

Interim Report 2023



BERTELSMANN

At a Glance

Key Figures

in € millions	H1 2023	H1 2022
Business Development		
Group revenues	9,705	9,290
Operating EBITDA	1,275	1,429
EBITDA margin in percent ¹⁾	13.1	15.4
Group profit	260	492
Investments ²⁾	771	727
Consolidated Balance Sheet	6/30/2023	12/31/2022
Equity	14,666	15,043
Equity ratio in percent	45.7	45.8
Total assets	32,091	32,836
Economic debt ³⁾	6,014	4,785

The figures shown in the table are, in some cases, so-called Alternative Performance Measures (APM), which are neither defined nor described in IFRS. Details are presented in the section "Alternative Performance Measures" in the Combined Management Report 2022.

Due to rounding, there may be slight variances in the percentages calculated in this report. The prior-year comparatives have been adjusted.

Further details are presented in the section "Acquisitions and Disposals."

1) Operating EBITDA as a percentage of revenues.

2) Taking into account the financial debt assumed and purchase price payments for share increases in subsidiaries that were already consolidated, economic investments amounted to €842 million (H1 2022: €1,115 million).

3) Net financial debt less the short-term liquidable investments in a special fund plus pension provisions, profit participation capital and lease liabilities.

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Online Interim Report

The Bertelsmann Interim Report 2023 can also be accessed online at
ir2023.bertelsmann.com

Highlights of the First Six Months



- With RTL and VOX, RTL Group operates the number 1 and 2 commercial TV channels in Germany in the commercial target group
- Continued strong growth in streaming: RTL+ in Germany and Hungary and Videoland in the Netherlands collectively record more than six million paying subscribers
- RTL Deutschland, Groupe M6 and RTL Hungary secure important sports rights

www.rtlgroup.com



- Prince Harry's memoir "Spare" sells six million copies worldwide
- Investments in growth: Penguin Random House takes a majority stake in innovative US publisher Sourcebooks and acquires full ownership of Roca Editorial in Spain
- Barbra Streisand and Dolly Parton memoirs are expected in the fall

www.penguinrandomhouse.com



- Arvato expands its international network of locations and systematically advances its sustainability activities
- Arvato Systems wins kubus IT as a new strategic client in the health sector, strengthening its position in the German healthcare market
- Bertelsmann accepts French market leader Teleperformance's offer to acquire its 39.5-percent stake in Majorel

www.arvato-group.com



- Since April, the marketing and printing businesses have been operating under the new name Bertelsmann Marketing Services, and now include the Territory agency as well
- A strategy project to secure the future of Mohn Media will further streamline the structures of the large printshop and strengthen profitability
- A reconciliation of interests and social plan are agreed for the Prinovis site in Ahrensburg, Germany, which is to be closed at the end of January 2024

www.bertelsmann-marketing-services.com

BMG

- BMG continues double-digit revenue and earnings growth in the first half of the year
- More investment in music rights and royalty streams: 15 acquisitions, including deals with Paul Simon and The Hollies
- Changeover at the top: Thomas Coesfeld replaces Hartwig Masuch as CEO of BMG

www.bmg.com

Bertelsmann Education Group

- Afya significantly increases its number of medical school seats through acquisition of two medical schools
- Relias expands its online health course offering and wins awards for the best learning platform of the year
- Alliant opens a new nursing campus in Phoenix, United States

www.bertelsmann-education-group.com

Bertelsmann Investments

- Bertelsmann Investments makes 18 new and nine follow-on investments in H1 2023
- Investments and capital commitments in the promising digital health sector approach €70 million
- More than 360 active investments at the end of the first half-year period

www.bertelsmann-investments.com

Dear Readers,

We look back on a good first half of 2023 and are happy with Bertelsmann's business performance. The Group's transformation, with the establishment of new businesses and, above all, our Boost strategy, is increasingly making itself felt. For example, despite a difficult macroeconomic environment, our company posted record revenues of close to 10 billion euros and a high operating profit exceeding one billion euros. BMG, Arvato Group and Bertelsmann Education Group in particular each contributed to this achievement with higher revenues and earnings.

Bertelsmann's first-half Group revenues increased by 4.5 percent year-on-year, to a record €9.7 billion. Organic revenue growth was 2.3 percent. Operating EBITDA remained high at €1.275 billion, compared with €1.429 billion in H1 2022. Net profit was €260 million, down from the previous year's figure of €492 million. Reasons for this include the lower operating result and restructuring measures.

Bertelsmann expects a positive overall business performance for the full year. We are sharpening our outlook for 2023 and – before any effects of the planned sale of our Majorel shares – expect revenues to increase moderately, while the operating profit is still expected to remain stable.

Since 2021, we have already invested €3.3 billion under our Boost strategy. We will continue to implement our Boost plans despite a challenging environment, and to invest five to seven billion euros by 2026, to bring Bertelsmann to an even higher revenues and earnings level as planned.

On a strategic level, Bertelsmann also made significant progress along its five growth priorities in the first half of the current financial year 2023, which I would like to briefly elaborate on:

National Media Champions

RTL Group's streaming services, i.e., RTL+ in Germany and Hungary and Videoland in the Netherlands, recorded more than six million paying subscribers, 34 percent more than in the previous year. In February, RTL Deutschland announced a realignment of its publishing business to focus on core brands such as "Stern," "Geo," "Brigitte" and "Gala" going forward. RTL Deutschland secured attractive sports rights through 2027 by renewing its exclusive broadcasting and streaming rights for the UEFA Europa League and the UEFA Europa Conference League. RTL Hungary acquired the broadcasting rights for the UEFA Champions League in 2024/25. In addition, preparations were made for the start of the US NFL season at RTL Deutschland and the launch of the multimedia app RTL+.



Thomas Rabe

Chairman and CEO of Bertelsmann

Global Content

Fremantle was successful with entertainment shows in the United Kingdom and United States, as well as with films, series and documentaries. The video production company also signed first-look deals with Oscar-nominated producers Edward Berger and Amy Berg. In the United States, Penguin Random House increased its stake in the Sourcebooks publishing company to a majority interest and, with that, acquired the publishing assets of the nonfiction publisher Callisto Media. In May, Penguin Random House Grupo Editorial completed its acquisition of Barcelona-based Roca Editorial, one of Spain's leading independent publishers. BMG made 15 acquisitions, including the song catalog of British rock and pop band The Hollies, and a significant share of Paul Simon's music interests, including the rights to royalties from Simon & Garfunkel's recordings.

Global Services

The network of Arvato's global services and logistics sites was expanded, especially in the United States and Poland. Arvato also acquired customers in the healthcare, tech, and fashion sectors. Riverty advanced its development of new and existing business models. The IT service provider Arvato Systems entered into partnerships with companies in the energy and utilities sectors. In April, the French company Teleperformance announced its intention to acquire all shares in the global customer-experience company Majorel. Bertelsmann responded by communicating that it would accept the planned takeover offer for its shares in Majorel. Bertelsmann's marketing and print businesses now operate under the name Bertelsmann Marketing Services, and also include the content agency Territory.

Education

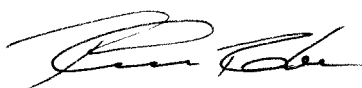
Within Bertelsmann Education Group, Afya in Brazil continued its growth, driven by higher revenues from tuition and growing student numbers. In addition, there were effects from the acquisition of two medical schools. Relias' learning platform for healthcare professionals was named Platform of the Year at the EdTech Breakthrough Awards. In April, Alliant International University opened the Alliant School of Nursing and Health Sciences in Phoenix, United States.

Investment Portfolio

Bertelsmann Investments (BI) made 18 new and nine follow-on investments in the reporting period through its four investment funds and the Bertelsmann Next unit. BI has invested a total of around €1.7 billion in companies and funds to date. The active portfolio consisted of 361 investments as of the reporting date. Through the Bertelsmann Next unit, BI invested in the healthcare companies Patient21, DeepC and LighthouseAI. Investments and capital commitments of just under €70 million have already been made in the digital health area.

I would like to thank you, dear readers, for your interest in Bertelsmann and hope you enjoy reading our Interim Report.

Yours sincerely,

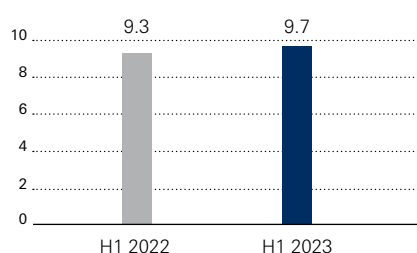


Thomas Rabe

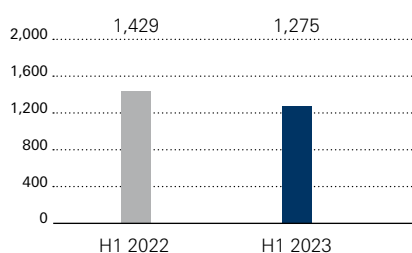
Group Interim Management Report

In the first half of 2023, Bertelsmann recorded solid business performance and benefited from the growth momentum generated from its Boost strategy. Group revenues increased by 4.5 percent to €9.7 billion (H1 2022: €9.3 billion). The book publishing, music, services and education businesses all achieved revenue growth. In contrast, challenging TV advertising markets led to a strong decline in revenues for the TV businesses, especially in Germany. Organic revenue growth was 2.3 percent. At €1,275 million, the operating EBITDA was strongly down from the level of the previous year (H1 2022: €1,429 million). Profits were dampened mainly by the challenging development of advertising markets for the TV businesses, especially in Germany. In contrast, the music, services and education businesses all achieved earnings growth. The EBITDA margin decreased to 13.1 percent (H1 2022: 15.4 percent). Group profit fell to €260 million (H1 2022: €492 million). In addition to the decline in the operating result, this is also attributable to higher restructuring expenses. For 2023 as a whole, Bertelsmann anticipates continued solid business performance, assuming a stabilization of TV advertising markets.

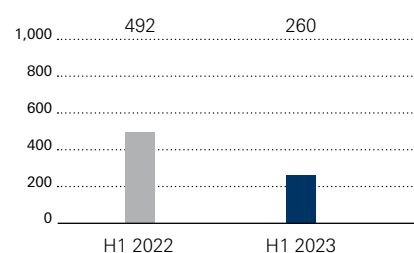
Revenues in € billions



Operating EBITDA in € millions



Group Profit in € millions



- Revenue growth of 4.5 percent, organic revenue growth of 2.3 percent
- Revenue growth at Penguin Random House, BMG, Arvato Group and Bertelsmann Education Group
- At €1,275 million, operating EBITDA was at a high level despite a strong decline in earnings at RTL Group
- Operating EBITDA margin of 13.1 percent
- Group profit dropped to €260 million, mainly due to a decline in operational earnings
- Higher expenses for restructuring measures

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. The Bertelsmann divisions are RTL Group (entertainment), Penguin Random House (books), BMG (music), Arvato Group (previously Arvato; services), Bertelsmann Marketing Services (previously Bertelsmann Printing Group; direct marketing and printing activities), Bertelsmann Education Group (education) and Bertelsmann Investments (international network of funds).

Bertelsmann SE & Co. KGaA is a capital market-oriented but unlisted partnership limited by shares. As a group holding company, it exercises key 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's strategic focus is on a fast-growing, digital, international and diversified Group portfolio. In order to accelerate the growth dynamic, the Boost strategy will increase investment significantly in the years to come. The Group aims to grow in both existing and new lines of business through organic initiatives and acquisitions. The strategy pursues five growth priorities: national media champions, global content, global services, education and investments.

In the first half of 2023, Bertelsmann made significant progress in implementing its Boost strategy. The RTL streaming services continued to grow strongly. The number of paying subscribers rose by 34.1 percent in Germany, the Netherlands and Hungary to a total of more than six million; streaming revenues grew by 16.9 percent to €152 million (H1 2022: €130 million). RTL+'s content offering in Germany was expanded to include the audiobook portfolio of the Penguin Random House publishing group. As a result, the "Max" and "Family" plans now cover the entire cross-media portfolio of RTL+: video, music, podcasts and audiobooks. The exclusive free TV broadcasting rights and streaming rights for the UEFA Europa League and UEFA Europa Conference League in Germany were renewed. In February 2023, RTL Deutschland announced a reorganization of the publishing business in order to focus on core brands, into which around €80 million is to be invested by 2025.

Bertelsmann continued to invest in the expansion of the global content businesses. The RTL Group subsidiary Fremantle signed first-look deals with Oscar-nominated producers Edward Berger and Amy Berg. Penguin Random House further expanded the book publishing business through acquisitions and organic growth – including through an increase of its shareholding in the US publisher Sourcebooks,

the subsequent acquisition of the publishing assets of the nonfiction US publisher Callisto Media, and creative successes such as Prince Harry, Duke of Sussex's memoir "Spare," which sold around six million copies globally across all formats. Within the framework of the Boost strategy, BMG continued to invest in the acquisition of music catalogs and completed a number of artist signings. BMG acquired a significant stake in the music interests of Paul Simon.

