered through the continual expansion of the digital businesses. RTL Group increased the number of users of its video-on-demand platforms in Germany and the Netherlands by 46.2 percent to 1.2 million paying subscribers within the year. The digital business of Gruner + Jahr performed well overall, particularly the app discovery platform AppLike. The growth platforms were expanded further and recorded strong organic growth, particularly Fremantle. BMG expanded its presence in Asia by opening a branch in Hong Kong. In April, contracts were signed with Richard Marx and the Berlin-based band Seeed, among others. In the online education segment, Relias continued to expand its customer base and integrated the healthcare division of OnCourse Learning, a company acquired last year. The online learning platform Udacity also initiated new Nanodegree programs in the field of data engineering. The company's presence in the growth regions was also expanded. Of the investments held by Bertelsmann Investments, more than 110 are active in China, while the remainder of the focus is on the strategic growth regions of India and Brazil. In July 2019, Brazil-based Afya Education, a medical education and training provider, made its debut on the Nasdaq Stock Market, a stock exchange based in New York. Bertelsmann holds an indirect interest in Afya through its investment fund Bertelsmann Brazil Investments (BBI).

Value-Oriented Management System

Bertelsmann's primary objective is continuous growth of the company's value through a sustained increase in profitability with efficient capital investment at the same time. Strictly defined operational performance indicators, including revenues, operating EBITDA and Bertelsmann Value Added (BVA), are used to directly assess current business performance and are correspondingly used in the outlook. Broadly defined performance indicators are applied separately. These include the EBITDA margin and the cash conversion rate. Some of the key performance indicators are

determined on the basis of so-called Alternative Performance Measures, which are not defined under International Financial Reporting Standards (IFRS). These should not be considered in isolation but as complementary information for evaluating Bertelsmann's business performance. For detailed information on this, please refer to the "Alternative Performance Measures" section in the 2018 Combined Management Report.

Revenues as a growth indicator of the businesses increased in the first half of 2019 by 4.6 percent to €8,612 million (H1 2018: €8,237 million). Organic growth improved to 3.2 percent. Operating EBITDA is determined as earnings before interest, tax, depreciation, amortization and impairment losses, and is adjusted for special items. The adjustment for special items serves to determine a sustainable operating result that could be repeated under normal economic circumstances, which is not affected by special factors or structural distortions. These special items primarily include impairment losses and reversals of impairment losses, fair value measurement of investments, restructuring expenses and/or results from disposals of investments. This means that operating EBITDA is a meaningful performance indicator. During the reporting period, operating EBITDA increased by 20.6 percent to €1,292 million (H1 2018: €1,071 million).

The central performance indicator for assessing the profitability from operations and return on invested capital is 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, portfolio planning and the management of Group operations and, together with qualitative criteria, provides the basis for measuring the variable portion of management remuneration. BVA is calculated as the difference between net operating profit after tax (NOPAT) and the cost of capital. NOPAT is calculated on the basis of operating EBITDA. Operating EBIT is the result of deducting amortization, depreciation, impairment losses and reversals of impairment losses on intangible assets, property, plant and equipment, and right-of-use assets totaling €449 million (H1 2018: €310 million), which were not included in special items. A flat tax rate of 33 percent was assumed in order to calculate NOPAT of €565 million (H1 2018: €510 million), which is used to calculate BVA. Cost of capital is the product of the average level of capital invested on a pro rata basis and the weighted average cost of capital (WACC). The average level of capital invested on a pro rata basis totaled €16.2 billion as of June 30, 2019 (H1 2018: €15.0 billion). The uniform WACC after taxes is 8 percent, resulting in cost of capital

of €646 million (H1 2018: €600 million) in the half-year reporting period. The average invested capital is calculated quarterly on the basis of the Group's operating assets less non-interest-bearing operating liabilities. Upon the adoption of the new financial reporting standard IFRS 16, the right-of-use assets from leases, which had previously been recorded as the present value of the operating lease, have been included on the balance sheet since the financial year 2019 and are thus considered part of invested capital. The Bertelsmann Investments division is not taken into account when determining BVA. In the first half of 2019, BVA amounted to €-46 million (H1 2018: €-63 million).

Bertelsmann's financial management and controlling system is defined by the internal financial targets outlined in the "Net Assets and Financial Position" section. These financing principles are pursued in the management of the Group and are included in the broadly defined value-oriented management system. The key financing and leverage ratios are also included in the Alternative Performance Measures.

Report on Economic Position

Corporate Environment

Overall Economic Developments

Global economic growth continued in the first half of 2019 but is proving to be increasingly fragile. In particular, pressures stem from global uncertainty concerning a potential further escalation in the trade dispute between the United States and China as well as a possible spread of the conflict to the trade relationships with the European Union.

According to Eurostat, the statistical office of the European Union, real gross domestic product (GDP) in the eurozone increased by 0.4 percent in the first quarter of 2019 compared to the previous quarter. According to initial estimates, growth of 0.2 percent is expected for the second quarter of 2019.

Economic growth in Germany slowed in the first half of 2019. Real GDP rose by 0.4 percent in the first quarter of 2019 compared to the previous quarter. According to the initial calculations of the German Federal Statistical Office, real GDP fell by 0.1 percent in the second quarter of 2019.

The economy of France managed to maintain its moderate growth rate. According to INSEE, the French National

Institute of Statistics and Economic Studies, real GDP rose by 0.3 percent in the first quarter of 2019 and by 0.2 percent in the second quarter of 2019.

Ongoing uncertainty in regard to the planned exit from the European Union continues to impact the economy in the United Kingdom. Real GDP rose by 0.5 percent in the first quarter and fell by 0.2 percent in the second quarter of 2019.

The growth trend in the United States continued. Real GDP rose in the first quarter of 2019 at an annualized rate of 3.1 percent. In the second quarter of 2019, real GDP increased by an annualized rate of 2.1 percent, according to initial calculations by the Bureau of Economic Analysis.

To date, overall economic development in some regions remains below the trend anticipated for the current year yet as a whole is still within the range of expectations expressed in the 2018 Combined Management Report.

Developments in Relevant Markets

The European TV advertising markets experienced mixed growth in the first six months of 2019. While the TV advertising market in Germany recorded a moderate decline, the TV advertising markets decreased significantly in Spain and sharply in Belgium. In contrast, TV advertising markets in France remained stable and improved slightly in the Netherlands and Hungary.

In the first six months of 2019, the markets for printed books achieved moderate growth in the United States and the United Kingdom, and slight growth in Germany and the Spanish-speaking market. Publisher sales of e-books declined moderately in the United States and significantly in the United Kingdom. The market for audiobooks continued to grow strongly in the United States and the United Kingdom.

During the reporting period, the magazine markets in Germany and France were characterized by strongly declining print advertising revenues and significantly declining circulation revenues, while the digital markets achieved strong growth overall.

The global music publishing markets achieved moderate growth, while the global recorded-music markets experienced significant growth driven by the continued growth of the digital streaming market.

The service markets relevant to Arvato showed moderate to significant growth in the first half of 2019.

The relevant gravure print markets in Germany, France and the United Kingdom declined sharply in the first six months of 2019, and the corresponding offset markets showed a moderate decline. The North American book printing market showed a moderate decline over the same period.

The education markets in the United States grew strongly in the first half of 2019 in the market segments where Bertelsmann is involved: e-learning in the healthcare and technology sectors and higher education in the university and services sectors.

So far, the developments in the relevant markets are mainly within the current-year trend anticipated in the 2018 Combined Management Report.

Significant Events in the Current Financial Year

Effective January 4, 2019, all worldwide Customer Relationship Management businesses at Bertelsmann and the Saham Group in Morocco were merged. Each partner holds 50 percent of the shares in the new company Majorel, controlled by Bertelsmann. Majorel is a consolidated Bertelsmann Group company.

Kasper Rorsted, CEO of adidas AG, resigned from the Supervisory Board of Bertelsmann effective March 31, 2019. The Bertelsmann General Meeting will make a decision on his successor in due course.

As of April 1, 2019, Penguin Random House acquired the British children's publishing company Little Tiger Group, thus expanding its position in the English-language children's and young adult book segment.

The RTL Group Board of Directors appointed Thomas Rabe as Chief Executive Officer of the RTL Group effective April 1, 2019. In addition, Thomas Rabe will remain Chairman and Chief Executive Officer of Bertelsmann.

Mediengruppe RTL Deutschland completed the sale of its subsidiary Universum Film to the investor KKR in April 2019.

As part of a strategic realignment of its print businesses, Bertelsmann resolved to close the Prinovis site in Nuremberg as of April 30, 2021. The objective of this is to significantly reduce the massive overcapacity in gravure printing in order to offset advancing price erosion in the gravure printing line of business.

In May and June 2019, the business units belonging to OnCourse Learning for the financial services and real estate divisions were sold separately to investors. The OnCourse Learning online training division for healthcare was integrated into Bertelsmann Education subsidiary Relias.

Results of Operations

Revenue Development

Group revenues increased in the first half of 2019 by 4.6 percent to €8,612 million (H1 2018: €8,237 million). Adjusted for exchange rate effects of 1.5 percent (H1 2018: -3.1 percent) and portfolio and other effects of -0.1 percent (H1 2018: 2.0 percent), organic revenue growth improved to 3.2 percent (H1 2018: 2.4 percent).

RTL Group achieved higher revenues in the first half of 2019 mainly due to the positive performance at Fremantle and the growing digital business. Penguin Random House reported strong revenue growth driven by successful bestsellers, high growth rates in audio formats and acquisitions. At Gruner + Jahr, revenues fell compared with the same period in the previous year, primarily due to continuing portfolio measures. In contrast, the revenues from digital businesses continued to grow. Revenues at BMG increased as a result of continued organic business expansion. Arvato achieved revenue growth through its successful business performance, particularly in Supply Chain Solutions. For the most part, Bertelsmann Printing Group revenue remained stable in a challenging market environment. Revenue at the Bertelsmann Education Group increased mainly due to the organic and acquisitive growth of the online education provider Relias. The investments of Bertelsmann Investments are generally not consolidated, so revenue is not usually reported for this division.

Viewed over a rolling 12-month period, the revenue share generated by the growth businesses increased to 35 percent overall (H1 2018: 32 percent), thanks to organic growth and acquisitions, while the revenue share of structurally declining businesses remained stable at 4 percent (H1 2018: 4 percent). The growth businesses comprise those activities for which continuous revenue increases are expected due to sustained positive market factors and which have been identified under the Group strategy as growth priorities.