Global services were also further expanded. The logistics business of Arvato (previously Arvato Supply Chain Solutions) brought into operation additional distribution areas for customers from the healthcare segment in Memphis, United States, and also opened new extensions at a distribution center in Poland. Riverty and Arvato Systems also expanded their businesses during the reporting period. At the end of April, Bertelsmann announced that it had accepted the proposed takeover offer made by the French company Teleperformance to buy Bertelsmann's 39.5 percent interest in Majorel. The direct marketing and printing activities that were previously combined under Bertelsmann Printing Group are now operating under the new Bertelsmann Marketing Services brand. The content agency Territory has also been included under the direct marketing business since the beginning of 2023. Bertelsmann Marketing Services also announced that it would be closing the gravure printing plant at the Ahrensburg location in Germany on January 31, 2024.

Bertelsmann further expanded its global education business. After acquiring a controlling interest in Afya in 2022, Bertelsmann's stake in the Brazilian education provider was increased through additional share purchases on the open market during the reporting period. As of June 30, 2023, Bertelsmann held 60 percent of the voting rights and – after adjustment of shares held by Afya – 46 percent of the equity. Afya concluded the acquisition of two additional universities in northeastern Brazil. Relias further expanded its digital platform for training healthcare personnel in the United States and in Germany. The Alliant International University opened a new campus for nursing and health sciences in Phoenix, United States.

As of June 30, 2023, Bertelsmann Investments (BI) held 361 investments worldwide after 18 new and nine follow-on investments in the reporting period. Bertelsmann Asia Investments (BAI) participated in a further funding round for ClearMotion, a global automobile technology company. BI also focused on expanding the growth area Bertelsmann Next, which aims to drive forward the development of new growth sectors and business fields, including in the digital health, mobile gaming and HR tech segments. In the field of digital health, BI participated in a funding round for the Berlin-based healthtech company Patient21. With the realignment of the services businesses and Bertelsmann Marketing Services' takeover of the content agency Territory, the employer branding specialist Embrace became an independent brand in the area of HR tech.

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 and operating EBITDA, are used to directly assess current business performance and are correspondingly used in the outlook. These are distinguished from performance indicators used in the broader sense. These include the Bertelsmann Value Added (BVA), the EBITDA margin and the cash conversion rate. Some key performance indicators are determined on the basis of so-called Alternative Performance Measures, which are not defined under International Financial Reporting Standards (IFRS).

They 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 2022 Combined Management Report.

Revenues as a growth indicator of the businesses increased in the first half of 2023 by 4.5 percent to €9,705 million (H1 2022: €9,290 million). Organic revenue growth was 2.3 percent. The organic growth is calculated by adjusting the reported revenue growth for the impact of exchange rate effects, corporate acquisitions and disposals, as well as other effects. When determining the exchange rate effects, the functional currency that is valid in the respective country is used. The other effects include changes in methods and presentation, for example. Exchange rate effects are calculated by comparing the revenues of the current year with the exchange rates of the previous year. Portfolio effects are calculated to the exact month: in the case of acquisitions, the relevant months in the current year and in the following year are adjusted; in the case of sales, the non-comparable months in the previous year of the current year and in the previous year of the following year are excluded.

Operating EBITDA is determined as earnings before interest, tax, depreciation, amortization, and impairment losses and reversals of impairment losses, and is adjusted for special items. The adjustments for special items serve to determine a sustainable operating result that could be repeated under normal economic circumstances and is not affected by special factors or structural distortions. These special items primarily include impairment losses and reversals of impairment losses, fair value measurements, restructuring expenses and other adjustments as well as results from disposals of investments. This means operating EBITDA is a meaningful performance indicator. Not included in the special items are disposal effects of real estate transactions. To preclude a double adjustment, amortization/depreciation, impairment and reversals already included in the special items are eliminated by means of a correction. Operating EBITDA fell 10.8 percent to €1,275 million (H1 2022: €1,429 million) in the reporting period.

Bertelsmann's financial management system is defined by the internal financial targets outlined in the section "Net Assets and Financial Position." 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

The global economy is currently on a slow path of recovery. After a muted start to 2023, the world economy appeared to have stabilized by the middle of the year. However, factors such as the ongoing Ukraine war and high inflation continue to weigh on the economy. Willingness to invest also faltered in response to a historically large reversal in interest rates in the major advanced economies, which led to significantly higher financing costs.

According to Eurostat, the statistical office of the European Union, real gross domestic product (GDP) in the eurozone was flat in the first quarter of 2023 compared to the previous quarter. According to initial estimates, growth of 0.3 percent is expected for the second quarter of 2023.

After a recession in the winter half-year of 2022/2023, the German economy recovered only slowly. Compared to the previous quarter, real GDP fell by 0.1 percent in the first quarter of 2023. According to the initial calculations of the German Federal Statistical Office, real GDP stagnated in the second quarter of 2023.

The French economy, in contrast, continued to grow. According to INSEE, the French National Institute of Statistics and Economic Studies, real GDP rose by 0.1 and 0.5 percent, respectively, in the first two quarters of 2023.

In the United Kingdom, the economy grew more strongly in the first months of the current financial year than originally predicted. Real GDP rose by 0.1 percent in the first quarter of 2023 and by 0.2 percent in the second quarter of 2023.

The US economy is also currently growing more strongly than expected despite significant interest rate hikes. Real GDP rose in the first quarter of 2023 at an annualized rate of 2.0 percent. In the second quarter, real GDP also grew by an annualized rate of 2.4 percent according to initial calculations by the Bureau of Economics.

So far, economic developments are generally within the current-year trend anticipated in the 2022 Combined Management Report.

Developments in Relevant Markets

European television advertising markets saw mixed development in the first half of 2023. While the TV advertising market declined strongly in Germany and France, and declined significantly in the Netherlands, strong growth was achieved in Hungary. Streaming markets saw strong growth in Germany and moderate growth in the Netherlands.

The markets for printed books declined moderately in the United States, grew slightly in the United Kingdom, and grew moderately in Germany and in the Spanish-speaking region. The market for e-books was stable in the United States and grew strongly in the United Kingdom. The digital audiobook market grew strongly in both the United States and the United Kingdom.

Global music publishing markets grew strongly. Global recorded-music markets grew significantly overall, with strong growth in the streaming market and slight growth in physical formats.

The service markets relevant to Arvato Group showed moderate growth in the first half of 2023 despite the negative effects of countercyclical factors.

Both the German offset market and the North American book printing market showed a significant decline.

The education markets in the United States where Bertelsmann is involved, training in healthcare and university education, as well as the Brazilian market for medical university courses exhibited moderate to strong growth in the reporting period.

For the most part, the developments thus far in the relevant markets are within the current-year trend anticipated in the 2022 Combined Management Report.

Significant Events in the Current Financial Year

In January 2023, Afya acquired 100 percent of the shares in Sociedade Educacional e Cultural Sergipe DelRey Ltda (DelRey). DelRey comprises Centro Universitário Tiradentes Alagoas ("UNIT Alagoas") and Faculdade Tiradentes Jaboatão dos Guararapes ("FITS Jaboatão dos Guararapes"), two medical schools in northeastern Brazil. Furthermore, Bertelsmann increased its stake in Afya during the reporting period with additional ongoing share acquisitions in the open market.

In January 2023, Penguin Random House increased its equity stake in the US publisher Sourcebooks to a majority share.

Also in January 2023, Prinovis announced plans to cease production at its Ahrensburg location in Germany as of January 31, 2024. The reason for this is the negative market development, which has accelerated in recent years. The number of employees affected by this business decision is 545.

In early February 2023, it was announced that RTL Deutschland would restructure its publishing business and focus on the core brands "Stern," "Geo," "Capital," "Stern Crime," "Brigitte," "Gala," "Schöner Wohnen," "Häuser," "Couch," "Eltern," "Chefkoch," "Geolino" and "Geolino Mini." All other titles are to be sold or discontinued. This will affect around 700 jobs, 200 of those as a result of the planned sale of titles.

Effective March 23, 2023, Nitsa Kalispera, Executive Vice President Global Supply Chain in the BMG division, was appointed to the Supervisory Board of Bertelsmann SE & Co. KGaA. She joins the supervisory body in her function as a representative of Bertelsmann managers.

In April 2023, Bertelsmann announced that it had accepted the proposed takeover offer by the French company Teleperformance for its interest in the global customer experience company Majorel. Teleperformance had offered to buy all shares in Majorel at a valuation of €30 per share. Saham Group, co-founder and co-shareholder of Majorel, will also accept Teleperformance's takeover offer for its shares. Majorel's current shareholders will receive a total of €2 billion in cash as well as shares in Teleperformance. The transaction is subject to regulatory approval.

Bertelsmann also announced the renaming of its services and printing businesses in April 2023. Since then, the Arvato division has been operating under the name Arvato Group. The direct marketing and printing activities of the Bertelsmann Printing Group division are now provided under the name Bertelsmann Marketing Services. In April, the content agency Territory was transferred from Bertelsmann Investments to Bertelsmann Marketing Services with retrospective effect from January 1, 2023. Territory's recruiting and employer branding services combined under the Embrace brand were carved out from the agency and remain part of the Bertelsmann Investments division.

On May 8, 2023, the Spanish businessman Pablo Isla was appointed to the Supervisory Board of Bertelsmann SE & Co. KGaA, effective April 1, 2024.

In May 2023, Penguin Random House acquired the publishing assets of the US nonfiction publisher Callisto Media.

Results of Operations

Revenue Development

Group revenues increased in the first half of 2023 by 4.5 percent to €9,705 million (H1 2022: €9,290 million). Adjusted for exchange rate effects of -0.7 percent (H1 2022: 2.6 percent) and portfolio and other effects, if any, of 2.9 percent (H1 2022: 0.5 percent), organic revenue growth amounted to 2.3 percent (H1 2022: 3.8 percent).

Revenue at RTL Group was lower as a result of challenging TV advertising markets, in particular in Germany, France and the Netherlands. In contrast, streaming services continued to record strong revenue growth. Penguin Random House grew its revenue thanks to strong bestseller performance and portfolio effects. BMG revenues rose as a result of ongoing organic growth and business expansion through acquisitions. Arvato Group recorded an increase in revenues. This was primarily driven by the logistics activities of Arvato (previously Arvato Supply Chain Solutions) and the customer experience services of Majorel. Revenue at Bertelsmann Marketing Services (previously Bertelsmann Printing Group) was affected by location closures and declining printing markets. In addition to organic growth, Bertelsmann Education Group predominantly benefited from portfolio effects arising from the increased stake in Afya and the associated full consolidation in the previous year. The revenues of the Bertelsmann Investments division are mainly generated by the activities of Bertelsmann Next as well as investments, primarily former G+J activities. The decline in revenues is mainly the result of portfolio effects.

The following changes occurred in the geographical breakdown of revenues compared to the same period last year. The revenue share in Germany amounted to 29.2 percent compared to 29.7 percent in the first half of 2022. The revenue share generated by France amounted to 9.6 percent (H1 2022: 10.5 percent). In the United Kingdom, the revenue share was 6.6 percent (H1 2022: 6.4 percent), while the other European countries achieved a revenue share of 19.2 percent (H1 2022: 20.8 percent). The share of total revenues generated in the United States amounted to 25.2 percent (H1 2022: 24.4 percent); other countries accounted for a share of 10.2 percent (H1 2022: 8.2 percent). Thus, the share of total revenues represented by foreign business amounted to 70.8 percent (H1 2022: 70.3 percent). Compared to the first half of 2022, there was only marginal change in the ratio of the four revenue streams (own products and merchandise, advertising, services, and rights and licenses) to one another.

Operating EBITDA

Operating EBITDA fell 10.8 percent to €1,275 million (H1 2022: €1,429 million) in the reporting period. Despite positive business development in the areas of book publishing, music, services and education, profits were dampened by negative development in the TV business. The EBITDA margin amounted to 13.1 percent after 15.4 percent in the same period last year.

Operating EBITDA at RTL Group was down strongly compared to the same period last year as a result of declining TV advertising revenues in Germany, France and the Netherlands, as well as timing effects at Fremantle. Despite higher revenues, Penguin Random House was able to record only a stable profit. However, the book publisher had benefited in the previous year from the sale of a building and higher

Operating EBITDA

in € millions	H1 2023	H1 2022
EBIT (earnings before interest and taxes)	509	840
Less special items	(203)	(103)
attributable to: RTL Group	(48)	4
attributable to: Penguin Random House	(10)	(44)
attributable to: BMG	2	–
attributable to: Arvato Group	(6)	(10)
attributable to: Bertelsmann Marketing Services	(64)	8
attributable to: Bertelsmann Education Group	(42)	(24)
attributable to: Bertelsmann Investments	(37)	13
attributable to: Corporate/Consolidation	2	(50)
Less amortization/depreciation, impairment and reversals on intangible assets, property, plant and equipment and right-of-use assets	(572)	(495)
Less adjustments on amortization/depreciation, impairment and reversals on intangible assets, property, plant and equipment and right-of-use assets included in special items	9	9
Operating EBITDA	1,275	1,429

reversals from return provisions. BMG recorded strong earnings growth once again, resulting in particular from revenue growth in the publishing business. Operating EBITDA at Arvato Group increased primarily as a result of the ongoing positive performance of its logistics activities. Earnings at Bertelsmann Marketing Services (previously Bertelsmann Printing Group) were lower than in the same period of the previous year. Compared to the previous year, operating EBITDA of Bertelsmann Education Group increased mostly due to portfolio effects. Earnings from operational activities at Bertelsmann Investments declined, mainly as a result of AppLike, among other things, due to growth-related higher expenses.

Special Items

Overall, special items amounted to €-203 million (H1 2022: €-103 million). They consisted of impairment losses on other financial assets at amortized cost in the amount of €-2 million (H1 2022: €-1 million), results from disposals of investments of €15 million (H1 2022: €134 million), fair value measurement of investments of €2 million (H1 2022: €-149 million), adjustment to carrying amounts of assets held for sale of €-2 million (H1 2022: –), and restructuring expenses and other special items totaling €-216 million (H1 2022: €-90 million). In the first half of 2023, special items did not include any impairment on goodwill and other intangible assets with indefinite useful life as well as gains from business combinations, after €3 million in the same period last year. Restructuring expenses and other special items largely consist of restructuring expenses and are primarily attributable to the reorganization of RTL Group's publishing business, the structural reorganization of Penguin Random House's US business and the announced location closures in the gravure printing business of Bertelsmann Marketing Services (previously Bertelsmann Printing Group).

EBIT

EBIT amounted to €509 million in the reporting period (H1 2022: €840 million) after adjusting operating EBITDA to include special items totaling €-203 million (H1 2022: €-103 million) as well as the amortization, depreciation, impairment losses and reversals of impairment losses on intangible assets, property, plant and equipment, and right-of-use assets totaling €-563 million (H1 2022: €-486 million), which were not included in special items.

Group Profit

The financial result was €-158 million (H1 2022: €-161 million). The tax expense was €-91 million compared to €-187 million in the same period last year. The change is mainly attributable to the comparable decline in earnings before tax. Group profit therefore amounted to €260 million (H1 2022: €492 million). The share of Group profit attributable to Bertelsmann shareholders was €116 million (H1 2022: €298 million). The non-controlling interests in Group profit came to €144 million (H1 2022: €194 million).

Net Assets and Financial Position

Financing Guidelines

The primary objective of Bertelsmann's financial policy is to achieve a balance of financial security, return on equity and growth. For this, Bertelsmann bases its financing policy on the requirements of a solid investment grade 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. The Group consists largely of a single financial unit, thereby optimizing the raising of capital and investment opportunities.

Bertelsmann utilizes a financial management system employing quantitative financial targets concerning the Group's economic debt and, to a lesser extent, its capital structure. One of the financial targets is a dynamic leverage factor, which is calculated as the ratio of economic debt to operating EBITDA over a 12-month period and limited to the defined maximum of 2.5, which should not be exceeded permanently. As of June 30, 2023, operating EBITDA (12 months) amounted to €3,037 million (June 30, 2022: €3,253 million). Economic debt is defined as net financial debt plus provisions for pensions amounting to €662 million (December 31, 2022: €710 million), profit participation capital amounting to €413 million (December 31, 2022: €413 million) and lease liabilities amounting to €1,418 million (December 31, 2022: €1,538 million). Net financial debt amounted to €3,521 million, after €2,249 million as of December 31, 2022. As of June 30, 2023, economic debt thus was €6,014 million (December 31, 2022: €4,785 million). Most of the short-term liquidable investments in a special fund set up in 2021 were liquidated in the reporting period. On December 31, 2022, these were deducted from the economic debt for the final time in the amount of €125 million. 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 an unchanged €250 million (December 31, 2022: €250 million) and the 12-month operating EBITDA decreased by €304 million (December 31, 2022: €319 million). This results in a leverage factor of 2.3 as of June 30, 2023 (December 31, 2022: 1.8).

Financing Activities

In March 2023, Bertelsmann exercised a call option on the hybrid bond with a nominal value of €650 million. The early repayment of the outstanding nominal value of €146 million was made in April 2023, after a nominal amount of €504 million was already repaid early in December 2022 as part of a public repurchase offer. In April 2023, the debt issuance program was renewed with a maximum total volume of €5 billion.

Rating

Bertelsmann has been rated by the rating agencies Moody's and Standard & Poor's (S&P) since 2002. The issuer ratings facilitate access to the international capital markets and are therefore a key element of Bertelsmann's financial security. Bertelsmann is currently rated by Moody's as "Baa2" (outlook: stable) and by S&P as "BBB" (outlook: stable). Both credit ratings are in the investment-grade category. Bertelsmann's short-term credit quality rating is "P-2" from Moody's and "A-2" from S&P.

Cash Flow Statement

In the reporting period, Bertelsmann generated cash flow from operating activities of €424 million (H1 2022: €200 million). The increase was largely attributable to lower commitment of funds in working capital. The cash flow from investing activities amounted to €-422 million compared to €-249 million in the same period last year. One of the major factors was the increased investment activity. The cash flow from financing activities was €-1,237 million (H1 2022: €-1,055 million). Cash and cash equivalents decreased to €1,689 million as of June 30, 2023 (December 31, 2022: €3,228 million).

Investments

According to the cash flow statement, investments in the first half of 2023 amounted to €771 million (H1 2022: €727 million). Investments in intangible assets came to €264 million (H1 2022: €247 million) and were attributable primarily to BMG for the acquisition of music catalogs and to RTL Group for investments in the streaming and content businesses. As in the same period last year, the majority of investments in property, plant and equipment, totaling €217 million (H1 2022: €181 million), were attributable to Arvato Group. The sum of €90 million was invested in financial assets (H1 2022: €206 million). Purchase price payments for consolidated investments (less acquired cash and cash equivalents) totaled €200 million in the reporting period (H1 2022: €93 million) and were mainly attributable to the acquisition of DelRey and the acquisition of the publishing assets of Callisto Media.

Consolidated Cash Flow Statement (Summary)

in € millions	H1 2023	H1 2022
Cash flow from operating activities	424	200
Cash flow from investing activities	(422)	(249)
Cash flow from financing activities	(1,237)	(1,055)
Change in cash and cash equivalents	(1,235)	(1,104)
Exchange rate effects and other changes in cash and cash equivalents	(4)	121
Cash and cash equivalents as of 1/1	3,228	4,669
Cash and cash equivalents as of 6/30	1,989	3,686
Less cash and cash equivalents included within assets held for sale	(300)	(331)
Cash and cash equivalents as of 6/30 (according to the consolidated balance sheet)	1,689	3,355

Balance Sheet

As of June 30, 2023, total assets decreased slightly to €32.1 billion (December 31, 2022: €32.8 billion). On the asset side, the decline in cash and cash equivalents, among other things, contributed to a slight decline in total assets. Cash and cash equivalents decreased, among other things, due to repayments of capital market liabilities, increased investment activity as well as interest and dividend payments to €1.7 billion as of June 30, 2023, from €3.2 billion as of December 31, 2022. On the equity and liabilities side, the decrease is attributable to a decline in equity, among other things, which decreased to €14.7 billion after €15.0 billion as of December 31, 2022. The resulting equity ratio amounts to 45.7 percent (December 31, 2022: 45.8 percent). Pension provisions decreased mainly due to a lower discount rate and amounts to €0.7 billion (December 31, 2022: €0.7 billion).

Employees

As of June 30, 2023, Bertelsmann had 164,020 employees worldwide.

Performance of the Group Divisions

RTL Group

RTL Group recorded declines in both revenues and operating result in the first half of 2023 in a challenging macroeconomic environment. Due to significantly lower TV advertising revenues as well as portfolio effects, RTL Group's revenues declined by 5.1 percent to €3.1 billion (H1 2022: €3.3 billion); organically, the decline was 4.3 percent. Operating EBITDA decreased significantly by 38.5 percent to €376 million (H1 2022: €610 million), mainly due to a lower contribution from RTL Deutschland.

In line with Bertelsmann's Boost strategy, RTL Group maintained its high level of investment in attractive content, the expansion of its streaming business, and Tech & Data. The objective is to strengthen the leading market positions of its channels and offerings, as well as to expand RTL Group's growth businesses.

The streaming services RTL+ in Germany and Hungary and Videoland in the Netherlands increased their number of paying subscribers by 34.1 percent to a combined total of 6.04 million; streaming revenues grew by 16.9 percent to €152 million (H1 2022: €130 million).

RTL Deutschland's family of channels gained audience shares, further expanding its market leadership. In February 2023, RTL Deutschland announced a reorganization of its publishing business to focus on core brands such as "Stern," "Geo," "Brigitte" and "Gala." Several publishing brands outside the core business were put up for sale or discontinued. Around €80 million is to be invested in the repositioned publishing business by 2025, €30 million of which is earmarked for the expansion of its paid offer Stern+. RTL Deutschland secured attractive sports rights through 2027 by renewing its exclusive broadcasting and streaming rights for the UEFA Europa League and the UEFA Europa Conference League.

Revenues and operating profit at France's Groupe M6 decreased due to lower TV advertising revenues in a declining advertising market. M6 continued to be France's number two in the commercial target group. Groupe M6 secured several attractive sports rights. They include live match broadcasts from the 2023 FIFA Women's World Cup in Australia and New Zealand, the Rugby World Cup in France in the fall, and – starting this September – the NFL, including the Super Bowl.

Additionally, RTL Hungary acquired broadcasting and streaming rights for the UEFA Champions League for the first time, starting with the 2024/25 season.

In the entertainment sector, Fremantle continued to achieve outstanding success with leading entertainment shows in the United Kingdom and the United States. First-look deals were signed with Oscar-nominated producers Edward Berger and Amy Berg. Fremantle further expanded its business with the acquisition of the production company A Team Productions and the launch of the documentary label Undeniable, which focuses on the production of premium documentaries.

Penguin Random House

Penguin Random House reported a revenue increase in the first half of the year, largely due to the sales success of Prince Harry's memoir "Spare" and multiple other newly published and backlist titles, as well as its increased, majority equity stake in the US publisher Sourcebooks. Penguin Random House grew

its revenues by 9.4 percent to €2.1 billion (H1 2022: €1.9 billion). Operating EBITDA remained stable at €258 million (H1 2022: €257 million). However, in the previous year, the book publisher had benefited from the sale of a building and from higher reversals of return provisions.

At the beginning of the year, Nihar Malaviya took the helm of Penguin Random House as interim global CEO. The publishing group is maintaining its ongoing focus on expanding its publishing programs, organic and acquisition-driven growth, and investments in data technology and supply chains. Malaviya reorganized the publishing structures in the United States and initiated efficiency measures to position the group for more growth.

Thanks to its strong publishing programs, book sales in the United States, the United Kingdom and Germany all outperformed the respective book markets. The Spanish and Portuguese publishers recorded revenue growth.

The best-selling book of the first half of the year was Prince Harry's "Spare." By the end of June, the Duke of Sussex's memoirs, published in January, sold around six million copies worldwide across all formats, five million of those were from Penguin Random House publishers. The best-selling new fiction title was "Happy Place" by Emily Henry, while "Atomic Habits" by James Clear remained the best-selling backlist title. In children's books, Dr. Seuss classics again sold millions of copies. Positive contributions also came from audio publishing and from the US third-party distribution and sales business Penguin Random House Publisher Services.

In the United States, Penguin Random House increased its equity stake in the innovative publisher Sourcebooks to a majority share, and subsequently acquired the publishing assets of nonfiction publisher Callisto Media. Both companies rely heavily on data and are among the fastest-growing publishers in the United States. In addition, Penguin Random House Audio purchased Playaway Products, a leading provider of devices with pre-loaded audio and other content. In May, Penguin Random House Grupo Editorial fully acquired Barcelona-based Roca Editorial, one of Spain's leading independent publishers.

Penguin Random House is advancing its leading advocacy of freedom-to-read rights, through lobbying and legal actions, against the accelerating book bans in the United States, which are especially affecting school libraries. At the same time, the publishing group is stepping up its commitment to diverse and inclusive workforces. Training, career and recruiting programs have been developed specifically for this purpose.

Many Penguin Random House authors received prestigious awards in the first six months of the year, including Salman Rushdie, who won the Peace Prize of the German Book Trade and the PEN America Centenary Courage Award.