There were minor changes in the geographical breakdown of revenues compared to the same period last year. The revenue share in Germany amounted to 33.0 percent compared to 34.5 percent in the first half of 2018. The revenue share generated by businesses in France amounted to 12.4 percent (H1 2018: 13.6 percent). In the United Kingdom, the revenue share was 6.4 percent (H1 2018: 6.1 percent), while the other European countries achieved a revenue share of 18.4 percent (H1 2018: 18.8 percent). The share of total revenues generated in the United States rose to 23.5 percent (H1 2018: 20.8 percent); other countries accounted for a share of 6.3 percent (H1 2018: 6.2 percent). Overall, the total share of revenues represented by foreign business amounted to 67.0 percent (H1 2018: 65.5 percent). The ratio of the four revenue streams (own products and merchandise, advertising, services, and rights and licenses) to one another remained mostly unchanged compared to the first half of 2018.

Operating EBITDA

During the reporting period, operating EBITDA increased by 20.6 percent to €1,292 million (H1 2018: €1,071 million). In addition to the positive business performance, the significant increase is also attributable to the new financial reporting standard IFRS 16 Leases. In connection with the first-time application of IFRS 16, expenses from leases will generally no longer be reported in operating profit (further details are presented in the notes to the Consolidated Financial Statements in the section "Impact of New Financial Reporting Standards"). The earnings performance of all divisions benefited from this, particularly Arvato, RTL Group and Penguin Random House. The EBITDA margin increased to 15.0 percent compared with 13.0 percent in the same period last year. The operating EBITDA of RTL Group increased compared to the same period last year. The increase was attributable in particular to improved earnings at Fremantle and the French Groupe M6 and was sufficient to more than offset the higher programming costs of Mediengruppe RTL Deutschland and higher investments in video-on-demand services. Penguin Random House generated significant earnings growth driven by ongoing strong bestseller performance. Despite lower revenues, operating EBITDA at Gruner + Jahr improved. Operating EBITDA at BMG improved as a result of the continued organic expansion of business.

Operating EBITDA

in € millions	H1 2019	H1 2018
EBIT (earnings before interest and taxes)	824	769
Amortization/depreciation, impairment losses and reversals of impairment losses on intangible assets and property, plant and equipment, and right-of-use assets	461	311
Adjustments on amortization/depreciation, impairment losses and reversals of impairment losses on intangible assets and property, plant and equipment, and right-of-use assets included in special items	(12)	(1)
Special items	19	(8)
attributable to: RTL Group	(69)	–
attributable to: Penguin Random House	9	3
attributable to: Gruner + Jahr	19	6
attributable to: BMG	5	6
attributable to: Arvato	3	8
attributable to: Bertelsmann Printing Group	77	1
attributable to: Bertelsmann Education Group	(31)	9
attributable to: Bertelsmann Investments	7	(46)
attributable to: Corporate	(1)	5
Operating EBITDA	1,292	1,071

Operating EBITDA at Arvato saw a significant increase as a result of the first-time application of IFRS 16 and positive business performance of Supply Chain Solutions. Despite decreasing volumes and persistent price pressure, earnings at the Bertelsmann Printing Group remained stable at the level of the previous year. Operating EBITDA at the Bertelsmann Education Group improved compared to the same period in the previous year, particularly due to Relias. The investments of Bertelsmann Investments are generally not consolidated, so operating earnings are not usually reported for this division.

Special Items

Special items totaled €-19 million (H1 2018: €8 million). They consisted of reversals of impairment losses on other financial assets carried at amortized cost totaling €8 million (H1 2018: impairment losses of €-1 million), adjustments of carrying amounts of assets held for sale of €-7 million (H1 2018: €-3 million), results from disposals of investments of €76 million (H1 2018: €19 million), fair value measurement of investments of €9 million (H1 2018: €44 million), restructuring expenses and other special items totaling €-105 million

(H1 2018: €-49 million). In the first half of 2019, the special items included no impairment losses or reversals of impairment losses on investments accounted for using the equity method after €-2 million in the same period last year. The increase in restructuring expenses is primarily attributable to the realignment of the print businesses.

EBIT

After adjusting operating EBITDA for special items totaling €-19 million (H1 2018: €8 million) and the amortization, depreciation, impairment losses and reversals of impairment losses on intangible assets, property, plant and equipment, and right-of-use assets totaling €-449 million (H1 2018: €-310 million), which were not included in special items, EBIT amounted to €824 million in the reporting period (H1 2018: €769 million). In addition to the effect of business performance, the increase in depreciation, amortization, impairment losses and reversals of impairment losses not included in the special items is attributable to the first-time application of IFRS 16 (further details are presented in the notes to the Consolidated Financial Statements in the section "Impact of New Financial Reporting Standards").

Group Profit

The financial result was €-168 million (H1 2018: €-106 million). The deviation is primarily attributable to the market valuation of derivatives entered into in order to hedge intercompany transactions as well as due to the first-time inclusion of compounding effects of leasing liabilities as part of the introduction of IFRS 16. The tax expense was €-154 million compared to €-162 million in the same period last year. Earnings after taxes from continuing operations thus amounted to €502 million (H1 2018: €501 million). Since no companies are classified as discontinued operations, Group profit also amounted to €502 million (H1 2018: €501 million). The share of Group profit held by Bertelsmann shareholders was €325 million (H1 2018: €349 million). The non-controlling interests in Group profit came to €177 million (H1 2018: €152 million).

Net Assets and Financial Position

Financing Guidelines

Bertelsmann's overall financial policy target is to ensure a balanced relationship of financing security, return on equity and growth. For this purpose, Bertelsmann bases its financing policy on the requirements of a "Baa1/BBB+" credit rating and the associated qualitative and quantitative criteria. Credit ratings and capital market transparency make a considerable contribution to the company's financial security and independence.

In accordance with the Group structure, the capital allocation is made centrally by Bertelsmann SE & Co. KGaA, which provides the Group companies with liquidity and manages the issuance of guarantees and letters of comfort for them. The Group uses this method to optimize its 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 over a 12-month period and limited to the defined long-term maximum of 2.5. As of June 30, 2019, operating EBITDA (12 months) amounted

to €2,644 million. Economic debt is defined as net financial debt less 50 percent of the nominal capital of the hybrid bonds amounting to €625 million (December 31, 2018: €625 million) plus provisions for pensions amounting to €1,995 million (December 31, 2018: €1,738 million), profit participation capital amounting to €413 million (December 31, 2018: €413 million) and lease liabilities amounting to €1,299 million (December 31, 2018: €1,161 million). As of June 30, 2019, economic debt was €7,065 million (December 31, 2018: €6,619 million). The increase is primarily attributable to higher pension provisions resulting from a lower discount rate and the increase in lease liabilities. In determining the leverage factor, the economic debt and the 12-month operating EBITDA are modified to enable financial management that corresponds to the Group's structure. For the purpose of this calculation, economic debt was therefore increased by €250 million (December 31, 2018: €136 million), and operating EBITDA decreased by €-294 million (December 31, 2018: €-108 million). This results in a leverage factor of 2.8 as of June 30, 2019 (December 31, 2018: 2.7).

Net financial debt increased slightly to €3,983 million compared to €3,932 million as of December 31, 2018. The increase is attributable, among other things, to dividend payments to shareholders and non-controlling interests, most of which were made during the first half of the year. Proceeds from sales resulting from portfolio measures had an offsetting effect.

Financing Activities

A promissory note for €150 million due in February 2019 and a promissory note for €60 million due in May 2019 were repaid in the reporting period. Additionally, the syndicated loan with 15 banks previously maturing in 2021 was renewed early in July 2019. This forms the backbone of the strategic credit reserve; Bertelsmann can utilize this with a term until 2024 to draw up to €1.2 billion of revolving funds in euros, US dollars and pounds sterling.

Rating

Bertelsmann is 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.

Consolidated Cash Flow Statement (Summary)

in € millions	H1 2019	H1 2018
Cash flow from operating activities	568	309
Cash flow from investing activities	(107)	(354)
Cash flow from financing activities	(601)	(459)
Change in cash and cash equivalents	(140)	(504)
Exchange rate effects and other changes in cash and cash equivalents	(5)	9
Cash and cash equivalents on 1/1	1,405	1,442
Cash and cash equivalents 6/30	1,260	947
Less cash and cash equivalents included within assets held for sale	(29)	-
Cash and cash equivalents 6/30 (according to the consolidated balance sheet)	1,231	947

Cash Flow Statement

In the reporting period, Bertelsmann generated cash flow from operating activities of €568 million (H1 2018: €309 million). The cash flow from investing activities was €-107 million compared to €-354 million in the same period last year. Among other things, the difference is due to higher proceeds from the sale of subsidiaries. The cash flow from financing activities was €-601 million (H1 2018: €-459 million). Cash and cash equivalents fell to €1,231 million as of June 30, 2019 (December 31, 2018: €1,405 million). In light of the first-time application of the new IFRS 16, operating cash flow improved, while lease payments burdened the cash flow from financing activities (further details are presented in the notes to the Consolidated Financial Statements in the section “Impact of New Financial Reporting Standards”).

Investments

According to the cash flow statement, investments in the first half of 2019 amounted to €578 million (H1 2018: €476 million). Investments in intangible assets came to €141 million (H1 2018: €145 million) and were attributable primarily to RTL Group for investments in film rights and to BMG for the acquisition of music catalogs. As in the same period last year, the majority of investments in property, plant and equipment, totaling €155 million (H1 2018: €143 million), was attributable to Arvato. The sum of €189 million was invested in financial assets (H1 2018: €120 million).

Purchase price payments for consolidated investments (less acquired cash and cash equivalents) totaled €93 million in the reporting period (H1 2018: €68 million). In particular, these include the acquisitions of Penguin Random House, such as the British children’s book publishing company Little Tiger Group. Proceeds from the sale of subsidiaries and other business units were €217 million (H1 2018: €11 million) and are related to the sale of Universum Film, among others.

Balance Sheet

Total assets came to €26.2 billion as of June 30, 2019 (December 31, 2018: €25.3 billion). The increase in total assets resulted primarily from the first-time application of IFRS 16 (further details are presented in the notes to the Consolidated Financial Statements in the section “Impact of New Financial Reporting Standards”). Pension provisions increased to €2.0 billion (December 31, 2018: €1.7 billion) as a result of lower discount rates. Equity amounted to €9.9 billion compared to €9.8 billion as of December 31, 2018. This resulted in an equity ratio of 37.6 percent (December 31, 2018: 38.8 percent). Cash and cash equivalents decreased to €1,231 million as of June 30, 2019, from €1,405 million as of December 31, 2018.