BMG

Bertelsmann's music subsidiary BMG continued to see strong growth in revenues and operating profit in the first half of the year, driven both by organic and acquisitions-based growth its music publishing and recorded music businesses. Revenues increased 11.5 percent to €414 million (H1 2022: €371 million), while operating EBITDA increased 22.6 percent to €90 million (H1 2022: €73 million). Digital businesses accounted for 63 percent of BMG's revenues. This was down on 2022 (H1 2022: 69 percent), as higher digital revenues were offset by comparably stronger growth in live revenues due to post-pandemic developments.

As part of Bertelsmann's Boost strategy, BMG made 15 acquisitions in the reporting period. For example, BMG acquired the song catalog of British rock and pop band The Hollies, as well as a significant share of Paul Simon's music interests, including the rights to royalties from Simon & Garfunkel's recordings. In its ongoing business the company secured the right to release George Harrison's solo recordings, thus uniting the ex-Beatle's recorded catalog and publishing rights under a shared umbrella.

In the recording business, the most popular new releases came from Jelly Roll, Kylie Minogue, Rita Ora, Godsmack and McFly; among the most listened-to catalog titles were tracks from Mötley Crüe, Cro, Black Sabbath and George Harrison.

In the publishing business, the new titles "I'm Good (Blue)" co-written and co-performed by BMG writer Bebe Rexha, "Boy's a Liar Pt. 2" (co-written by Mura Masa and performed by PinkPantheress and Ice Spice) and "Wish You The Best" by Lewis Capaldi achieved high chart positions. The best-performing catalogs included works by Blondie, Daryl Hall and John Oates, George Harrison, Jean-Michel Jarre, Juice WRLD, Mick Jagger and Keith Richards, and ZZ Top.

BMG became the first globally active music company to abandon the industry-standard separation of organizational responsibility for new frontline and older catalog recordings. The rationale behind this is that older recordings now account for a significantly larger revenue share in the streaming business than new music.

At the end of the half-year period, BMG's longstanding CEO Hartwig Masuch handed the reins of the music company to former CFO Thomas Coesfeld as of July 1. Coesfeld's focus going forward will include a more intensive collaboration with customers and partners, delivering greater efficiency and effectiveness and renewing the company's corporate culture.

Arvato Group

Bertelsmann's services units, which are bundled in Arvato Group, further expanded their business activities in the first half of 2023. This growth was again driven by Arvato's supply chain businesses and Majorel's customer experience (CX) business. Overall, the global services group significantly improved both its revenues and operating profit. Revenues increased by 8.9 percent to €2.9 billion (H1 2022: €2.6 billion), and operating EBITDA grew 6.1 percent to €473 million (H1 2022: €446 million).

The supply chain management businesses operating under the Arvato brand continued their rapid growth. The network of locations was expanded through the establishment of new distribution centers and the expansion of existing ones, particularly in the United States and Poland. In addition, new customers were acquired in sectors including healthcare, tech and fashion. Arvato stepped up its sustainability activities, e.g., by switching its purchasing completely to green electricity at the beginning of the year. Numerous logistics properties were equipped with high-performance photovoltaic systems. Substantial investments were made in state-of-the-art automation and robotics technologies and in the digitization of business processes.

The financial services provider Riverty recorded slight growth and specifically drove the development of new business models and the further development of existing ones. Examples include services relating to "Mobility as a Service" and the innovative "In-Store Buy Now Pay Later" solution, whereby a Dutch fashion

retailer makes it possible for customers to buy clothes in the store, take them home and pay later. The Group received the German Brand Award in the “Excellent Brands: Banking & Financial Services” category for last year’s launch of the new Riverty umbrella brand and the associated branding process.

The IT services provider Arvato Systems also saw its business develop positively. The company entered into new partnerships with companies from the energy and utilities industries and other sectors. For example, it strengthened its collaboration with various external providers in the utilities business segment. An important new customer contract was signed with kubus IT, an anchor client in the healthcare sector for whom Arvato Systems is implementing cloud and data center solutions. Arvato Systems also further expanded and strengthened its cooperation with leading hyperscalers and won several high-profile awards in the reporting period.

Majorel, a provider of CX solutions listed on Euronext Amsterdam in which Bertelsmann owns a 39.5-percent interest, also enjoyed further growth in the first half of the year. The company further expanded its relationships with clients in the Internet/high-tech, banking/insurance, energy/utilities and tourism sectors, among others, and increased its global network of locations. On April 26, the French company Teleperformance announced its intention to acquire all shares in Majorel. Bertelsmann subsequently communicated that it would accept the proposed takeover offer for its stake. The transaction is subject to regulatory approval.

Bertelsmann Marketing Services

Bertelsmann Marketing Services, a marketing and print services provider operating in Europe and North America, faced a difficult market environment in several lines of business in the first half of 2023. This was primarily characterized by weak demand for print products and restrained advertising budgets due to the economic situation. Declines in volumes and capacity utilization at the large production plants, as well as effects from the closure of the Prinovis printing plant in Dresden at the end of 2022, led to an 8.9 percent decline in revenues to €689 million (H1 2022: €757 million). Operating EBITDA decreased by 42.2 percent to €8 million (H1 2022: €14 million).

During the reporting period, the Group’s marketing services businesses observed a pronounced reluctance by business customers to engage in advertising activities in the direct marketing and agency markets. This was likewise the case for Dialog’s multichannel marketing services and Territory, the agency that became part of the division at the beginning of the year. The DeutschlandCard multi-partner bonus program was able to further expand its business activities despite difficult general conditions. The same goes for the campaign management businesses of Campaign, which among other things expanded its innovative programmatic print business.

Bertelsmann Marketing Services’ offset printing businesses in Germany managed to at least partially compensate for significant volume declines with efficiency measures and cost savings. On the subject of costs, the prices of energy and raw materials in particular had a positive impact; although still at a high level, they were well below the peak values seen in 2022. In the strategic exit from the gravure business, an important milestone was reached with the scheduled discontinuation of production at Prinovis in Liverpool as of June 30. As a result of the structural market decline in gravure-related print products, it was also announced at the beginning of the year that the Prinovis site in Ahrensburg, Germany, would be closed as of January 31, 2024.

The Group's printing activities in the United States also experienced weak demand across all formats. As a result, revenues and earnings in the first six months were below the comparative figures for the previous year. The investment program to strengthen productivity and automation at the printing plants in the United States continued as planned. Measures taken as part of this modernization initiative included the launch of a comprehensive IT project and the installation of a new softcover press at the Berryville location.

In the replication market, demand for CDs, DVDs and Ultra HD Blu-ray discs continued to decline unabated. This had a negative impact on capacity utilization and sales development at Sonopress. In contrast, the business with sustainable packaging solutions for the food industry was further expanded.

Bertelsmann Education Group

Bertelsmann's education businesses generated revenues of €430 million in the first half of 2023, up 86 percent from the corresponding prior-year period (H1 2022: €231 million), and operating EBITDA of €141 million (H1 2022: €74 million), reflecting an increase of 91 percent. The strong surge in revenues and earnings at Bertelsmann Education Group is largely attributable to the previous year's acquisition and resulting full consolidation of Afya, Brazil's leading provider of medical education. This development was further supported by strong organic growth across all operating units, benefiting from favorable market trends.

Relias, the US market leader in online education and training for healthcare professionals, continued to see a strong performance in its learning solutions for healthcare providers across the care continuum, and also continues to benefit from the shift to online learning and a need for workforce management solutions to drive clinical performance. Relias' learning platform has been named Platform of the Year by the EdTech Breakthrough Awards.

Afya continued its dynamic growth driven by higher tuition revenues and strong student numbers. Added to this are the effects of the acquisition of two medical schools, UNIT Alagoas and FITS Jaboatão dos Guararapes. The acquisition increases Afya's medical school enrollment to 3,163 per cohort.

The revenue growth of Alliant, which specializes in the training and certification of psychologists, nurses and teachers, was primarily driven by the university's continued expansion of its online program offering. In April, Alliant opened the new Alliant School of Nursing and Health Sciences in Phoenix, United States, and introduced a new master's degree program, the Master of Social Work (MSW), which promotes the integration of classroom learning with real-world experience to equip students for a career in the professional social-work practice.

Bertelsmann Investments

In the reporting period, Bertelsmann Investments made 18 new and nine follow-on investments in innovative companies and funds through its four investment funds and the Bertelsmann Next unit. A total of around €1.7 billion has been invested in companies and funds through BI to date. The active portfolio consisted of 361 investments as of the reporting date. BI's revenues, which mainly reflect the operating performance of the mobile gaming business AppLike, the HR tech company Embrace and DDV Mediengruppe, totaled €205 million for the first half of 2023 (H1 2022: €211 million); operating EBITDA reached €7 million (H1 2022: €23 million).

Bertelsmann Asia Investments (BAI) strengthened the companies in its portfolio with follow-on investments and, in this context, further expanded its holdings in Colorful Pines, an online platform for seniors, and in the automotive technology company ClearMotion.

Bertelsmann Digital Media Investments (BDMI) made 11 new and four follow-on investments in the reporting period. These included new investments in Percent, an online marketplace for debt capital, and in the SaaS platform company Tracer, which optimizes and aggregates marketing data. A follow-on investment was made in Certa, another SaaS company in the United States that specializes in lifecycle management.

Bertelsmann India Investments (BII) made a follow-on investment in Rupeek during the reporting period. Rupeek is one of India's leading fintech platforms for gold-backed lending brokered through partnerships with banks and financial institutions.

Bertelsmann Central Investments (BCI) bundles the central investment activities in Southeast Asia, Latin America, Europe and Africa and made further fund investments in these regions during the reporting period. These included, for example, the investments and capital commitments in Openspace Ventures+ II in Southeast Asia as well as the Web3 fund Greenfield Mainnet I and the 468 Capital fund in Europe.

The new Bertelsmann Next unit created at Bertelsmann Investments in FY 2022 primarily drives business development in the growth sectors of digital health, mobile gaming and HR tech. Since the launch of the Next unit, investments and capital commitments of close to €70 million have already been made in the digital health sector, including investments in the healthcare companies Patient21, DeepC and LighthouseAI during the reporting period.

Risks and Opportunities

Risk Management System

Please refer to the 2022 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 2022 Combined Management Report

Please refer to the respective disclosures in the 2022 Combined Management Report for a description of the key risks to the Bertelsmann Group. Overall, as of June 30, 2023, the same Group risks are considered material as those existing as of December 31, 2022. However, the significance of individual types of risk in terms of Bertelsmann's future business performance has changed. Growing risks arising from the challenging macroeconomic environment – in particular difficult TV advertising markets – are offset by declining risks resulting from a normalization of factor costs and the cessation of risks arising from the coronavirus pandemic.

Strategic and Operational Risks

Overall, the size of the Group's risks remains unchanged from those depicted in the 2022 Combined Management Report. However, stronger than forecast economic slowdown could have a negative impact on RTL Group's advertising-financed businesses. Possible loss of customers could also have a negative impact on the success of RTL Group and Bertelsmann Marketing Services. In contrast, a normalization of the factor costs, which increased as a result of the war in Ukraine, and a stabilization of the supply chain following the coronavirus pandemic are contributing to reducing risks at RTL Group, Penguin Random House and Bertelsmann Marketing Services.

Forecasts concerning global economic development continue to be cautious because the global economic situation is still being impacted by the effects of the Russian war of aggression in Ukraine, prolonged high inflation and the continuing – although waning – impact of the coronavirus pandemic.

In addition, further geopolitical crises, national deficits, currency turbulences or the introduction of higher tariffs as a result of rising protectionist tendencies could interfere with economic performance and influence Bertelsmann's risk situation.

Legal and Regulatory Risks

Within the framework of the Group strategy, Bertelsmann will accept the proposed takeover offer by the French company Teleperformance, in relation to its Majorel shares. The transaction is subject to regulatory approval. Approval is expected for the fourth quarter of 2023. Furthermore, increasing use of generative artificial intelligence, changing regulatory frameworks and documentation requirements, for example increasing complexity of tax laws and increased data protection regulations, could impact Bertelsmann's business models. Please refer to the 2022 Combined Management Report for details of other legal and regulatory risks.

Financial Market Risks

Compared with the situation in the 2022 Combined Management Report, financial market risks remain largely unchanged.

Overall Risk

The overall risk position remains unchanged as a whole. No risks were identified for Bertelsmann as a going concern as of June 30, 2023.

Opportunities

The assessment of opportunities has not changed substantially compared to the information presented in the 2022 Combined Management Report.

Outlook

Over 2023 as a whole, the global economy is expected to remain on its path to recovery but with little momentum. However, growth is weak in comparison to historical data. Global trade could stimulate economic growth as supply chains have recently eased up and inflation is expected to drop over the coming months. Economic estimates by the Kiel Institute for the World Economy (IfW) forecasting global economic development of 2.8 percent for the full year 2023 are slightly above previous estimates.

The IfW anticipates real GDP growth of 0.6 percent for the eurozone in 2023. At the same time, GDP in Germany is expected to decline by 0.2 percent. Growth of 0.7 percent is expected in France. The IfW expects real economic growth of 0.4 percent for the United Kingdom. The economic outlook for the United States has improved significantly. The IfW now anticipates real GDP growth of 1.3 percent for 2023.