Employees

As of June 30, 2019, Bertelsmann had 125,931 employees worldwide.

Performance of the Group Divisions

RTL Group

RTL Group increased its revenues to a new record level in the first half of 2019; operating EBITDA also reached a higher level despite increased investments in programming and video-on-demand (VOD) services. Group revenues increased by 4.2 percent to €3.2 billion (H1 2018: €3.0 billion) driven by growth of Fremantle's production business and the digital businesses, the revenues of which increased by 21.0 percent to €513 million (H1 2018: €424 million). At €665 million, operating EBITDA was up 3.4 percent from the previous year's figure of €643 million. Improved profit contributions at Fremantle and the French Groupe M6 as well as positive effects from the first-time application of a new accounting standard largely compensated for increased program costs at Mediengruppe RTL Deutschland.

RTL Group recorded 1.2 million paying subscribers for its VOD services TV Now in Germany and Videoland in the Netherlands at the end of the first half of the year; this corresponds to a year-on-year increase of 46.2 percent. The two services thus made a tangible contribution to revenue growth. Declining TV advertising revenues at Mediengruppe RTL Deutschland and RTL Nederland were partially compensated for by the higher VOD revenues, as well as increased distribution revenues. In France, Groupe M6 recorded a slight increase in TV advertising revenues.

In Germany, Mediengruppe RTL's TV channels increased their average audience share in the primary target group, while in France Groupe M6 maintained its audience share in its primary target group at the previous year's level. In the Netherlands, the audience share of RTL Nederland's family of channels decreased slightly.

Fremantle, the group's content arm, showed strong growth in the reporting period. Revenues and operating EBITDA increased thanks to successful shows and scripted drama productions in the United States and good business at UFA in Germany.

Since April 2019, RTL Group has been led by Thomas Rabe, who took on his new role in addition to his duties as Chairman and CEO of Bertelsmann.

Penguin Random House

Penguin Random House had a strong first half of 2019, in which the trade publishing group increased its sales, earnings and market share in key markets. Including

Verlagsgruppe Random House, which is wholly owned by Bertelsmann, revenues amounted to €1.7 billion (H1 2018: €1.5 billion). This 11.3 percent increase is mainly attributable to strong bestsellers, high growth rates in audio formats, and acquisitions. Operating EBITDA rose by 33 percent, from €171 million in the prior-year period to €227 million.

The first half of the year was dominated by strong bestseller performance, led by "Becoming," the autobiography of former US First Lady Michelle Obama. After selling seven million copies in 2018, "Becoming" sold more than 2.8 million copies with Penguin Random House-related companies between January and June 2019. With the editions licensed and coordinated by Penguin Random House in 45 languages across all formats, worldwide sales of the book since its release total more than 11.5 million copies.

The novel "Where the Crawdads Sing" by Delia Owens sold more than two million copies in print, audio and e-book formats, while "The Mister" by E L James was a number-one "New York Times" bestseller for multiple weeks. In all, Penguin Random House placed 191 titles on the "New York Times" bestseller lists in the first half of the year, with 21 of them making it to number one (H1 2018: 178/25). In the United Kingdom, 46 percent of all titles on the "Sunday Times" bestseller lists were published by Penguin Random House UK imprints (H1 2018: 41 percent) and in Germany, Verlagsgruppe Random House placed 261 titles on the "Spiegel" bestseller lists, including 13 at number one (H1 2018: 251/11).

Penguin Random House acquired the British children's book publisher Little Tiger Group, as well as a stake in the innovative US publisher Sourcebooks. Penguin Random House Grupo Editorial expanded its leading position in the Spanish-language market with the acquisition of the Ediciones Salamandra publishing group. Penguin Random House continued to invest in developing its direct reader relationships through e-mail, social media, podcasts, websites and creative campaigns.

Gruner + Jahr

The publishing subsidiary Gruner + Jahr had a successful first half of 2019, during which it grew its operating EBITDA by 21 percent to €62 million (H1 2018: €51 million). The 3 percent decline in revenues to €677 million (H1 2018: €701 million) was due among other things to continued

portfolio measures, especially the sale of Ligatus. The digital business further increased its revenues and earnings.

In Germany, G+J recorded a stable revenue performance with a strong increase in earnings. This was primarily due to the business's successful transformation: renewed digital growth, strong expansion of the brand extension business and successful print innovations more than compensated for the declines in the print advertising business and newsstand sales.

G+J France also increased its earnings, partly thanks to the digital advertising business of its branded sites. The business with web videos saw a particularly strong development. Prisma Media continues to be the leading digital publisher in France.

The digital business in the core markets of Germany and France once again grew strongly with 25 percent growth in the first half of 2019. The digital share of revenues rose to 34 percent. The digital offerings of the traditional magazine brands in both countries also recorded continued growth. AppLike posted strong revenues and earnings growth.

DDV Mediengruppe was able to increase revenues slightly, but its earnings remained below the previous year's levels.

BMG

Bertelsmann's music subsidiary BMG continued its dynamic growth in the first half of 2019, with double-digit increases in revenue and operating EBITDA. Revenues were up by 11.4 percent year on year to €269 million (H1 2018: €241 million), driven primarily by organic growth. Operating EBITDA, meanwhile, increased by 16.7 percent to €49 million (H1 2018: €42 million). The fastest growth came from BMG's recordings business; the publishing business also increased revenues strongly. The share of total revenues attributable to digital formats increased to 56 percent (H1 2018: 54 percent), reflecting continuing growth in the digital streaming market.

In BMG's recordings business, the first half of 2019 saw successful releases by artists including Keith Richards, Kylie Minogue, Lil Dicky, Avril Lavigne, Dido, The Cranberries, AJR and Adel Tawil, as well as number-one albums by Jack Savoretti (UK) and Kontra K (DE). New record contracts were signed with The Shires, Seeed, the Zac Brown Band, Sugar Ray and Richard Marx.

In the music publishing segment, successes included Lewis Capaldi, whose worldwide hit "Someone You Love" has sold over three million copies, and Juice WRLD, who scored

his first US number-one album. In February, BMG songwriters were behind a record 24 number-one hits across the Billboard charts. New publishing agreements were signed with Cage the Elephant, AnnenMayKantereit and Jason Duke.

Major transactions during the first half of the year included an extension of the company's relationship with Black Sabbath, the launch of the new Trojan Jamaica label and an extension of BMG's global music publishing partnership with Latin music label DEL Records. BMG launched its 15th international office, in Hong Kong, to further strengthen its footprint in the Asian market.

Arvato

Arvato's service businesses performed well in the first half of 2019. Arvato was able to increase both revenues and operating profit. Revenues grew by 2.4 percent to €2.0 billion (H1 2018: €2.0 billion) and operating EBITDA increased by 50 percent to €263 million (H1 2018: €175 million).

On January 4, 2019, Bertelsmann and the Saham Group completed the combination of their global CRM businesses. The two partners each own a 50 percent stake in the new company, which trades globally as Majorel and is fully consolidated at Bertelsmann. The business developed according to plan in the first half of 2019, and the international service center organization was strengthened by the opening of two locations in Georgia (Tbilisi and Kutaisi), among other things.

The logistics services businesses within Arvato Supply Chain Solutions saw strong and profitable growth in the reporting period. The business activities in the fashion e-commerce, healthcare and high-tech segments in particular contributed to this positive performance. In addition, the existing global network of locations was further expanded by commissioning new distribution centers and expanding existing ones in Germany, Poland and Hong Kong, among other places.

Likewise, Arvato Financial Solutions' businesses once again showed a slightly positive development in the period under review. Revenues and operating profit were up year on year. This development was supported above all by a good business performance, particularly in the area of receivables management in the Germany, Austria and Switzerland region. In March 2019, a comprehensive purchase-on-account solution was successfully implemented for the customers of a leading international e-commerce marketplace.

The IT service provider Arvato Systems grew organically and profitably in the reporting period. This positive performance was

fueled in particular by its serialization solutions in the health-care sector, which were implemented in various European countries. In addition, the company recorded increasing demand for cloud-based solutions, and was commissioned by Germany's Gematik to operate the central telematics infrastructure for the electronic health card for another eight years.

Bertelsmann Printing Group

In the first six months of 2019, the Bertelsmann Printing Group (BPG), the printing services provider with operations primarily in Europe and the United States, recorded revenues that were close to the level of the prior-year period, and a slight improvement in operating profit. Group revenues dipped by 0.3 percent year on year to €766 million (H1 2018: €768 million). Operating EBITDA amounted to €30 million (H1 2018: €28 million).

In April 2019, Bertelsmann reorganized the structure and staff of the global printing businesses pooled in BPG. Dirk Kemmerer has since been responsible for the Group's business operations. At the same time, it was announced that gravure printing production capacities would be significantly reduced by the planned closure of the Prinovis site in Nuremberg in spring 2021.

All of the Group's business activities in Germany, Austria and Switzerland have been combined in the BPG DACH regional organization since April of this year. The printing businesses in this division recorded a decline in revenues and operating profit in the first six months of the year. Europe's leading offset printer, Mohn Media, was down year on year due to lower capacity utilization in the catalog and book business. Prinovis Germany's performance continued to decline in the reporting period due to continued difficult market conditions.

GGP Media, which specializes in print solutions for book publishers, and Vogel Druck, which specializes in small- to medium-print-run periodicals and catalogs, were able to maintain their revenues and earnings levels.

The direct-marketing businesses bundled in BPG recorded an overall positive revenues and earnings performance. This applies to Dialog's multi-channel marketing businesses, Campaign's campaign management services and the DeutschlandCard multi-partner rewards program.

The Group's printing activities in Britain developed as planned at a good earnings level. The first offset printing press was put into operation at the Liverpool site in the spring. The printing

businesses in the United States increased their revenues and operating profit in the first half of 2019. The reasons for this positive performance were additional volumes from strategic customers in the book and healthcare sectors.

Revenues in storage media replication performed better than planned against the backdrop of a declining market, but declined as expected. Another major customer was acquired in the United States, and the collaboration with a major music company was expanded in Europe.

Bertelsmann Education Group

The Group's businesses pooled in the Bertelsmann Education Group continued to record high demand for online educational offerings. As a result, the Group's revenues and operating result once again increased markedly.