As always, these assessments are subject to a high degree of uncertainty. In addition to the risks arising in connection with the Ukraine war, there is still a possibility that inflation could become entrenched. This unpredictability is currently a challenge when trying to reliably assess the effects on the markets relevant to Bertelsmann and the anticipated overall economic situation. In addition, further 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 impact could also have negative repercussions on the overall economic situation, which is a key factor influencing Bertelsmann's business performance. The following expectations are based on an assumption that most economic predictions of the research institutions will be realized.

For the current financial year, Bertelsmann now expects a moderate increase in Group revenues (outlook presented in the 2022 Combined Management Report: moderate to significant increase in revenues) and, as previously, a stable development of the operating EBITDA – before any possible effects of the planned sale of the Majorel shares.

For RTL Group, a moderate decline in revenues and a strong decline in Operating EBITDA is now expected for the full financial year 2023, based on the assumption of stable to slightly growing TV advertising revenue in the second half of 2023. Otherwise, the expected performance of any individual division of key significance for the Bertelsmann Group is currently not expected to deviate significantly from that of the Group.

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 future economic and business developments represent opinions established 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 2023	H1 2022
Revenues	9,705	9,290
Other operating income	144	213
Cost of materials	(3,020)	(2,952)
Royalty and license fees	(714)	(684)
Personnel costs	(3,497)	(3,090)
Amortization/depreciation, impairment and reversals on intangible assets, property, plant and equipment and right-of-use assets	(572)	(495)
Other operating expenses	(1,566)	(1,569)
Results from investments accounted for using the equity method	14	(7)
Impairment and reversals on investments accounted for using the equity method	–	–
Results from disposals of investments	15	134
EBIT (earnings before interest and taxes)	509	840
Interest income	28	9
Interest expenses	(92)	(67)
Other financial income	15	10
Other financial expenses	(109)	(113)
Financial result	(158)	(161)
Earnings before taxes	351	679
Income tax expense	(91)	(187)
Group profit or loss	260	492
attributable to:		
Bertelsmann shareholders	116	298
Non-controlling interests	144	194

Consolidated Statement of Comprehensive Income

in € millions	H1 2023	H1 2022
Group profit or loss	260	492
Items that will not be reclassified subsequently to profit or loss		
Remeasurement component of defined benefit plans	13	438
Changes in fair value of equity instruments	–	1
Share of other comprehensive income of investments accounted for using the equity method	–	22
Items that will be reclassified subsequently to profit or loss when specific conditions are met		
Exchange differences		
– changes recognized in other comprehensive income	(68)	270
– reclassification adjustments to profit or loss	(1)	12
Cash flow hedges		
– changes in fair value recognized in other comprehensive income	9	13
– reclassification adjustments to profit or loss	(14)	19
Share of other comprehensive income of investments accounted for using the equity method	(1)	34
Other comprehensive income net of tax	(62)	809
Group total comprehensive income	198	1,301
attributable to:		
Bertelsmann shareholders	45	1,081
Non-controlling interests	153	220

Consolidated Balance Sheet

in € millions	6/30/2023	12/31/2022
Assets		
Non-current assets		
Goodwill	8,790	8,876
Other intangible assets	4,183	3,968
Property, plant and equipment and right-of-use assets	2,975	3,185
Investments accounted for using the equity method	578	621
Minority stakes and other financial assets	1,572	1,716
Trade and other receivables	77	101
Other non-financial assets	1,181	1,124
Deferred tax assets	880	812
	20,236	20,403
Current assets		
Inventories	2,422	2,259
Trade and other receivables	4,614	5,044
Other financial assets	251	256
Other non-financial assets	1,305	1,321
Current income tax receivables	135	184
Cash and cash equivalents	1,689	3,228
	10,416	12,292
Assets held for sale	1,439	141
	11,855	12,433
	32,091	32,836
Equity and liabilities		
Equity		
Subscribed capital	1,000	1,000
Capital reserve	2,345	2,345
Retained earnings	8,930	9,193
Bertelsmann shareholders' equity	12,275	12,538
Non-controlling interests	2,391	2,505
	14,666	15,043
Non-current liabilities		
Provisions for pensions and similar obligations	662	710
Other provisions	158	156
Deferred tax liabilities	145	175
Profit participation capital	413	413
Financial debt	5,085	5,199
Lease liabilities	1,132	1,227
Trade and other payables	575	674
Other non-financial liabilities	357	385
	8,527	8,939
Current liabilities		
Other provisions	254	261
Financial debt	125	278
Lease liabilities	286	311
Trade and other payables	5,175	5,403
Other non-financial liabilities	2,166	2,490
Current income tax payables	55	111
	8,061	8,854
Liabilities related to assets held for sale	837	-
	8,898	8,854
	32,091	32,836

The prior-year comparatives have been adjusted. Further details are presented in the section "Acquisitions and Disposals."

Consolidated Cash Flow Statement

in € millions	H1 2023	H1 2022
EBIT (earnings before interest and taxes)	509	840
Taxes received/paid	(173)	(216)
Depreciation and write-ups of non-current assets	576	493
Results from disposals of investments	(15)	(134)
Gains/losses from disposals of non-current assets	–	(20)
Change in provisions for pensions and similar obligations	(63)	(49)
Change in other provisions	38	(122)
Change in net working capital	(526)	(850)
Fair value measurement of investments	(2)	149
Interest received	53	22
Other effects	27	87
Cash flow from operating activities	424	200
Investments in:		
– intangible assets	(264)	(247)
– property, plant and equipment	(217)	(181)
– financial assets	(90)	(206)
– purchase prices for consolidated investments (net of acquired cash)	(200)	(93)
Disposals of subsidiaries and other business units	4	196
Disposals of other fixed assets	345	282
Cash flow from investing activities	(422)	(249)
Redemption of bonds and promissory notes	(146)	(146)
Redemption of other financial debt	(100)	(90)
Proceeds from other financial debt	77	110
Redemption of lease liabilities	(168)	(150)
Interest paid	(217)	(168)
Dividends to Bertelsmann shareholders	(220)	(220)
Dividends to non-controlling interests and payments to partners in partnerships (IAS 32.18(b))	(228)	(269)
Change in equity	(65)	(86)
Other effects	(170)	(36)
Cash flow from financing activities	(1,237)	(1,055)
Change in cash and cash equivalents	(1,235)	(1,104)
Exchange rate effects and other changes in cash and cash equivalents	(4)	121
Cash and cash equivalents as of 1/1	3,228	4,669
Cash and cash equivalents as of 6/30	1,989	3,686
Less cash and cash equivalents included within assets held for sale	(300)	(331)
Cash and cash equivalents as of 6/30 (according to the consolidated balance sheet)	1,689	3,355

The prior-year comparatives have been adjusted. Further details are presented in the section "Additional Disclosures on Cash Flow Statement."

Consolidated Statement of Changes in Equity

	Sub-scribed capital	Capital reserve ¹⁾	Retained earnings					Bertelsmann shareholders' equity	Non-controlling interests	Total
			Other retained earnings	Exchange differences	Fair value reserve	Cash flow hedges	Share of other comprehensive income of investments accounted for using the equity method			
in € millions										
Balance as of 1/1/2022	1,000	2,345	8,230	36	16	3	(19)	11,611	1,995	13,606
Group profit or loss	-	-	298	-	-	-	-	298	194	492
Other comprehensive income	-	-	414	291	1	27	50	783	26	809
Group total comprehensive income	-	-	712	291	1	27	50	1,081	220	1,301
Dividend distributions	-	-	(220)	-	-	-	-	(220)	(281)	(501)
Transactions with subsidiaries that do not result in a loss of control	-	-	(45)	-	-	-	-	(45)	(63)	(108)
Equity transactions with shareholders	-	-	(265)	-	-	-	-	(265)	(344)	(609)
Other changes ³⁾	-	-	6	-	(7)	(12)	-	(13)	499	486
Balance as of 6/30/2022	1,000	2,345	8,683	327	10	18	31	12,414	2,370	14,784
Balance as of 1/1/2023	1,000	2,345	9,043	101	8	10	31	12,538	2,505	15,043
Group profit or loss	-	-	116	-	-	-	-	116	144	260
Other comprehensive income	-	-	15	(81)	-	(4)	(1)	(71)	9	(62)
Group total comprehensive income	-	-	131	(81)	-	(4)	(1)	45	153	198
Dividend distributions	-	-	(220)	-	-	-	-	(220)	(267)	(487)
Transactions with subsidiaries that do not result in a loss of control ⁴⁾	-	-	(90)	(3)	-	-	-	(93)	(37)	(130)
Equity transactions with shareholders	-	-	(310)	(3)	-	-	-	(313)	(304)	(617)
Other changes	-	-	6	-	-	(1)	-	5	37	42
Balance as of 6/30/2023	1,000	2,345	8,870	17	8	5	30	12,275	2,391	14,666

The prior-year comparatives have been adjusted. Further details are presented in the section "Acquisitions and Disposals."

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, 2023, €-25 million relates to assets classified as held for sale in accordance with IFRS 5.

As of June 30, 2022, €-8 million related to assets classified as held for sale in accordance with IFRS 5.

3) The prior-year comparatives for other changes of non-controlling interests mainly related to the acquisition of the education company Afya.

4) Transactions with subsidiaries that do not result in a loss of control mainly result from put options in connection with the share increase in Sourcebooks and from a further increase of shares under company law in the education company Afya. Bertelsmann increased its shareholding in Afya to 46 percent (December 31, 2022: 40 percent) through the acquisition of additional Class A shares.

Selected Explanatory Notes

Segment Information

in € millions	Penguin							
	RTL Group		Random House		BMG		Arvato Group	
	H1 2023	H1 2022	H1 2023	H1 2022	H1 2023	H1 2022	H1 2023	H1 2022
Revenues from external customers	3,102	3,264	2,098	1,916	412	370	2,833	2,605
Intersegment revenues	7	12	–	–	2	1	40	34
Divisional revenues	3,109	3,276	2,098	1,916	414	371	2,873	2,639
Operating EBITDA	376	610	258	257	90	73	473	446
EBITDA margin ¹⁾	12.1%	18.6%	12.3%	13.4%	21.7%	19.7%	16.5%	16.9%
Impairment (-)/reversals (+) on intangible assets, property, plant and equipment and right-of-use assets	(3)	–	–	–	–	–	–	(14)
Results from investments accounted for using the equity method	16	1	–	–	–	–	4	4
Impairment (-)/reversals (+) on investments accounted for using the equity method	–	–	–	–	–	–	–	–

The prior-year comparatives for Bertelsmann Marketing Services (previously Bertelsmann Printing Group), Bertelsmann Investments and Corporate have been adjusted. The Arvato division was renamed to Arvato Group. Further details are presented in the section “Notes on Segment Reporting.”

1) Operating EBITDA as a percentage of revenues.

2) The business development of the venture capital business of Bertelsmann Investments is determined primarily on the basis of EBIT. EBIT of Bertelsmann Investments amounted to €-36 million (H1 2022: €29 million).

Reconciliation to Operating EBITDA

in € millions	H1 2023	H1 2022
EBIT (earnings before interest and taxes)	509	840
Less special items		
Impairment on goodwill and other intangible assets with indefinite useful life as well as gains from business combinations	–	3
Adjustment to carrying amounts of assets held for sale	(2)	–
Impairment (-)/reversals (+) on other financial assets at amortized cost	(2)	(1)
Impairment (-)/reversals (+) on investments accounted for using the equity method	–	–
Results from disposals of investments	15	134
Fair value measurement of investments	2	(149)
Restructuring and other special items	(216)	(90)
Less amortization/depreciation, impairment and reversals on intangible assets, property, plant and equipment and right-of-use assets	(572)	(495)
Less adjustments on amortization/depreciation, impairment and reversals on intangible assets, property, plant and equipment and right-of-use assets included in special items	9	9
Operating EBITDA	1,275	1,429

Bertelsmann Marketing Services		Bertelsmann Education Group		Bertelsmann Investments ²⁾		Total divisions		Corporate		Consolidation		Group total	
H1 2023	H1 2022	H1 2023	H1 2022	H1 2023	H1 2022	H1 2023	H1 2022	H1 2023	H1 2022	H1 2023	H1 2022	H1 2023	H1 2022
616	686	430	231	204	210	9,695	9,282	10	8	–	–	9,705	9,290
73	71	–	–	1	1	123	119	17	17	(140)	(136)	–	–
689	757	430	231	205	211	9,818	9,401	27	25	(140)	(136)	9,705	9,290
8	14	141	74	7	23	1,353	1,497	(71)	(66)	(7)	(2)	1,275	1,429
1.2%	1.8%	32.7%	32.0%	3.2%	10.8%	13.8%	15.9%	n/a	n/a	n/a	n/a	13.1%	15.4%
(7)	–	–	–	–	–	(10)	(14)	–	–	–	–	(10)	(14)
–	(1)	(11)	(18)	5	6	14	(8)	–	–	–	1	14	(7)
–	–	–	–	–	–	–	–	–	–	–	–	–	–

Accounting Principles

The Bertelsmann SE & Co. KGaA Interim Report 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. The Condensed Interim Consolidated Financial Statements do not include all the information required for complete consolidated financial statements and should be read in conjunction with the Bertelsmann Consolidated Financial Statements as of December 31, 2022. The Condensed Interim Consolidated Financial Statements have been prepared – with the exception of the financial reporting standards and interpretations 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, 2022. A detailed description of these policies is presented in the notes to the Consolidated Financial Statements in the 2022 Annual Report. The first-time application of new financial reporting standards had no material impact on the Bertelsmann Group. The Bertelsmann Group has not opted for early adoption of any standards, interpretations or amendments that have been issued but are not yet effective. Likewise, the expected impact from the issued financial reporting requirements that are not yet effective is not material to the Bertelsmann Group.