Together, Bertelsmann's education businesses grew their revenues by 51.3 percent to €168 million in the reporting period (H1 2018: €111 million). The online education provider Relias in particular saw significant growth. Bertelsmann Education Group's operating EBITDA improved to €41 million (H1 2018: €10 million).

Relias achieved considerable growth, both organic and through acquisitions, during the period under review. The Bertelsmann subsidiary expanded its customer base to more than 11,150 institutions and integrated the healthcare education division of OnCourse Learning. OnCourse's other two divisions acquired in 2018 – educational offerings for the financial services and real estate sectors – were sold separately in the first half of the year.

The online learning platform Udacity further developed its range of courses and launched new Nanodegree programs, including in the field of data engineering. In particular, Udacity expanded its B2B business, including with Audi and Mercedes-Benz. Bertelsmann owns a significant stake in the Silicon Valley company.

At HotChalk's major partner university, the number of online students enrolled in courses run by the US university services provider developed positively.

Alliant International University, which specializes in psychology and education, recorded an increase in revenues and earnings as well as in the number of students during the reporting period. Here, too, the online business was expanded.

Bertelsmann Investments

Bertelsmann Investments made 42 new and follow-on investments in the reporting period, primarily through the four funds that comprise the division: Bertelsmann Asia Investments (BAI), Bertelsmann Brazil Investments (BBI), Bertelsmann India Investments (BII) and Bertelsmann Digital Media Investments (BDMI). At the same time, it achieved several exits, so that Bertelsmann Investments held a total of 208 shareholdings on June 30, 2019.

Since the launch of the first fund, BDMI, Bertelsmann has invested around €1 billion in young digital companies and funds. The financial returns in the same period have amounted to more than €600 million.

Bertelsmann Investments' business performance is essentially measured based on EBIT, which was €-9 million in the first half of 2019 (H1 2018: €45 million). This decline is mainly attributable to lower market valuations of some of BAI's publicly traded holdings.

BAI made 23 new and follow-on investments in the reporting period. Several investments were made in the e-commerce sector, including the platform Club Factory, and in education. BAI also completed several successful exits, including the sale of all shares in the tech company Bigo.

In Brazil, Bertelsmann Investments made further investments in the education sector via BBI, and acquired full ownership of Afferolab, a corporate training provider. BBI also supported the preparations for the Brazilian education group Afya's successful IPO in July 2019. Bertelsmann owns a stake in Afya via a fund participation with its partner Crescera Investimentos.

BII supported its portfolio companies in the further expansion of their businesses, and invested in AgroStar, an online platform for the agricultural sector in India.

BDMI made 16 new and follow-on investments, including in FloSports, which specializes in live broadcasts of sports events, and the fundraising startup Omaze.

In the period under review, Bertelsmann Investments committed capital to the Partech Africa fund, which invests in African startup companies in the tech sector. The division's footprint in Europe was strengthened with a stake in the London-based venture capital fund Blossom Capital, which

invests primarily in European companies from the financial services, cybersecurity and infrastructure sectors.

Significant Events after the Balance Sheet Date

In July 2019, antitrust authorities approved the acquisition of TV activities of the Lagardère Group announced at the beginning of the year. As one effect of this transaction, Groupe M6, which belongs to RTL Group, will expand its family of channels with the market leader in French children's television, Gulli. The transaction is expected to close in early September 2019.

In June 2019, Gruner + Jahr announced that it would sell its interest in Motor Presse Stuttgart to the successors to the founding family Pietsch, Patricia Scholten and Peter-Paul Pietsch. The responsible authority approved the sale in July 2019.

French media regulatory and competition authorities granted their approvals of the common online video platform in July and August 2019. The groups France Télévisions, TF1 and Groupe M6, which belongs to RTL Group, will bundle their entire range of online video services on the Salto platform planned for the first quarter of 2020 and make it available to users under a subscription model.

Risks and Opportunities

Risk Management System

Please refer to the 2018 Combined 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 Compared to the 2018 Combined Management Report

Please refer to the respective disclosures in the 2018 Combined Management Report for a description of the key risks to the Bertelsmann Group. Overall, as of June 30, 2019, the same Group risks are considered material as those existing as of December 31, 2018. However, the significance of individual types of risk in terms of Bertelsmann's future business performance has changed. This is attributable in particular to the increases in supplier risks and in the risks associated with economic trends and customer risks. Customer risks represent the most significant risk to the Group.

Strategic and Operational Risks

The strategic and operational risk position for the Group remains essentially unchanged from that depicted in the 2018 Combined Management Report.

The growth dynamic in the eurozone is expected to be subdued but to remain solid. Nonetheless, there are a number of risks associated with global political uncertainties such as the potential expansion of protectionist measures and the uncertain long-term impact should the United Kingdom leave the European Union. For Bertelsmann, this could result primarily in indirect risks to businesses that depend on the advertising markets.

Legal and Regulatory Risks

Please refer to the 2018 Combined Management Report for details of the legal and regulatory risks. No significant changes have been identified.

Financial Market Risks

Compared to the situation in the 2018 Combined Management Report, the financial market risks have remained unchanged at a low level.

Overall Risk

The overall risk position has increased slightly overall compared with the previous year. No going-concern risks were identified for Bertelsmann as of June 30, 2019.

Opportunities

The assessment of opportunities has not changed substantially compared to the information presented in the Combined Management Report 2018.

Outlook

For 2019 as a whole, the global economy is expected to continue growing at a moderate rate. However, impending trade disputes and increased economic uncertainty are negatively impacting the economy particularly in the industrial sector and

taking a toll on investing activities. The economic estimates by the Kiel Institute for the World Economy (IfW) concerning global development are 3.2 percent for 2019, which is slightly below the previous expectations.

In the eurozone, the economy will grow somewhat more slowly than expected. The IfW now expects real GDP growth to reach only 1.2 percent in 2019. Growth expectations for Germany, in particular, were adjusted downward significantly. In the IfW's view, real GDP will increase by only 0.7 percent in 2019. The German economy is increasingly feeling the impact of the slow-down of key industries, most of which are export oriented. Real GDP in France is still predicted to grow by 1.4 percent in 2019. According to the IfW estimates, the real growth rate in the United Kingdom will be 1.4 percent. The somewhat higher expectations are mainly attributable to the temporary effect of stockpiling inventories ahead of the exit from the European Union – initially planned for the end of March 2019 and then postponed. The economic outlook for the United States remains positive. The IfW expects an increase of 2.4 percent in real GDP in 2019.

These expectations remain subject to a high level of uncertainty due to difficulties in forecasting economic developments. Certain risks remain for the global economy. Geopolitical crises, national deficits, currency turbulence or the introduction of higher tariffs as a result of rising protectionist tendencies could interfere with economic performance. The resulting developments could adversely affect the economic situation, which is a key factor influencing Bertelsmann's business performance.

Bertelsmann confirms the outlook for revenues, operating EBITDA and BVA as presented in the 2018 Combined Management Report.

These forecasts are based on Bertelsmann's current business strategy, as outlined in the "Corporate Profile" section. In general, the forecasts reflect careful 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 assumptions fail to apply and/or further risks arise, actual results may differ from those expected. Accordingly, no assurances can be provided concerning the accuracy of such statements.

Condensed Interim Consolidated Financial Statements

Consolidated Income Statement

in € millions	H1 2019	H1 2018
Revenues	8,612	8,237
Other operating income	194	190
Cost of materials	(2,761)	(2,568)
Royalty and license fees	(715)	(661)
Personnel costs	(2,818)	(2,761)
Amortization/depreciation, impairment losses and reversals on intangible assets, property, plant and equipment and right-of-use assets	(461)	(311)
Other operating expenses	(1,365)	(1,401)
Results from investments accounted for using the equity method	62	27
Impairment losses and reversals on investments accounted for using the equity method	–	(2)
Results from disposals of investments	76	19
EBIT (earnings before interest and taxes)	824	769
Interest income	7	9
Interest expenses	(56)	(55)
Other financial income	29	4
Other financial expenses	(148)	(64)
Financial result	(168)	(106)
Earnings before taxes from continuing operations	656	663
Income tax expense	(154)	(162)
Earnings after taxes from continuing operations	502	501
Earnings after taxes from discontinued operations	–	–
Group profit or loss	502	501
attributable to:		
Bertelsmann shareholders		
Earnings from continuing operations	325	349
Earnings from discontinued operations	–	–
Earnings attributable to Bertelsmann shareholders	325	349
Non-controlling interests		
Earnings from continuing operations	177	152
Earnings from discontinued operations	–	–
Earnings attributable to non-controlling interests	177	152

Consolidated Statement of Comprehensive Income

in € millions	H1 2019	H1 2018
Group profit or loss	502	501
Items that will not be reclassified subsequently to profit or loss		
Remeasurement component of defined benefit plans	(231)	7
Changes in fair value of equity instruments	–	1
Share of other comprehensive income of investments accounted for using the equity method	–	–
Items that will be reclassified subsequently to profit or loss when specific conditions are met		
Exchange differences		
– changes recognized in other comprehensive income	27	54
– reclassification adjustments to profit or loss	7	20
Cash flow hedges		
– changes in fair value recognized in other comprehensive income	3	20
– reclassification adjustments to profit or loss	(1)	2
Share of other comprehensive income of investments accounted for using the equity method	(2)	(11)
Other comprehensive income net of tax	(197)	93
Group total comprehensive income	305	594
attributable to:		
Bertelsmann shareholders	136	430
Non-controlling interests	169	164

Consolidated Balance Sheet

in € millions	6/30/2019	12/31/2018 (adjusted)
Assets		
Non-current assets		
Goodwill	8,351	8,427
Other intangible assets	2,484	2,590
Property, plant and equipment and right-of-use assets	2,818	1,670
Investments accounted for using the equity method	676	658
Minority stakes and other financial assets	1,105	1,143
Trade and other receivables	90	59
Other non-financial assets	832	851
Deferred tax assets	1,142	1,051
	17,498	16,449
Current assets		
Inventories	1,764	1,735
Trade and other receivables	4,151	4,443
Other financial assets	104	71
Other non-financial assets	1,104	1,002
Current income tax receivables	189	156
Cash and cash equivalents	1,231	1,405
	8,543	8,812
Assets held for sale	185	82
	26,226	25,343
Equity and liabilities		
Equity		
Subscribed capital	1,000	1,000
Capital reserve	2,345	2,345
Retained earnings	5,047	5,129
Bertelsmann shareholders' equity	8,392	8,474
Non-controlling interests	1,479	1,364
	9,871	9,838
Non-current liabilities		
Provisions for pensions and similar obligations	1,995	1,738
Other provisions	137	135
Deferred tax liabilities	87	127
Profit participation capital	413	413
Financial debt	4,643	4,638
Lease liabilities	1,060	32
Trade and other payables	349	353
Other non-financial liabilities	358	395
	9,042	7,831
Current liabilities		
Other provisions	240	299
Financial debt	571	660
Lease liabilities	239	7
Trade and other payables	4,326	4,718
Other non-financial liabilities	1,780	1,839
Current income tax payables	58	88
	7,214	7,611
Liabilities related to assets held for sale	99	63
	26,226	25,343

The figures from the previous year have been adjusted. Further details are presented in the section "Acquisitions and Disposals."