Significant Accounting Judgments, Estimates and Assumptions

The preparation of Condensed Interim Consolidated Financial Statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these Condensed Interim Consolidated Financial Statements, the significant judgments made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements as of December 31, 2022. Further, in preparing these Condensed Interim Consolidated Financial Statements, management made judgments to determine whether the sale of non-current assets or disposal groups is considered highly probable in order to meet the criteria for classification as held for sale. In particular, judgments relate to key assumptions about whether the outstanding shareholders' approvals or pending regulatory approvals are substantive and thus prevent the sale from being highly probable. Further, put option liabilities are sensitive to forecasted performance targets as they are based on a multiple of earnings and judgment is required where there are adjustments to forecasted results or to the probability of meeting each performance target. Furthermore, the information on material accounting judgments, estimates and assumptions in the notes to the Annual Report 2022 still applies. Management is of the opinion that the additional estimates and material accounting judgments required by the geopolitical uncertainties take appropriate account of the currently foreseeable microeconomic and macroeconomic situation.

Scope of Consolidation

The Condensed Interim Consolidated Financial Statements as of June 30, 2023, 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. In addition, a special fund is included in the Condensed Interim Consolidated Financial Statements as a structured entity. As of June 30, 2023, the scope of consolidation including Bertelsmann SE & Co. KGaA consists of 962 (December 31, 2022: 966) companies with 16 additions and 20 disposals in the first half of 2023. This includes 916 (December 31, 2022: 918) consolidated companies. In addition, investments in 16 (December 31, 2022: 16) joint ventures and 30 (December 31, 2022: 32) associates are accounted for using the equity method in the Consolidated Financial Statements. A total of 172 (December 31, 2022: 162) companies were excluded from the scope of consolidation. These consist of the associates in the venture capital business of the Bertelsmann Investments division and entities without significant business operations and of an overall negligible importance for the financial position and financial performance of the Bertelsmann Group.

Acquisitions and Disposals

In the first half of 2023, the cash flow from acquisition activities totaled €-200 million, of which €-183 million related to new acquisitions during the first half of the year less cash and cash equivalents acquired, and €-17 million to payments in connection with acquisitions made in previous years. The consideration transferred in accordance with IFRS 3 totaled €258 million, taking into account contingent consideration of €7 million. In addition, put options in the amount of €71 million were accounted for in relation to the increase of shares in Sourcebooks made by the Penguin Random House division.

In January 2023, the education company Afya, which belongs to Bertelsmann Education Group, acquired 100 percent of the shares in Sociedade Educacional e Cultural Sergipe DelRey Ltda (DelRey). DelRey comprises Centro Universitário Tiradentes Alagoas ("UNIT Alagoas") and Faculdade Tiradentes Jaboatão dos Guararapes ("FITS Jaboatão dos Guararapes"), two medical schools in northeastern Brazil. The consideration transferred amounted to €148 million and comprises an immediate payment of €102 million and further payments totaling €45 million in three annual installments. In addition, the consideration transferred includes a free-of-charge offer of Afya's digital solutions to the seller's universities until the end of 2030. The fair value of this service at the acquisition date was measured at €1 million. The preliminary purchase price allocation resulted in goodwill of €16 million, mainly reflecting synergy and networking effects. Goodwill is not tax deductible and was allocated to the Afya cash-generating unit. In the first half of 2023, transaction-related costs amounted to €2 million and have been recognized in profit or loss as other operating expenses. Since initial consolidation, DelRey has contributed €21 million to Group revenue and €4 million to Group profit or loss.

In January 2023, Penguin Random House increased its share in Sourcebooks LLC. Following the acquisition of an additional eight percent, Penguin Random House increased its investment from 45 percent to 53 percent. As a result of obtaining control, the investment, which was previously accounted for using the equity method, has been consolidated from the date of acquisition. The consideration transferred amounted to €20 million and corresponded to the amount of new shares issued due to the conversion of a convertible loan into equity. Obtaining control led to the derecognition of the investment previously accounted for using the equity method, the fair value of which amounted to €52 million immediately before the acquisition date. The remeasurement of the investment already held resulted in income of €35 million. The preliminary purchase price allocation resulted in goodwill of €41 million, which is primarily attributable to the international expansion of business operations through new distribution channels and new markets outside the United States. Goodwill is not tax-deductible and was allocated to the cash-generating unit Penguin Random House. Further, in connection with the acquisition, put options on the remaining 47 percent of the shares were recognized for an amount of €71 million against equity for the present value of the redemption amount. In the first half of 2023, transaction-related costs were immaterial and have been recognized in profit or loss as other operating expenses. Since initial consolidation, Sourcebooks has contributed €71 million to revenue and €7 million to Group profit or loss.

In May 2023, Penguin Random House acquired the publishing assets of US nonfiction publisher Callisto Media Inc. With the acquisition of Callisto's nonfiction publishing roster, Penguin Random House strengthens its position in this market segment. The transaction is in the scope of IFRS 3 due to the acquisition of employees and intellectual property rights. The consideration transferred amounted to €63 million, of which €57 million was paid in cash. The earn-out consideration amounted to €6 million.

In addition, a loan in the amount of €7 million was repaid in the course of the transaction. The preliminary purchase price allocation resulted in goodwill of €29 million, which is primarily attributable to cost synergies. Goodwill is tax-deductible and was allocated to the cash-generating unit Penguin Random House. In the first half of 2023, transaction-related costs amounted to €1 million and have been recognized in profit or loss as other operating expenses. Since initial consolidation, Callisto has contributed €2 million to revenue and an immaterial amount to Group profit or loss. If consolidated as of January 1, 2023, Callisto would have contributed €13 million to revenue and €-27 million to Group profit or loss.

In addition, the Bertelsmann Group made several acquisitions in the first half of 2023, none of which was material on a stand-alone basis. In total, the impact of these acquisitions on the Group's financial position and financial performance was also minor. Payments for these acquisitions, net of acquired cash and cash equivalents amounted to €-20 million. The consideration transferred in accordance with IFRS 3 for these acquisitions amounted to €27 million, taking into account contingent consideration of €1 million. The other acquisitions resulted in goodwill totaling €12 million, which reflects synergy potential and is partly not tax-deductible. Transaction-related costs amounted to less than €1 million in the first half of 2023 and have been recognized in profit or loss as other operating expenses.

The preliminary purchase price allocations consider all the facts and circumstances prevailing as of the respective dates of acquisition that were known prior to preparation of these Condensed Interim Consolidated Financial Statements. In particular, the valuations have not yet been finalized. Therefore, the fair values of identifiable assets – especially intangible assets – and liabilities acquired have only been determined provisionally. The accounting for the acquisitions will be finalized within the 12-month measurement period in accordance with IFRS 3, based on facts and circumstances that existed at the date of gain of control, and 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 purchase price allocations, which are currently still preliminary:

Effects of Acquisitions

in € millions	DelRey	Source- books	Callisto	Other	Total
Non-current assets					
Other intangible assets	128	52	23	4	207
Property, plant and equipment and right-of-use assets	16	2	–	–	18
Trade and other receivables	–	–	–	1	1
Other non-current assets	1	–	–	1	2
Current assets					
Inventories	–	20	15	12	47
Trade and other receivables	6	43	6	3	58
Other current assets	1	9	–	1	11
Cash and cash equivalents	1	2	–	6	9
Liabilities					
Financial debt	–	(5)	(7)	(1)	(13)
Lease liabilities	(12)	(1)	–	–	(13)
Other financial and non-financial liabilities	(9)	(59)	(3)	(12)	(83)
Net assets acquired	132	63	34	15	244
Goodwill	16	41	29	12	98
Non-controlling interests	–	(32)	–	–	(32)
Fair value of pre-existing interests	–	(52)	–	–	(52)
Consideration transferred according to IFRS 3	148	20	63	27	258
Less convertible loan	–	(20)	–	–	(20)
Less deferred payments	(46)	–	–	–	(46)
Less contingent consideration	–	–	(6)	(1)	(7)
Consideration paid in cash	102	–	57	26	185
Cash and cash equivalents acquired	(1)	(2)	–	(6)	(9)
Repaid financial debt	–	–	7	–	7
Cash outflow from acquisitions in accordance with IFRS 3	101	(2)	64	20	183
Payments on prior year's acquisitions					17
Total cash flow from acquisition activities					200

Since initial consolidation, all new acquisitions in accordance with IFRS 3 made in the first half of 2023 have contributed €113 million to revenue and €11 million to Group profit or loss. If consolidated as of January 1, 2023, these would have contributed €126 million to revenue and €-15 million to Group profit or loss.

In November 2022, Fremantle acquired 55 percent of 72 Films, an independent TV production company focusing on documentaries and factual entertainment. At the acquisition date, the estimated consideration transferred amounted to €51 million, of which €44 million was paid in cash. Earn-out consideration was estimated at €7 million. Also in November 2022, Fremantle acquired 51 percent of Wildstar Films, a production company focused on natural history documentaries. At the acquisition date, the estimated consideration transferred amounted to €19 million, of which €13 million was paid in cash. The earn-out consideration was estimated at €5 million and the deferred payment at €1 million. For the Bertelsmann Consolidated Financial Statements as of December 31, 2022, the purchase price allocations for both acquisitions were prepared on a provisional basis in accordance with IFRS 3. During the measurement period,

the final purchase price allocations were completed in the first half of 2023. During the measurement period, the Group finalized the valuation of the intangible assets recognized on acquisition and liabilities assumed on acquisition and thus the prior-year comparatives in the consolidated balance sheet have been adjusted accordingly.

The following table summarizes the recognized amounts of assets acquired and liabilities assumed after completion of the purchase price allocations in comparison with amounts published in the Bertelsmann Consolidated Financial Statements as of December 31, 2022:

in € millions	72 Films		Wildstar Films	
	Published in 2022	Restated in 2023	Published in 2022	Restated in 2023
Non-current assets				
Other intangible assets	–	16	–	5
Property, plant and equipment and right-of-use assets	1	1	5	5
Other non-current assets	2	–	–	–
Current assets				
Inventories	12	7	–	–
Trade and other receivables	4	4	7	7
Other current assets	1	1	3	3
Cash and cash equivalents	7	7	17	17
Liabilities				
Lease liabilities	–	–	(2)	(2)
Other financial and non-financial liabilities	(25)	(23)	(21)	(22)
Net assets acquired	2	13	9	13
Goodwill	50	50	14	18
Non-controlling interests	(1)	(6)	(4)	(6)
Consideration transferred according to IFRS 3	51	57	19	25

After considering the cash and cash equivalents disposed of, the Bertelsmann Group recorded cash flows in the amount of €4 million from all disposals in the first half of 2023. The disposals led to a gain from deconsolidation of €2 million, which is recognized in the item “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	Total
Non-current assets	
Goodwill	3
Current assets	
Other current assets	2
Cash and cash equivalents	4
Liabilities	
Financial debt	1
Other financial and non-financial liabilities	4

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	RTL Deutschland publishing business	Majorel	Other	6/30/2023	12/31/2022
Assets					
Non-current assets					
Goodwill	8	154	-	162	-
Other intangible assets	5	32	-	37	-
Property, plant and equipment and right-of-use assets	1	303	19	323	18
Investments accounted for using the equity method	-	4	-	4	123
Trade and other receivables	-	2	-	2	-
Deferred tax assets	1	39	-	40	-
Current assets					
Inventories	3	-	-	3	-
Trade and other receivables	2	464	1	467	-
Other current assets	1	103	-	104	-
Cash and cash equivalents	21	278	-	299	-
Impairment on assets held for sale	-	-	(2)	(2)	-
Assets held for sale	42	1,379	18	1,439	141
Equity and liabilities					
Non-current liabilities					
Provisions for pensions and similar obligations	2	33	-	35	-
Other provisions	-	10	-	10	-
Deferred tax liabilities	-	5	-	5	-
Financial debt	-	117	-	117	-
Lease liabilities	1	90	-	91	-
Trade and other payables	9	22	-	31	-
Other non-current liabilities	-	19	-	19	-
Current liabilities					
Other provisions	-	29	-	29	-
Financial debt	-	7	-	7	-
Lease liabilities	-	55	-	55	-
Trade and other payables	6	175	-	181	-
Other current liabilities	7	249	1	257	-
Liabilities related to assets held for sale	25	811	1	837	-

As of June 30, 2023, the carrying amounts of the assets classified as held for sale and related liabilities are mainly attributable to the RTL Deutschland publishing business and Majorel, which is allocated to the Arvato Group division.