Upon initial application of IFRS 16, lease liabilities are reported separately. As of December 31, 2018, only the amounts recognized on the balance sheet under finance leases in accordance with IAS 17 are reported.

Consolidated Cash Flow Statement

in € millions	H1 2019	H1 2018
Group earnings before interest and taxes	824	769
Taxes paid	(230)	(283)
Depreciation and write-ups of non-current assets	460	317
Results from disposals of investments	(76)	(19)
Gains/losses from disposals of non-current assets	(7)	(23)
Change in provisions for pensions and similar obligations	(44)	(46)
Change in other provisions	(17)	(36)
Change in net working capital	(296)	(334)
Fair value measurement of investments	(9)	(44)
Other effects	(37)	8
Cash flow from operating activities	568	309
– thereof discontinued operations	–	–
Investments in:		
– intangible assets	(141)	(145)
– property, plant and equipment	(155)	(143)
– financial assets	(189)	(120)
– purchase prices for consolidated investments (net of acquired cash)	(93)	(68)
Disposals of subsidiaries and other business units	217	11
Disposals of other fixed assets	254	111
Cash flow from investing activities	(107)	(354)
– thereof discontinued operations	–	–
Issues of bonds and promissory notes	–	–
Redemption of bonds and promissory notes	(210)	(200)
Proceeds from/redemption of other financial debt	137	298
Redemption of lease liabilities ¹⁾	(120)	(4)
Interest paid	(159)	(116)
Interest received	16	8
Dividends to Bertelsmann shareholders	(180)	(180)
Dividends to non-controlling interests and payments to partners in partnerships (IAS 32.18(b))	(202)	(262)
Change in equity	117	(3)
Cash flow from financing activities	(601)	(459)
– thereof discontinued operations	–	–
Change in cash and cash equivalents	(140)	(504)
Exchange rate effects and other changes in cash and cash equivalents	(5)	9
Cash and cash equivalents 1/1	1,405	1,442
Cash and cash equivalents 6/30	1,260	947
Less cash and cash equivalents included within assets held for sale	(29)	–
Cash and cash equivalents 6/30 (according to the consolidated balance sheet)	1,231	947

1) The figure for the comparative period includes exclusively principal payments for leases previously accounted for as finance leases in accordance with IAS 17.

Changes in Liabilities Arising from Financing Activities

in € millions	H1 2019	H1 2018
Liabilities arising from financing activities at 1/1 ¹⁾	(5,261)	(3,479)
Cash flow from operating activities	568	309
Cash flow from investing activities	(107)	(354)
Interest, dividends and changes in equity, additional payments (IAS 32.18(b))	(408)	(553)
Exchange rate effects and other changes in liabilities arising from financing activities	(74)	(22)
Liabilities arising from financing activities at 6/30	(5,282)	(4,099)

Liabilities arising from financing activities are the balance of the balance sheet positions “Cash and cash equivalents,” “Financial debt” and “Lease liabilities.”

1) As a result of the initial application of IFRS 16, liabilities arising from financing activities include lease liabilities amounting to €1,330 million as of January 1, 2019. As of January 1, 2018, the amounts recognized on the balance sheet under finance leases in accordance with IAS 17 are included in this item.

Consolidated Statement of Changes in Equity

	Sub- scribed capital	Capital reserve ¹⁾	Retained earnings					Bertels- mann share- holders' equity	Non- con- trolling interests	Total	
			Other retained earnings	Accumulated other comprehensive income ²⁾							
			Exchange differ- ences	Available- for-sale financial assets	Fair value reserve	Cash flow hedges	Share of other com- pre- hensive income of investments accounted for using the equity method				
in € millions											
Balance as of 1/1/2018	1,000	2,345	4,631	(196)	69	n/a	(22)	15	7,842	1,285	9,127
Adjustment	–	–	59	–	(69)	10	–	(8)	(8)	(3)	(11)
Balance as of 1/1/2018 ³⁾	1,000	2,345	4,690	(196)	n/a	10	(22)	7	7,834	1,282	9,116
Group profit or loss	–	–	349	–	n/a	–	–	–	349	152	501
Other compre- hensive income	–	–	1	73	n/a	1	17	(11)	81	12	93
Group total compre- hensive income	–	–	350	73	n/a	1	17	(11)	430	164	594
Dividend distributions	–	–	(180)	–	n/a	–	–	–	(180)	(198)	(378)
Changes in own- ership interests in subsidiaries that do not result in a loss of control	–	–	7	–	n/a	–	–	–	7	(3)	4
Equity transactions with shareholders	–	–	(173)	–	n/a	–	–	–	(173)	(201)	(374)
Other changes	–	–	–	–	n/a	(1)	–	–	(1)	20	19
Balance as of 6/30/2018	1,000	2,345	4,867	(123)	n/a	10	(5)	(4)	8,090	1,265	9,355
Balance as of 1/1/2019	1,000	2,345	5,200	(85)	n/a	12	(3)	5	8,474	1,364	9,838
Adjustment	–	–	(38)	–	n/a	–	–	–	(38)	(12)	(50)
Balance as of 1/1/2019 ⁴⁾	1,000	2,345	5,162	(85)	n/a	12	(3)	5	8,436	1,352	9,788
Group profit or loss	–	–	325	–	n/a	–	–	–	325	177	502
Other compre- hensive income	–	–	(219)	31	n/a	–	1	(2)	(189)	(8)	(197)
Group total compre- hensive income	–	–	106	31	n/a	–	1	(2)	136	169	305
Dividend distributions	–	–	(180)	–	n/a	–	–	–	(180)	(198)	(378)
Changes in own- ership interests in subsidiaries that do not result in a loss of control	–	–	(2)	8	n/a	–	–	–	6	94	100
Equity transactions with shareholders	–	–	(182)	8	n/a	–	–	–	(174)	(104)	(278)
Other changes	–	–	(4)	–	n/a	(2)	–	–	(6)	62	56
Balance as of 6/30/2019	1,000	2,345	5,082	(46)	n/a	10	(2)	3	8,392	1,479	9,871

1) The capital reserve mainly includes share premiums received from the issue of ordinary shares in excess of their par values.

2) Thereof, as of June 30, 2019, €2 million relate to assets classified as held for sale in accordance with IFRS 5. As of June 30, 2018, no amounts related to assets classified as held for sale in accordance with IFRS 5.

3) The adjustments resulted from the initial application of the financial reporting standards IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers as of January 1, 2018.

4) The adjustments result from the initial application of the financial reporting standard IFRS 16 Leases as of January 1, 2019. In accordance with the transitional provisions of IFRS 16, prior-year comparatives have not been adjusted.

Segment Information (Continuing Operations)

in € millions	Penguin									
	RTL Group		Random House		Gruner + Jahr		BMG		Arvato	
	H1 2019	H1 2018	H1 2019	H1 2018	H1 2019	H1 2018	H1 2019	H1 2018	H1 2019	H1 2018
Revenues from external customers	3,140	3,040	1,650	1,482	669	690	268	240	2,019	1,968
Intersegment revenues	33	6	–	–	8	11	1	1	30	34
Divisional revenues	3,173	3,046	1,650	1,482	677	701	269	241	2,049	2,002
Operating EBITDA	665	643	227	171	62	51	49	42	263	175
EBITDA margin ¹⁾	20.9%	21.1%	13.8%	11.5%	9.1%	7.3%	18.1%	17.3%	12.8%	8.8%
Impairment (-)/reversals (+) on intangible assets, property, plant and equipment and right-of-use assets	(5)	1	–	–	(1)	–	–	–	(3)	–
Results from investments accounted for using the equity method	28	26	–	(1)	4	5	–	–	4	4

1) Operating EBITDA as a percentage of revenues.

2) The business development of Bertelsmann Investments is determined primarily on the basis of EBIT. EBIT amounted to €-9 million (H1 2018: €45 million).

Reconciliation to Operating EBITDA (Continuing Operations)

in € millions	H1 2019	H1 2018
EBIT from continuing operations	824	769
Special items		
– adjustment to carrying amounts on assets held for sale	7	3
– Impairment (+)/reversals (-) on other financial assets at amortized cost	(8)	1
– Impairment (+)/reversals (-) on investments accounted for using the equity method	–	2
– results from disposals of investments	(76)	(19)
– fair value measurement of investments	(9)	(44)
– restructuring and other special items	105	49
Amortization/depreciation, impairment losses and reversals on intangible assets, property, plant and equipment and right-of-use assets	461	311
Adjustments on amortization/depreciation, impairment losses and reversals on intangible assets, property, plant and equipment and right-of-use assets included in special items	(12)	(1)
Operating EBITDA from continuing operations	1,292	1,071

Bertelsmann Printing Group		Bertelsmann Education Group		Bertelsmann Investments ²⁾		Total divisions		Corporate		Consolidation		Continuing operations	
H1 2019	H1 2018	H1 2019	H1 2018	H1 2019	H1 2018	H1 2019	H1 2018	H1 2019	H1 2018	H1 2019	H1 2018	H1 2019	H1 2018
682	689	168	111	6	5	8,602	8,225	10	12	-	-	8,612	8,237
84	79	-	-	-	-	156	131	17	16	(173)	(147)	-	-
766	768	168	111	6	5	8,758	8,356	27	28	(173)	(147)	8,612	8,237
30	28	41	10	(1)	-	1,336	1,120	(44)	(44)	-	(5)	1,292	1,071
3.9%	3.7%	24.2%	8.9%	-13.4%	-2.1%	15.3%	13.4%	n/a	n/a	n/a	n/a	15.0%	13.0%
(4)	-	-	-	-	-	(13)	1	-	-	(1)	-	(14)	1
-	-	25	3	-	(10)	61	27	-	-	1	-	62	27

Selected Explanatory Notes

Accounting Principles

The Interim Financial Report for Bertelsmann SE & Co. KGaA has been prepared according to Section 115 of the German Securities Trading Act (Wertpapierhandelsgesetz – WpHG) and has been subject to a limited review by the Group’s auditor. It complies with International Financial Reporting Standards (IFRS) and the related interpretations (IFRIC) of the IFRS Interpretations Committee (IFRS IC) applicable in the European Union (EU-IFRS) and contains Condensed Interim Consolidated Financial Statements prepared in accordance

with IAS 34 Interim Financial Reporting, including selected explanatory notes. This report was prepared – with the exception of the financial reporting standard IFRS 16 Leases applied for the first time in the current financial year – using fundamentally the same accounting and measurement policies as in the Consolidated Financial Statements of December 31, 2018. A detailed description of these policies is presented in the notes to the Consolidated Financial Statements in the 2018 Annual Report.