In February 2023, RTL Deutschland announced a reorganization of its publishing business to focus on its core brands "Stern," "Geo," "Capital," "Stern Crime," "Brigitte," "Gala," "Schöner Wohnen," "Häuser," "Couch," "Eltern," "Chefkoch," "Geolino" and "Geolino Mini." Other brands are to be sold or discontinued. The carrying amounts of the assets classified as held for sale and related liabilities relate mainly to its publishing businesses Deutsche Medien-Manufaktur and the football magazine "11Freunde." The carrying amounts of five other individual magazine brands "PM," "Business Punk," "Art," "Beef!" and "Salon" are considered as immaterial.

In April 2023, Bertelsmann announced its acceptance of a proposed takeover offer by the French company Teleperformance for Bertelsmann's 39.5 percent interest in the global customer experience company Majorel. Teleperformance had announced it was to buy all shares in Majorel at a valuation of €30 per share. Saham Group, co-founder and co-shareholder of Majorel, will also accept Teleperformance's takeover offer for its shares. Majorel's existing shareholders will receive a total of €2 billion in cash and shares in Teleperformance. The transaction is subject to regulatory approval. Closing is expected for the fourth quarter 2023.

As of December 31, 2022, the carrying amounts of the assets classified as held for sale and related liabilities were mainly attributable to the Arvato Group (previously Arvato) and Bertelsmann Marketing Services (previously Bertelsmann Printing Group) divisions.

For a disposal group from the Arvato Group division recognized under "Other," which was measured at fair value less costs to sell, impairment losses in the amount of €2 million were recognized in the first half of 2023. 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 contract negotiations.

Currency Translation

The following euro exchange rates were used for currency translation purposes for the most significant foreign currencies for the Bertelsmann Group:

Foreign currency unit per €1		Average rates		Closing rates		
		H1 2023	H1 2022	6/30/2023	12/31/2022	6/30/2022
Australian dollar	AUD	1.5982	1.5200	1.6398	1.5693	1.5099
Canadian dollar	CAD	1.4566	1.3903	1.4415	1.4440	1.3425
Chinese renminbi	CNY	7.4893	7.0870	7.8983	7.3582	6.9624
British pound	GBP	0.8762	0.8421	0.8583	0.8869	0.8582
US dollar	USD	1.0807	1.0934	1.0866	1.0666	1.0387
Brazilian real	BRL	5.4840	5.5521	5.2788	5.6386	5.4229

Additional Disclosures on Revenues

In the first half of 2023, Group revenues of €9,505 million were generated from contracts with customers in accordance with IFRS 15 (H1 2022: €9,121 million). The other revenues amounting to €200 million (H1 2022: €169 million) not in the scope of IFRS 15 resulted almost entirely from financial services in the Arvato Group division. The following table shows the revenues from contracts with customers in accordance with IFRS 15 by division and broken down by revenue source, geographical area and timing of revenue recognition. The categorization of revenue sources and geographical areas shown corresponds to that used in segment reporting. By contrast, the revenues reported reflect exclusively the revenues in accordance with IFRS 15, and thus differ in amount from the breakdown of revenues in segment reporting.

Revenue from Contracts with Customers

H1 2023								
in € millions	RTL Group	Penguin Random House	BMG	Arvato Group	Bertelsmann Marketing Services	Bertelsmann Education Group	Bertelsmann Investments	Total divisions ¹⁾
Revenue Sources								
Own products and merchandise	96	1,981	44	30	8	3	38	2,200
Services	174	79	4	2,603	601	427	145	4,033
Advertising	1,535	–	–	–	7	–	20	1,562
Rights and licenses	1,297	38	364	–	–	–	1	1,700
	3,102	2,098	412	2,633	616	430	204	9,495
Geographical Areas								
Germany	1,055	137	49	929	397	2	122	2,691
France	628	3	29	248	26	–	2	936
United Kingdom	129	209	42	215	44	–	1	640
Other European countries	690	168	42	803	80	–	11	1,794
United States	512	1,233	217	248	64	165	10	2,449
Other countries	88	348	33	190	5	263	58	985
	3,102	2,098	412	2,633	616	430	204	9,495
Timing								
Point in time	1,075	2,019	102	33	14	5	42	3,290
Over time	2,027	79	310	2,600	602	425	162	6,205
	3,102	2,098	412	2,633	616	430	204	9,495

H1 2022								
in € millions	RTL Group	Penguin Random House	BMG	Arvato Group	Bertelsmann Marketing Services	Bertelsmann Education Group	Bertelsmann Investments	Total divisions ¹⁾
Revenue Sources								
Own products and merchandise	112	1,807	28	36	10	–	48	2,041
Services	155	76	1	2,400	665	231	140	3,668
Advertising	1,732	–	–	–	11	–	21	1,764
Rights and licenses	1,265	33	341	–	–	–	1	1,640
	3,264	1,916	370	2,436	686	231	210	9,113
Geographical Areas								
Germany	1,141	129	30	795	430	2	131	2,658
France	672	7	27	225	38	–	1	970
United Kingdom	118	184	33	218	42	–	1	596
Other European countries	780	165	48	761	86	–	16	1,856
United States	468	1,135	203	210	85	153	16	2,270
Other countries	85	296	29	227	5	76	45	763
	3,264	1,916	370	2,436	686	231	210	9,113
Timing								
Point in time	1,086	1,839	97	37	21	1	57	3,138
Over time	2,178	77	273	2,399	665	230	153	5,975
	3,264	1,916	370	2,436	686	231	210	9,113

1) Excluding Corporate activities.

Additional Disclosures on Financial Instruments

Both of the following tables show the carrying amounts and measurement categories of financial assets and financial liabilities in accordance with IFRS 9:

Carrying Amounts and Measurement Categories of Financial Assets

in € millions	Balance sheet position	6/30/2023	12/31/2022
Financial assets measured at amortized cost			
– loans	Minority stakes and other financial assets	34	44
– trade receivables	Trade and other receivables	3,176	4,004
– receivables from participations	Trade and other receivables	32	20
– sundry financial receivables	Trade and other receivables	936	900
– bank balances and cash on hand	Cash and cash equivalents	990	1,583
– cash equivalents	Cash and cash equivalents	29	283
Financial assets measured at fair value through other comprehensive income			
– other financial assets	Minority stakes and other financial assets	28	28
Primary financial assets measured at fair value through profit or loss			
– loans	Minority stakes and other financial assets	14	31
– fund-of-fund investments	Minority stakes and other financial assets	197	203
– minority stakes of the Bertelsmann Investments division	Minority stakes and other financial assets	1,177	1,179
– sundry financial receivables	Trade and other receivables	308	14
– financial instruments of the consolidated special fund	Minority stakes and other financial assets	–	125
– other financial assets	Minority stakes and other financial assets	303	286
– cash equivalents	Cash and cash equivalents	670	1,362
Derivative financial instruments	Minority stakes and other financial assets	70	76
Continuing involvement	Trade and other receivables	213	183
		8,177	10,321

Carrying Amounts and Measurement Categories of Financial Liabilities

in € millions	Balance sheet position	6/30/2023	12/31/2022
Financial liabilities measured at amortized cost			
– profit participation capital	Profit participation capital	413	413
– bonds and promissory notes	Financial debt	4,846	4,981
– liabilities to banks	Financial debt	154	291
– other financial debt	Financial debt	210	205
– trade payables	Trade and other payables	3,876	3,988
– liabilities to participations	Trade and other payables	9	23
– other	Trade and other payables	1,316	1,531
Primary financial liabilities measured at fair value through profit or loss	Trade and other payables	216	68
Derivative financial instruments	Trade and other payables	120	284
Continuing involvement	Trade and other payables	213	183
		11,373	11,967

The principles and methods used for 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 financial year are explained below. These explanations relate in particular to the disclosure of financial instruments measured at fair value depending on the different levels of the fair value hierarchy. No fair values are disclosed for financial instruments not measured at fair value whose carrying amount is a reasonable approximation.

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 applicable at the end of the reporting period. The fair value of forward exchange transactions is calculated using the average spot prices applicable 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 applicable 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. The fair values of the money market funds correspond to the price quotations of the funds not directly listed on the stock exchange.

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 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 start-up investments. Transfers between levels of the fair value hierarchy are recognized at the date of the event or change in circumstances that caused the transfer. There were no transfers between levels 1 and 2 during the first half of 2023.

The measurement category "fair value through profit or loss" mainly includes the minority stakes in start-ups and fund-of-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 the fair value of its unlisted investments, if 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 or other operating expenses in the item "Fair value measurement of investments." As of June 30, 2023, the valuation of fund-of-fund investments would have been €56 million (December 31, 2022: €61 million) higher excluding fungibility discounts. Contractual lockups for listed instruments existed neither as of June 30, 2023, nor as of December 31, 2022. Investments in diversified money market funds with first-class ratings, which are only subject to insignificant fluctuations in value, are also measured at fair value through profit or loss. Furthermore, receivables that were acquired by Riverty from third parties in the course of conducting its financial services and which meet the criteria for resale to financial intermediaries are assigned to this measurement category.

The market value of the profit participation certificates 2001 with a closing rate of 258.31 percent on the last day of trading in the first half of 2023 on the Frankfurt Stock Exchange was €734 million (December 31, 2022: €739 million with a rate of 260.00 percent) and, correspondingly, €27 million for the 1992 profit participation certificates with a rate of 160.00 percent (December 31, 2022: €29 million with a rate of 173.00 percent). The market values are based on level 1 of the fair value hierarchy.

In March 2023, Bertelsmann exercised a call option on the hybrid bond with a nominal value of €650 million. The early repayment of the outstanding nominal value of €146 million was made in April 2023, after a nominal amount of €504 million was already repaid early in December 2022 as part of a public repurchase offer.

On June 30, 2023, the cumulative market value of the listed bonds totaled €4,034 million (December 31, 2022: €4,157 million) with a nominal volume of €4,331 million (December 31, 2022: €4,472 million) and a carrying amount of €4,273 million (December 31, 2022: €4,407 million). The stock market prices are based on level 1 of the fair value hierarchy. On June 30, 2023, the total carrying amount of the private placements and promissory notes totaled €574 million (December 31, 2022: €574 million), and the total market value amounted to €546 million (December 31, 2022: €537 million). The market 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 3.51 percent to 3.71 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 6/30/2023
Equity instruments measured at fair value	236	–	1,209	1,445
Debt instruments measured at fair value	61	673	518	1,252
Primary and derivative financial assets held for trading	–	47	–	47
Derivatives with hedge relation	–	23	–	23
	297	743	1,727	2,767

Financial Assets Measured at Fair Value Based on Level 3

in € millions	Equity instruments measured at fair value	Debt instruments measured at fair value	Total
Balance as of 1/1/2023	1,219	252	1,471
Total gain (+) or loss (-)	(38)	(30)	(68)
– in profit or loss	(36)	(29)	(65)
– in other comprehensive income	(2)	(1)	(3)
Purchases	47	343	390
Sales/settlements	(19)	(47)	(66)
Transfers out of/into level 3	–	–	–
Balance as of 6/30/2023	1,209	518	1,727
Gain (+) or loss (-) from assets still held at the end of the reporting period	(40)	(29)	(69)

The purchases of equity instruments mainly consist of various new and follow-up investments by the Bertelsmann Investments division, which were not material on a stand-alone basis. The purchases of debt instruments are mainly attributable to receivables that were acquired by Riverty from third parties in the course of conducting its financial services and which meet the criteria for resale to financial intermediaries.

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 6/30/2023
Financial liabilities measured at fair value through profit or loss	–	–	216	216
Primary and derivative financial liabilities held for trading	–	44	–	44
Derivatives with hedge relation	–	76	–	76
	–	120	216	336

The decrease in negative fair values from financial derivatives is mainly attributable to currency derivatives that were concluded to hedge against exchange rate risks from intercompany financing. Reasons are, in particular, the depreciation of the US dollar against the euro and the hedge prolongation at the respective quoted exchange rates.

Financial Liabilities Measured at Fair Value Based on Level 3

in € millions	Financial liabilities measured at fair value through profit or loss	Total
Balance as of 1/1/2023	68	68
Total gain (-) or loss (+)	34	34
– in profit or loss	34	34
– in other comprehensive income	–	–
Purchases	78	78
Settlements	(2)	(2)
Transfers into level 3 (including first-time classification as level 3)	58	58
Reclassifications in accordance with IFRS 5	(20)	(20)
Balance as of 6/30/2023	216	216
Gain (-) or loss (+) from liabilities still held at the end of the reporting period	36	36

The transfers into level 3 (including first-time classification as level 3) relate to liabilities from put options measured at fair value.

The effective portion of changes in the fair value of cash flow hedges is recognized in accumulated other comprehensive income until the effects of the hedged underlying transaction affect profit or loss, or until a basis adjustment occurs. The amount of €-13 million relating to cash flow hedges (H1 2022: €19 million) was reclassified from accumulated other comprehensive income to the income statement. These are amounts before taxes. The effects from fair value hedges to hedge interest rate risks led to an increase of the carrying amount of the reported financial debt in the amount of €3 million.

Income Taxes

The tax expense for the first half of 2023 was calculated in accordance with IAS 34 using the average annual tax rate expected for the whole of 2023, in relation to taxable earnings before taxes, which is calculated at 30.1 percent (H1 2022: 30.2 percent), according to Bertelsmann management's current estimation. In addition, special effects were included in earnings before taxes and in current and deferred taxes, resulting in a different tax rate in the income statement. In the first half of 2023, tax expense is down compared to the previous year due to operational factors.

Global minimum tax

In October 2021, more than 130 countries agreed to implement a global minimum tax for multinational groups, known as Pillar Two, to reform international corporate taxation. Pillar Two aims to ensure that multinational groups in scope are liable to a minimum effective corporate tax rate of 15 percent per country. In December 2021, the OECD released the Pillar Two model rules – accompanied by commentary and guidelines – which are due to be passed into national legislation but adapted to take into account local conditions. In Europe, the individual countries enact the related law based on the latest EU directive before December 31, 2023. Management closely monitors the progress of the legislative process in each country in which the Group operates as well as the publications in connection with Pillar Two by e.g., the OECD or the IASB.

Since the newly enacted tax legislation in the United Kingdom, Japan and South Korea is effective only from January 1, 2024, onwards, there is no tax impact in the period ended June 30, 2023. If the minimum tax had applied in 2023, the Group would not expect any related taxes to occur in these jurisdictions based on the available insights so far.

Additional Disclosures on Cash Flow Statement

The structure of the Consolidated Cash Flow Statement was adjusted in the Consolidated Financial Statements as of December 31, 2022, for better comparability. The item "Interest received" was reclassified from "Cash flow from financing activities" to "Cash flow from operating activities." The prior-year comparatives were adjusted accordingly.

Cash flow from financing activities includes changes in equity, financial debt, lease liabilities and dividend distributions affecting cash, as well as interest paid (including interest paid due to leases). The item "Change in equity" amounts to €65 million, which relates mainly to the increase of shares under company law in the education company Afya in the amount of €57 million. The increase of the item "Other effects" in the "Cash flow from financing activities" is mainly attributable to derivative currency hedging transactions in connection with intercompany loans maturing in 2023.

The following table shows the changes in net liabilities arising from financing activities:

Changes in Net Liabilities Arising from Financing Activities

in € millions	H1 2023	H1 2022
Net liabilities arising from financing activities as of 1/1	(3,787)	(2,315)
Cash flow from operating activities	424	200
Cash flow from investing activities	(422)	(249)
Interest paid, dividends and changes in equity, additional payments (IAS 32.18(b))	(730)	(743)
Exchange rate effects and other changes in net liabilities arising from financing activities	(424)	(596)
Net liabilities arising from financing activities as of 6/30	(4,939)	(3,703)

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

Other Information

The Bertelsmann Group's core business is subject to significant seasonal fluctuations, and in the current financial year may also be impacted by additional economic challenges and related uncertainties as a result of external events, such as geopolitical tensions. The balance sheet effects are therefore being continuously analyzed for the particularly relevant issues, which are impairment of goodwill and individual assets, leasing, royalties, program rights, inventories, trade receivables, government grants, deferred tax assets, losses from onerous contracts as well as revenues. As a result of the current business development, it was not deemed necessary to recognize an impairment loss on goodwill, even in light of the geopolitical and economic uncertainty. This also refers to the accounting areas deemed vulnerable, for which no material negative effects on the financial position or financial performance of the Bertelsmann Group are currently anticipated. The assessment is based on discretionary judgments, estimates and assumptions that contain additional uncertainties in the current situation characterized by geopolitical and economic challenges. Management is of the opinion that these uncertainties have been taken into account to an adequate degree. In a financial year unaffected by additional events, revenues and operating result generally are expected to be higher in the second half of the year compared to the first. These higher revenues are due to increasing demand during the year-end holiday season, in particular in advertising-driven businesses and the publishing business, as well as to the customary seasonality in the music business. The seasonality of advertising-driven businesses is expected to deviate in 2023 from historical comparisons given current geopolitical tensions as well as the overall economic uncertainty affecting the expected business performance in the second half of the year.

In January 2023, Global Savings Group (GSG), an at-equity investment held by Groupe M6, completed the acquisition of pepper.com. This transaction resulted in a dilution of Groupe M6's investment in GSG from 41.49 percent as of December 31, 2022, to 31.16 percent. The impact on profit or loss amounted to €13 million in 2023 and was recognized under "Results from disposals of investments" in the consolidated income statement.

Goodwill and intangible assets with indefinite useful life are tested for impairment in accordance with IAS 36 annually as of December 31 and if a triggering event occurs. The key assumptions used to determine the recoverable amount for the different cash-generating units were disclosed in the consolidated financial statements as of December 31, 2022. Due to the ongoing geopolitical tensions and the economic uncertainty on the global markets, the assumptions for impairment testing overall continue to be subject to increased uncertainty and extended discretionary judgment in the context of cash flow forecasts.

As of June 30, 2023, Bertelsmann reviewed parameters that may indicate a decrease in the recoverable amount of cash-generating units during the first half of 2023. In particular, the current performance of cash-generating units has been compared with forecasts and market data as well as with financial parameters (discount rate and long-term growth rate) used as of December 31, 2022. This includes analyzing adherence to budget on an individual cash-generating unit level, monitoring the development of individual discount rates (WACC) and considering headroom in the latest impairment test. During impairment testing and despite the ongoing economic uncertainties, the Bertelsmann Group did not identify any triggering events for its significant goodwill-bearing cash-generating units as of June 30, 2023, with the exception of the cash-generating units We Are Era and Book Printing Group USA. For both cash-generating units, the Discounted Cash Flow (DCF) model has been updated.

The DCF model for We Are Era was based on a revised discount rate of 11.5 percent (December 31, 2022: 12.4 percent) and a long-term growth rate of 2.0 percent (December 31, 2022: 2.0 percent) resulting in a headroom of €6 million, which decreased compared with December 31, 2022.

The DCF model for Book Printing Group USA was based on a revised discount rate of 7.2 percent (December 31, 2022: 8.1 percent) and a long-term growth rate of 0.0 percent (December 31, 2022: 0.0 percent) resulting in a headroom of €5 million, which increased compared with December 31, 2022.

As of June 30, 2023, neither additional impairment losses nor reversals of impairment losses had to be recognized on the at-equity investment in Atresmedia. The recoverable amount of Atresmedia as of June 30, 2023, was based on the value in use determined using a DCF model. The DCF model for Atresmedia was based on a revised discount rate of 9.1 percent (December 31, 2022: 10.0 percent) and a long-term growth rate of 0.0 percent (December 31, 2022: 0.0 percent).

In February 2023, RTL Deutschland announced a reorganization of its publishing business. During the reorganization, costs will be reduced in all areas. Around 500 jobs will be cut in Hamburg, while an additional 200 jobs will be transferred to new owners through the planned sale of titles. Negotiations with the employee representatives about a voluntary layoff program and the staff dismissal process – which specifies the financial terms of the restructuring plan and the number of staff affected – were finalized during the first half of 2023. The total estimated restructuring expenses amount to €53 million as of June 30, 2023.

Notes on Segment Reporting

Segment reporting continues to reflect seven operating reportable segments (RTL Group, Penguin Random House, BMG, Arvato Group (previously Arvato), Bertelsmann Marketing Services (previously Bertelsmann Printing Group), Bertelsmann Education Group and Bertelsmann Investments). In April 2023, Bertelsmann announced the renaming of its services and printing businesses. Since then, the Arvato division has been operating under the name Arvato Group. The direct marketing and printing activities of the Bertelsmann Printing Group division are now provided under the name Bertelsmann Marketing Services.

Also in April, the content agency Territory was transferred from Bertelsmann Investments to Bertelsmann Marketing Services with retroactive effect from January 1, 2023. Territory's recruiting and employer branding services, combined under the Embrace brand, were carved out from the agency and remain in the Bertelsmann Investments division. The figures for the financial year 2022 have been adjusted accordingly.

For segment reporting, intercompany leases are generally presented as operating leases with income and expenses recognized using the straight-line method in accordance with IFRS 8, in line with internal management.

Reconciliation of Segment Information to Group Profit or Loss

in € millions	H1 2023	H1 2022
Operating EBITDA	1,275	1,429
Amortization/depreciation, impairment and reversals on intangible assets, property, plant and equipment and right-of-use assets	(572)	(495)
Adjustments on amortization/depreciation, impairment and reversals on intangible assets, property, plant and equipment and right-of-use assets included in special items	9	9
Special items	(203)	(103)
EBIT	509	840
Financial result	(158)	(161)
Earnings before taxes	351	679
Income tax expense	(91)	(187)
Group profit or loss	260	492

Events after the Reporting Period

Groupe M6, which belongs to RTL Group, and Prisma Media (owned by Vivendi) have signed an exclusive negotiation agreement for the sale of Groupe M6's thematic online media and services businesses. The proposed transaction is expected to close after the summer and would make a positive contribution to Group profit or loss. Completion of the transaction remains subject to the usual conditions precedent.

At the beginning of August 2023, Bertelsmann Investments acquired Studyflix, the largest career platform for pupils and students in the German-speaking region. With this acquisition, Bertelsmann Investments is strengthening its portfolio company Embrace as part of Bertelsmann Next, in which the future topics of digital health, mobile gaming and HR tech are being driven forward. At the time the Consolidated Financial Statements were prepared, the purchase price allocation was at a very preliminary stage. In particular, the valuations have not yet been finalized.

At the beginning of August 2023, RTL Deutschland closed the sale of its brand PM and the transfer of PM's editorial team as part of the reorganization of its publishing business. Further, at the beginning of August 2023, RTL Deutschland announced the completion of the sale of Deutsche Medien-Manufaktur as part of the reorganization of its publishing business.

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 Group Interim Management Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the material opportunities and risks associated with the expected performance of the Group for the remaining months of the financial year.

Gütersloh, August 28, 2023

Bertelsmann SE & Co. KGaA
represented by:
Bertelsmann Management SE, the general partner
Executive Board

Thomas Rabe

Rolf Hellermann Immanuel Hermreck

Review Report

To Bertelsmann SE & Co. KGaA, Gütersloh

We have reviewed the Condensed Interim Consolidated Financial Statements – comprising the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Consolidated Cash Flow Statement, Consolidated Statement of Changes in Equity and Selected Explanatory Notes – together with the Group Interim Management Report of Bertelsmann SE & Co. KGaA, for the period from January 1 to June 30, 2023 that are part of the semi-annual financial report according to Section 115 WpHG [Wertpapierhandelsgesetz: German Securities Trading Act]. The preparation of the Condensed Interim Consolidated Financial Statements in accordance with International Accounting Standard IAS 34 “Interim Financial Reporting” as adopted by the EU, and of the Group Interim Management Report in accordance with the requirements of the WpHG applicable to interim group management reports, is the responsibility of the Company’s management. Our responsibility is to issue a report on the Condensed Interim Consolidated Financial Statements and on the Group Interim Management Report based on our review.

We performed our review of the Condensed Interim Consolidated Financial Statements and the Group Interim Management Report in accordance with the generally accepted German 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 a certain level of assurance, that the Condensed Interim Consolidated Financial Statements have not been prepared, in material respects, in accordance with IAS 34 “Interim Financial Reporting” as adopted by the EU, and that the Group Interim Management Report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports. A review is limited primarily to inquiries of company employees and analytical assessments and therefore does not provide the assurance attainable in a financial statement audit. Since, in accordance with our engagement, we have not performed a financial statement audit, we cannot issue an auditor’s report.

Based on our review, no matters have come to our attention that cause us to presume that the Condensed Interim Consolidated Financial Statements have not been prepared, in material respects, in accordance with IAS 34 “Interim Financial Reporting” as adopted by the EU, or that the Group Interim Management Report has not been prepared, in material respects, in accordance with the requirements of the WpHG applicable to interim group management reports.

Bielefeld, August 29, 2023

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

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The Interim Report is also available in German.

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