Impact of New Financial Reporting Standards

In terms of the merits and the amount, the effects from the initial application of the new financial reporting standard IFRS 16 Leases essentially meet the expectations presented in the 2018 Consolidated Financial Statements. The following sections provide explanations of the new accounting and measurement policies applied since January 1, 2019, with regard to leases where they differ from those applied as of December 31, 2018.

The changes mainly affect lessee accounting and generally require lessees to recognize all leases and the related contractual rights and obligations as a right-of-use asset and lease liability on the lessee’s balance sheet. Short-term

leases with a lease term of up to one year, and leases covering low-value assets for which the Bertelsmann Group does not recognize right-of-use assets or lease liabilities, constitute an exception. The new standard replaces the previous straight-line recognition of operating lease expense in accordance with IAS 17 with the recognition of depreciation expenses for the right-of-use asset and interest expenses on the lease liability.

At the date of initial accounting, lease liabilities are recognized at the present value of the outstanding lease payments. The present value is determined using maturity, currency and risk-specific incremental borrowing rates.

Subsequent measurement of a lease liability includes the increase of the carrying amount to reflect interest on the lease liability and reducing the carrying amount to reflect the lease payments made. The right-of-use assets are measured at cost less any accumulated depreciation and accumulated impairment losses. Cost comprises the amount of lease liabilities recognized, the initial direct costs and the lease payments made at or before the commencement date of the lease, less any lease incentives received. The right-of-use asset is depreciated on a straight-line basis over the shorter of the useful life or lease term.

The initial application of IFRS 16 took place in accordance with the transitional provisions of IFRS 16 using the modified retrospective method. The prior-year comparatives were

therefore not adjusted. At the transition date, the new financial reporting standard was applied to all contracts previously classified as leases in accordance with IAS 17 and IFRIC 4. On the date of initial application, current knowledge was used in assessing extension or termination options. The lease liability as of January 1, 2019, was recognized at the present value of outstanding lease payments using maturity, currency and risk-specific incremental borrowing rates. The weighted average incremental borrowing rate used to determine the lease liability as of January 1, 2019, was 3.0 percent.

The following shows a reconciliation of the rental and lease commitments for already used real estate and movables as of December 31, 2018, to the opening balance of lease liabilities as of January 1, 2019:

in € millions	
Rental and lease commitments for already used real estate and movables as of December 31, 2018	1,367
Practical expedients for short-term leases and for leases for low-value assets	(17)
Adjusted estimates of extension options and termination options	191
Other	(1)
Commitments from operating leases (undiscounted)	1,540
Discounting effect	(210)
Commitments from operating leases (discounted)	1,330
Carrying amount of finance lease liabilities as of December 31, 2018	39
Carrying amount of lease liabilities as of January 1, 2019	1,369

For individual real estate leases, the right-of-use asset was recognized at an amount as if IFRS 16 had been applied since the commencement date of the lease. In all other cases, the right-of-use assets corresponded to the amount of the related lease liability on the date of initial application, adjusted by the amounts for any prepaid or accrued lease payments. In addition, the right-of-use asset was adjusted by the amounts recognized as provisions for onerous leases of €28 million on the balance sheet as of December 31, 2018. In this regard, an impairment test was not carried out on the right-of-use assets on the date of initial application. Initial direct costs were not taken into account in the measurement of the right-of-use asset on the date of initial application. Furthermore, the new provisions were not applied in individual cases where the lease ends by December 31, 2019.

As part of the transition to IFRS 16 as of January 1, 2019, right-of-use assets of €1,245 million (including €35 million from finance leases existing as of December 31, 2018) and lease liabilities of €1,369 million (including €39 million from finance leases existing as of December 31, 2018) were recognized. The cumulative effect of initial application of IFRS 16 amounting to €-50 million was recognized directly in equity.

The vast majority of leases concern rental properties in the RTL Group, Penguin Random House and Arvato divisions. In addition, leases also exist for technical equipment and machinery, vehicles and other fixtures, and furniture and office equipment. In the consolidated income statement, the change in recognition of expenses from leases results in an increase in

operating EBITDA of an estimated €0.1 billion compared to the first half of 2018. This is due to the replacement of the operating lease expenses formerly included in other operating expenses with depreciation of right-of-use assets and other financial expenses from the compounding of the lease liability

shown in the financial result. In the first half of 2019, the change in recognition of lease payments in the consolidated cash flow statement results in an improvement of the cash flow from operating activities. The cash flow from financing activities is reduced by a corresponding amount.

Impact of Issued Financial Reporting Standards that Are Not Yet Effective

The Bertelsmann Group has not opted for early adoption of any standards, interpretations or amendments that have been issued but are not yet mandatory.

Scope of Consolidation

The Condensed Interim Consolidated Financial Statements as of June 30, 2019, include Bertelsmann SE & Co. KGaA and all material subsidiaries over which Bertelsmann SE & Co. KGaA is able to exercise control in accordance with IFRS 10. Joint ventures and associates are accounted for using the equity method in accordance with IAS 28. As of June 30, 2019, the scope of consolidation including Bertelsmann SE & Co. KGaA consists of 977 companies (December 31, 2018: 974) with 44 entries and 41 exits in the first half of 2019. This includes 902 (December 31, 2018: 901) consolidated companies. In

addition, investments in 26 (December 31, 2018: 25) joint ventures and 49 (December 31, 2018: 48) associates are accounted for using the equity method in the Consolidated Financial Statements. A total of 199 (December 31, 2018: 209) companies were excluded from the scope of consolidation. These consist of the associates in the portfolio of the Bertelsmann Investments division and entities without significant business operations and of negligible importance for the financial position and financial performance of the Bertelsmann Group.

Acquisitions and Disposals

In the first half of 2019, the cash flow from acquisition activities totaled €-93 million, of which, after consideration of cash and cash equivalents acquired, €-78 million relates to new acquisitions during the first half of the year. The consideration transferred in accordance with IFRS 3 amounted to €100 million taking into account contingent consideration of €2 million.

In April 2019, Penguin Random House acquired a 100 percent interest in the British children's publishing company Little Tiger Group, based in London, United Kingdom, from the owners, who included the CEO and co-founder Monty Bhatia and other members of the Bhatia family. The Little Tiger Group is made up of five imprints mainly active in the preschool sector and will work closely with Random House Children's Books. With this acquisition, Penguin Random House further expands its leading position in the English-language children's and young adult book sector. The consideration transferred amounted to €40 million and comprises a purchase price payment already made in the amount of €38 million and a contingent consideration in the amount of €2 million. The purchase price allocation resulted in goodwill of €17 million, which is not tax deductible, mainly representing improved distribution through Penguin Random House Publisher Services and international sales expansion. The purchase price allocation is still preliminary due to the proximity of the acquisition to the end of the reporting period. In the financial

year 2019, transaction-related costs amounted to €1 million and have been recognized in profit or loss.

In addition, the Bertelsmann Group made several acquisitions in the first half of 2019, none of which was material on a stand-alone basis. Payments net of acquired cash and cash equivalents amounted to €43 million; the consideration transferred in accordance with IFRS 3 for these acquisitions amounted to €60 million. There were no contingent considerations. The other acquisitions resulted in goodwill totaling €40 million, which reflects synergy potential and is partly tax deductible. Transaction-related costs amounted to €2 million in the first half of 2019 and have been recognized in profit or loss.

The purchase price allocations consider all the facts and circumstances prevailing as of the respective dates of acquisition that were known prior to preparation of the Consolidated Financial Statements. In accordance with IFRS 3, should further facts and circumstances become known within the 12-month measurement period, the purchase price allocation will be adjusted accordingly.

The following table shows the fair values of the assets and liabilities of the acquisitions on their dates of initial consolidation based on the currently still preliminary purchase price allocations:

Effects of Acquisitions

in € millions	Little Tiger Group	Other	Total
Non-current assets			
Goodwill	17	40	57
Other intangible assets	14	17	31
Property, plant and equipment and right-of-use assets	–	13	13
Trade and other receivables	–	2	2
Other non-current assets	–	1	1
Current assets			
Inventories	5	11	16
Trade and other receivables	11	58	69
Other current assets	–	9	9
Cash and cash equivalents	3	7	10
Liabilities			
Financial debt	–	2	2
Lease liabilities	–	8	8
Other financial and non-financial liabilities	10	59	69
Fair value of pre-existing interests	–	12	12
Non-controlling interests	–	17	17

Since initial consolidation, all new acquisitions in accordance with IFRS 3 in the first half of 2019 have contributed €68 million to revenue and €5 million to Group profit or loss. If consolidated as of January 1, 2019, these would have contributed €82 million to revenue and €4 million to Group profit or loss.

In November 2018, Bertelsmann Education Group acquired an interest of 100 percent in the US online education provider OnCourse Learning. The initial accounting for the acquisition had not yet been completed in the last financial year. In accordance with IFRS 3.49, goodwill from the acquisition of OnCourse Learning was increased by €17 million to €380 million. The increase results mainly from the adjustment of the consideration transferred in the amount of €16 million and from further adjustments of the fair values of the acquired intangible assets in the amount of €-1 million. The consolidated balance sheet figures from the previous year have been adjusted accordingly.

In May 2019, the Bertelsmann Education Group sold its membership interest in OnCourse Learning Financial Services and

in the following month its interest in OnCourse Learning Real Estate (together referred to as "OCL entities") for a total of €122 million. Net of transaction-related costs, the transactions resulted in an overall gain of €11 million recognized in the item "Results from disposals of investments."

In April 2019, Mediengruppe RTL Deutschland, which belongs to RTL Group, sold its interests held in Universum Film GmbH (Universum), a home entertainment and theatrical distribution company, to the investor KKR for €91 million. Net of transaction-related costs, the sale resulted in a gain of €63 million recognized in the item "Results from disposals of investments."

From all disposals in the first half of 2019, the Bertelsmann Group generated cash flows totaling €217 million after considering the cash and cash equivalents disposed of. The disposals led to a gain from deconsolidation of €74 million, which is recognized in "Results from disposals of investments." The following table shows their impact on the Bertelsmann Group's assets and liabilities at the time of deconsolidation:

Effects of Disposals

in € millions	OCL entities	Universum	Other	Total
Non-current assets				
Goodwill	78	13	20	111
Other intangible assets	33	5	7	45
Property, plant and equipment and right-of-use assets	2	–	–	2
Other non-current assets	–	14	–	14
Current assets				
Inventories	–	30	2	32
Other current assets	4	13	26	43
Cash and cash equivalents	3	6	8	17
Liabilities				
Provisions for pensions and similar obligations	–	6	1	7
Financial debt	2	8	–	10
Lease liabilities	1	–	–	1
Other financial and non-financial liabilities	9	38	17	64

Assets Held for Sale and Liabilities Related to Assets Held for Sale

The carrying amounts of the assets classified as held for sale and related liabilities are presented in the following table:

Assets Held for Sale and Related Liabilities

in € millions	Motor Presse Stuttgart	Ludia	Balance as of 6/30/2019	Balance as of 12/31/2018
Assets				
Non-current assets				
Goodwill	21	30	51	13
Other intangible assets	30	21	51	6
Property, plant and equipment and right-of-use assets	16	2	18	–
Investments accounted for using the equity method	1	–	1	–
Other non-current assets	3	2	5	16
Current assets				
Inventories	3	–	3	35
Trade and other receivables	8	10	18	12
Other current assets	3	10	13	1
Cash and cash equivalents	17	12	29	–
Impairment on assets held for sale	(4)	–	(4)	(1)
Assets held for sale	98	87	185	82
Equity and liabilities				
Non-current liabilities				
Provisions for pensions and similar obligations	16	–	16	5
Other provisions	1	–	1	–
Financial debt	1	–	1	6
Lease liabilities	2	–	2	–
Trade and other payables	8	–	8	1
Deferred tax liabilities	14	8	22	–
Current liabilities				
Other provisions	2	–	2	1
Financial debt	3	–	3	2
Lease liabilities	–	1	1	–
Trade and other payables	11	8	19	46
Other current liabilities	16	8	24	2
Liabilities related to assets held for sale	74	25	99	63

The carrying amounts of the assets classified as held for sale and related liabilities are attributable to Gruner + Jahr and RTL Group divisions as of June 30, 2019. In June 2019, Gruner + Jahr announced that it would sell its interest in Motor Presse Stuttgart to the successors to the founding Pietsch family, Patricia Scholten and Peter-Paul Pietsch. The sale was approved by the competent authority in July 2019. In addition,

as of June 30, 2019, RTL Group production unit Fremantle is in the process of negotiating the disposal of the majority of its interest in its mobile gaming company, Ludia Inc. (Ludia).

In the first half of 2019, for disposal groups, which are measured at fair value less costs to sell, impairment losses were recognized in the amount of €-7 million, which were

attributable to planned and completed disposals in the Gruner + Jahr division. The fair values are based on level 3 of the hierarchy of non-recurring fair values. Valuations for level 3

are based on information from the contract negotiations. The impairment losses are recognized in the item "Other operating expenses."

Change in Bertelsmann Shareholders' Equity

In January 2019, the customer relationship management businesses of Bertelsmann (Arvato CRM) and the Moroccan Saham Group were merged to form the new CRM company Majorel. Each partner holds 50 percent of the shares in Majorel, which is one of the market leaders in Europe, Africa and the Middle East, and has a strong presence in America and Asia. The merger gives Bertelsmann access to the growth markets of the African continent. Bertelsmann has a majority in the relevant governing bodies and the resulting decision-making authorities over the relevant activities of

Majorel and includes it as a subsidiary in the Consolidated Financial Statements. Under the transaction, the Saham Group made a valuation compensation payment in the amount of €100 million in addition to the CRM businesses it contributed. The transaction was accounted for as an equity transaction in accordance with IFRS 10. The difference between the consideration received in the amount of €125 million and the carrying amount attributable to the derecognized Arvato CRM business of €109 million was recognized in shareholders' equity.

in € millions	Change in Bertelsmann shareholders' equity
Fair value of consideration received (including valuation compensation payment)	125
Derecognized interests in Arvato-CRM-Geschäfte	(109)
Increase in Bertelsmann shareholders' equity	16
– thereof increase in other retained earnings	8
– thereof increase in the reserve of exchange differences	8

The Saham Group's contribution of the CRM businesses was accounted for in the Bertelsmann Consolidated Financial Statements as a business combination in accordance with

IFRS 3. In this connection, €11 million attributable to non-controlling interests in the businesses contributed by the Saham Group were included in other changes in equity.

Currency Translation

The following euro exchange rates were used to translate the currencies most significant to the Bertelsmann Group:

Foreign currency unit per €1		Average rates		Closing rates		
		H1 2019	H1 2018	6/30/2019	12/31/2018	6/30/2018
Australian dollar	AUD	1.6002	1.5691	1.6244	1.6220	1.5787
Canadian dollar	CAD	1.5070	1.5463	1.4893	1.5605	1.5442
Chinese renminbi	CNY	7.6653	7.7092	7.8185	7.8751	7.7170
British pound	GBP	0.8737	0.8798	0.8966	0.8945	0.8861
US dollar	USD	1.1297	1.2108	1.1380	1.1450	1.1658

Additional Disclosures on Revenues

In the first half of 2019, Group revenues of €8,500 million were primarily generated from contracts with customers in accordance with IFRS 15 (H1 2018: €8,127 million). The other revenues amounting to €112 million (H1 2018: €110 million) not in the scope of IFRS 15 result almost entirely from financial

services in the Arvato division. The following table shows the revenues from contracts with customers in accordance with IFRS 15 by division and broken down by revenue sources and geographical areas. The categorization of revenue sources shown corresponds to that used in segment reporting.

Revenue from Contracts with Customers

H1 2019								
in € millions	RTL Group	Penguin Random House	Gruener + Jahr	BMG	Arvato	Bertelsmann Printing Group	Bertelsmann Education Group	Total divisions ¹⁾
Revenue Sources								
Own products and merchandise	64	1,578	291	20	75	17	–	2,045
Services	185	44	217	–	1,832	652	168	3,098
Advertising	1,719	–	153	–	–	13	–	1,885
Rights and licenses	1,172	28	8	248	–	–	–	1,456
	3,140	1,650	669	268	1,907	682	168	8,484
Geographical Areas								
Germany	1,008	115	445	17	750	432	1	2,768
France	687	7	142	10	194	32	–	1,072
United Kingdom	124	183	5	62	104	71	–	549
Other European countries	671	146	52	26	555	87	–	1,537
United States	584	941	12	128	137	55	164	2,021
Other countries	66	258	13	25	167	5	3	537
	3,140	1,650	669	268	1,907	682	168	8,484
H1 2018								
in € millions	RTL Group	Penguin Random House	Gruener + Jahr	BMG	Arvato	Bertelsmann Printing Group	Bertelsmann Education Group	Total divisions ¹⁾
Revenue Sources								
Own products and merchandise	72	1,415	309	20	106	15	–	1,937
Services	187	40	196	–	1,752	657	111	2,943
Advertising	1,760	–	178	–	–	17	–	1,955
Rights and licenses	1,021	27	7	220	–	–	–	1,275
	3,040	1,482	690	240	1,858	689	111	8,110
Geographical Areas								
Germany	1,019	104	447	17	752	425	1	2,765
France	723	6	154	10	195	32	–	1,120
United Kingdom	106	152	4	59	102	81	–	504
Other European countries	669	125	67	28	518	92	–	1,499
United States	441	853	9	98	154	51	108	1,714
Other countries	82	242	9	28	137	8	2	508
	3,040	1,482	690	240	1,858	689	111	8,110

1) Excluding Bertelsmann Investments and corporate activities.

The revenues reported by source of revenue and geographical areas reflect exclusively the revenues in accordance with IFRS 15 and consequently differ in amount from the breakdown of revenues in segment reporting. During the reporting period, the revenues from contracts with customers

result from performance obligations fulfilled at a certain point in time of €3,237 million (H1 2018: €3,124 million) and performance obligations fulfilled over a certain period of time of €5,247 million (H1 2018: €4,986 million). They are attributable to the following divisions:

Timing of Revenue Recognition from Contracts with Customers

H1 2019			
in € millions	Point in time	Over time	Total divisions ¹⁾
RTL Group	980	2,160	3,140
Penguin Random House	1,606	44	1,650
Gruner + Jahr	432	237	669
BMG	70	198	268
Arvato	109	1,798	1,907
Bertelsmann Printing Group	27	655	682
Bertelsmann Education Group	13	155	168
	3,237	5,247	8,484

H1 2018			
in € millions	Point in time	Over time	Total divisions ¹⁾
RTL Group	910	2,130	3,040
Penguin Random House	1,432	50	1,482
Gruner + Jahr	438	252	690
BMG	68	172	240
Arvato	197	1,661	1,858
Bertelsmann Printing Group	78	611	689
Bertelsmann Education Group	1	110	111
	3,124	4,986	8,110

1) Excluding Bertelsmann Investments and corporate activities.

Additional Disclosures on Financial Instruments

The principles and methods used for the fair value measurement remain unchanged compared to those used in the previous year. Only disclosures on financial instruments that are significant to an understanding of the changes in financial position and financial performance since the end of the last annual reporting period are explained below.

The following hierarchy is used to determine the fair value of financial instruments.

Level 1:

The fair value of the listed financial instruments is determined on the basis of stock exchange listings at the end of the reporting period.

Level 2:

For measuring the fair value of unlisted derivatives, Bertelsmann uses various financial methods reflecting the prevailing market conditions and risks at the respective balance sheet dates. Irrespective of the type of financial instrument, future cash flows are discounted at the end of the reporting period based on the respective market interest rates and yield curves at the end of the reporting period. The fair value of forward exchange transactions is calculated using the average spot prices at the end of the reporting period and taking into account forward markdowns and markups for the remaining term of the transactions. The fair value of interest rate derivatives is calculated on the basis of the respective market rates and yield curves at the end of the reporting period. The fair value

of forward commodity transactions is derived from the stock exchange listings published at the end of the reporting period. Any mismatches to the standardized stock exchange contracts are reflected through interpolation or additions.

Level 3:

If no observable market data is available, fair value measurement is based primarily on cash flow-based valuation techniques. As a rule, so-called qualified financing rounds are used for minority stakes in the Bertelsmann Investments division. Listed financial instruments with contractual lockups held by Bertelsmann are also based on level 3.

The measurement of financial assets and financial liabilities according to level 2 and level 3 requires management to make certain assumptions about the model inputs, including cash flows, discount rate and credit risk, as well as the life and development cycle of startup investments.

The option offered in IFRS 13.48 (net risk position) is used for measuring the fair value of financial derivatives. To identify the credit exposure from financial derivatives, the respective net position of the fair values with the contractual partners is used as a basis, as these values are managed based on a net position in view of their market or credit default risks.

The measurement category "fair value through profit or loss" mainly includes the minority stakes in startups and fund investments purchased by the Bertelsmann Investments division. The fair value of its listed investments is measured on the basis of their market values and of its unlisted investments, when possible, on the basis of observable prices obtained as part of the most recently implemented qualified financing rounds, which meet the minimum requirements for volume and participants, taking into account life and development cycles of the entity. The item also includes so-called fund-of-fund investments, which are also measured at fair value through profit or loss. The measurement of their fair values is based on the valuations of the external management

as presented in regular reporting and taking into account a fungibility discount. The gains and losses resulting from changes in the fair value are recognized as other operating income in the item "Fair value measurement of investments."

The market value of the 2001 profit participation certificates with a closing rate of 328.10 percent on the last day of trading in the first half of 2019 on the Frankfurt Stock Exchange was €933 million (December 31, 2018: €901 million with a rate of 317.01 percent) and, correspondingly, €34 million for the 1992 profit participation certificates with a rate of 202.00 percent (December 31, 2018: €33 million with a rate of 193.00 percent). The market values are based on level 1 of the fair value hierarchy.

In February 2019, a fixed-rate promissory note due for repayment in the amount of €150 million was repaid on time. In addition, in May 2019, Bertelsmann repaid a fixed-rate promissory note due for repayment in the amount of €60 million on time.

On June 30, 2019, the cumulative market value of the listed bonds totaled €4,486 million (December 31, 2018: €4,298 million) with a nominal volume of €4,250 million (December 31, 2018: €4,250 million) and a carrying amount of €4,225 million (December 31, 2018: €4,223 million). The stock market prices are based on level 1 of the fair value hierarchy. On June 30, 2019, the total carrying amount of the private placements and promissory notes totaled €499 million (December 31, 2018: €708 million), and the total market value amounted to €558 million (December 31, 2018: €750 million). The fair values of private placements and promissory notes are determined using actuarial methods based on yield curves adjusted for the Group's credit margin. This credit margin results from the market price for credit default swaps at the end of the respective reporting periods. Fair value is measured on the basis of discount rates ranging from -0.36 percent to 0.82 percent. The fair values of the private placements and promissory notes are based on level 2 of the fair value hierarchy.

Financial Assets Measured at Fair Value Categorized Using the Fair Value Measurement Hierarchy

in € millions	Level 1: Quoted prices in active markets	Level 2: Observable market data	Level 3: Unobservable market data	Balance as of 6/30/2019
Financial assets recognized at fair value	147	10	927	1,084
Primary and derivative financial assets held for trading	–	53	–	53
Derivatives with hedge relation	–	19	–	19
	147	82	927	1,156

Financial Assets Measured at Fair Value Based on Level 3

in € millions	Financial assets recognized at fair value	Primary and derivative financial assets held for trading	Total
Balance as of 1/1/2019	983	–	983
Total gain (+) or loss (-)	(16)	–	(16)
– in profit or loss	(17)	–	(17)
– in other comprehensive income	1	–	1
Purchases	211	–	211
Sales/settlements	(201)	–	(201)
Transfers out of/into level 3	(50)	–	(50)
Balance as of 6/30/2019	927	–	927
Gain (+) or loss (-) for assets still held at the end of the reporting period	(80)	–	(80)

Financial Liabilities Measured at Fair Value Categorized Using the Fair Value Measurement Hierarchy

in € millions	Level 1: Quoted prices in active markets	Level 2: Observable market data	Level 3: Unobservable market data	Balance as of 6/30/2019
Financial liabilities recognized at fair value through profit or loss	–	–	32	32
Primary and derivative financial liabilities held for trading	–	69	–	69
Derivatives with hedge relation	–	5	–	5
	–	74	32	106

Financial Liabilities Measured at Fair Value Based on Level 3

in € millions	Financial liabilities recognized at fair value through profit or loss	Total
Balance as of 1/1/2019	31	31
Total gain (-) or loss (+)	-	-
– in profit or loss	-	-
– in other comprehensive income	-	-
Purchases	2	2
Settlements	(3)	(3)
Transfers out of/into level 3	2	2
Balance as of 6/30/2019	32	32
Gain (-) or loss (+) for liabilities still held at the end of the reporting period	-	-

Income Taxes

The tax expense for the first half of 2019 was calculated in accordance with IAS 34 using the average annual tax rate expected for the whole of 2019, which is calculated at 33.2 percent according to Bertelsmann management's current estimation. In addition, special tax effects were recognized in current and deferred taxes, resulting in a lower tax rate in the income statement.

The tax expense for the first half of 2019 was lower than in the same period of the previous year, in particular due to the increase in tax-exempt non-recurring items in earnings before tax, mainly in connection with the higher result from disposals of investments.

Other Information

As a result of 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 of the year. The higher revenues in the second half of the year are primarily due to the increasing demand during the year-end holiday season, in particular in advertising-driven businesses and in the publishing business, as well as to the customary seasonality in the music business.

The amount recognized in the Consolidated Cash Flow Statement under "Sales of other non-current assets" is

mainly attributable to several transactions conducted in the Bertelsmann Investments division, including the sale of the investment in the tech company Bigo.

In April 2019, Bertelsmann restructured its global printing business in terms of both organization and staffing. In relation to the decision to close the Bertelsmann Printing Group Prinovis site in Nuremberg in spring 2021 which was made during restructuring, a provision in the amount of €47 million was recognized as of June 30, 2019.

Notes on Segment Reporting

Segment reporting continues to reflect eight operating reportable segments (RTL Group, Penguin Random House, Gruner + Jahr, BMG, Arvato, Bertelsmann Printing Group, Bertelsmann Education Group and Bertelsmann Investments).

In line with internal management, in the segment report in accordance with IFRS 8, intercompany leases are presented as operating leases with straight-line recognition of expenses and income.

Reconciliation of Segment Information to Group Profit or Loss

in € millions	H1 2019	H1 2018
Operating EBITDA from continuing operations	1,292	1,071
Amortization/depreciation, impairment losses and reversals on intangible assets, property, plant and equipment and right-of-use assets	461	311
Adjustments on amortization/depreciation, impairment losses and reversals on intangible assets, property, plant and equipment and right-of-use assets included in special items	(12)	(1)
Special items	19	(8)
EBIT from continuing operations	824	769
Financial result	(168)	(106)
Earnings before taxes from continuing operations	656	663
Income tax expense	(154)	(162)
Earnings after taxes from continuing operations	502	501
Earnings after taxes from discontinued operations	–	–
Group profit or loss	502	501

Events after the Reporting Period

The syndicated credit facility of €1,200 million, previously due in 2021, was renewed early in July 2019 until 2024.

In July 2019, the French broadcasting authority approved the acquisition by Groupe M6, which belongs to RTL Group, of 100 percent of the Lagardère Group's television business (Gulli, excluding Mezzo), the French market leader in live and on-demand children's TV. The acquisition represents an opportunity for Groupe M6 to complement its audiovisual offering for families and to strengthen its overall position in the French media market, both in TV advertising and the

digital segment. The transaction is expected to be effective in September 2019. It will be accounted for as a business combination in accordance with IFRS 3.

Following the approval of the French audiovisual regulatory authority in July 2019 and the authorization issued by the French competition authority in August, the groups France Télévisions, TF1 and Groupe M6, which belongs to RTL Group, announced that the Salto joint venture will be able to start operations. Salto's online video service is due to launch in the first quarter of 2020.

Responsibility Statement

To the best of our knowledge, and in accordance with the applicable reporting principles for interim financial reporting, the Condensed 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 27, 2019

Bertelsmann SE & Co. KGaA

represented by:

Bertelsmann Management SE, the personally liable partner

The Executive Board

Thomas Rabe

Markus Dohle

Immanuel Hermreck

Bernd Hirsch

Auditor's Review Report

To Bertelsmann SE & Co. KGaA

We have reviewed the condensed consolidated interim financial statements – comprising the income statement, statement of comprehensive income, balance sheet, cash flow statement, 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, 2019, which are part of the half-year financial report pursuant to § (Article) 115 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 personally liable partner Bertelsmann Management SE. 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 28, 2019

PricewaterhouseCoopers GmbH
Wirtschaftsprüfungsgesellschaft

Christian Landau
Wirtschaftsprüfer
(German Public Auditor)

Volker Voelcker
Wirtschaftsprüfer
(German Public Auditor)

Production Credits

Publisher

Bertelsmann SE & Co. KGaA
Carl-Bertelsmann-Strasse 270
33311 Gütersloh
Germany

Responsible

Karin Schlautmann
Bertelsmann SE & Co. KGaA
Executive Vice President
Corporate Communications

Project Management

Simone Fratzcak
Bertelsmann SE & Co. KGaA
Corporate Communications

Design and Production

Territory CTR GmbH, Gütersloh

Photography

Sebastian Pfütze

Print

Mohn Media Mohndruck GmbH, Gütersloh

Contact

Media

Phone: +49 (0) 52 41-80-24 66
press@bertelsmann.com

Investor Relations

Phone: +49 (0) 52 41-80-23 42
investor.relations@bertelsmann.com

Recruiting Services

createyourowncareer@bertelsmann.com
www.createyourowncareer.com

Corporate Responsibility & Diversity Management

Phone: +49 (0) 52 41-80-750 21
responsibility@bertelsmann.com

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

www.bertelsmann.com



The Interim Report is also available in German.



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Bertelsmann SE & Co. KGaA
Carl-Bertelsmann-Strasse 270
33311 Gütersloh
Germany

www.bertelsmann.com